



## The Economics of Recognition

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One of the challenges many companies encounter when either launching or refreshing an employee recognition program is justifying the costs to senior management. This can be tricky since many times, programs will not generate tangible ROI. However, when viewing things in a greater perspective, a well-run program has a dramatic impact on a company's bottom line.

When it comes to an employee recognition programs there are two major objectives to consider. First, **a program must drive and/or reinforce the behaviors a company has determined.** This is vital to their overall success because it not only gives defined objectives to employees but also contributes to the company's overall culture. Secondly, it's crucial to **create a culture that employees want to be a part of and share with others.** How employees feel is a reflection on you and the company culture you've established. So, if we take each matter and view it in terms of ROI, the justification becomes abundantly easier to recognize.

According to the Workplace Research Foundation, **highly engaged employees are 38% more likely to have above-average productivity.** Additionally, the study noted, **increasing employee engagement investments by 10% can increase profits by \$2,400 per employee, per year,** and that's just the start of the ROI an engaged workforce can create. Let's consider the ripple effect an engaged workforce creates a higher level of service, which creates higher customer satisfaction, which increases sales which ultimately leads to higher levels of profits.

Now, let's consider the effect it has on retention. **The number-one reason most Americans leave their jobs is that they don't feel appreciated.** According to the



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Department of Labor, **22% of new hires will leave their job within 45 days of being hired,** couple that with **the average cost to replace an employee making \$50,000/year is just under \$10,000** and you can see how retention can have a dramatic influence on a company's bottom line. Organizations with recognition programs, which are highly effective at enabling employee engagement, had **31% lower voluntary turnover** than organizations with ineffective recognition programs.

As you can see in the two examples above, the economics of a recognition program may not be something that fits into the cell of a spreadsheet. But, a well-run program featuring desirable rewards, should not only be self-liquidating but will ultimately have long-term effect on a company's overall profitability and success.

