



INCENTIVES RATHER THAN REMUNERATION...

Alexandre Meerson, incentives and motivation director at Sodexo, takes a look at how non-salary remuneration such as benefits, vouchers and discounts has become a key source of incentives and a motivational tool for HR directors and practitioners.

With the substantial increases in employee pay in recent years there has been a rapid growth in non-salary remuneration. Employees want recognition for their contribution at work, not just a good salary, and employers are willing to reward

The picture with travel rewards and choice-based gifts is quite different. Incentive travel, and to some degree leisure experiences and days out, has boomed in recent times. With increasing affluence and low-cost air travel, travel has become

them, increasingly through long-term reward programmes. Before moving into the corporate incentives market with its multi-retail voucher *Sayshopping*, Sodexo carried out in-depth research into the structure and dynamics of the wider corporate reward and compensation market. As people want more choice and flexibility in terms of rewards and incentives in the workplace, we have seen a rapid rise in flexible and voluntary benefits schemes. Sodexo research suggests that the number of flexible benefit schemes is likely to rise by 32% in 2007-8, and more particularly, the number of voluntary benefit schemes (schemes which are mostly not funded by employers but offer a variety of discounted goods and services) may increase by as much as 52%.

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In a rapidly changing environment, where traditional rewards such as the retirement 'gold watch' have disappeared and regular benefits such as life assurance or dental insurance are no longer in such demand, the four most popular rewards for employees right now are cash, travel, merchandise and choice-based gifts,

affordable, easy and part of our cultural habit. As a one-off reward, a trip to Europe or a skydive is much sexier than some discounted DVDs. What impact higher travel costs (such as green taxes) will have on slowing down the corporate demand for incentive travel remains to be seen.

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Choice-based gifts, that is vouchers and pre-paid cards, work in a different way. As the name suggests they are incredibly flexible, and therein lies their endless appeal. Vouchers, which can be retail or childcare, bring more immediate value than their cash equivalent. Retail vouchers can be redeemed for virtually anything under the sun – from a meal to a holiday. Pre-paid cards are also attractive but largely because they are so new. How popular or successful they will prove among employees in the long term is very difficult to predict.

Finally, while the future seems to lie with increasingly sophisticated choice-based gifts and with travel rewards, HR departments need all four reward tools for a balanced and effective programme - HR managers cannot afford to miss out on other rewards by concentrating on just one

including vouchers; and these rewards have become the HR director's most valuable tools to motivate and incentivise employees.

Sodexo's research indicates that the big trends for these rewards in 2007 are twofold: firstly, there is the ongoing increase in incentive travel and experiences; secondly, there will also be an acceleration of paper voucher use, not just among companies that already use vouchers to some degree, but also by businesses that are new to rewarding their staff in a systematic way. In 2006 approximately £560 million vouchers were bought by HR departments to reward and incentivise, and £165 million were purchased as part of company benefits packages. Current growth is about 20% per annum.

These two trends are dictated by increasing employee demand and expectation, cultural changes resulting from the rise of e-commerce (we all want choice and we all want discounts), and of course the security and ROI guaranteed to employers.

You might ask who wouldn't rather have cash in the wallet. It's always very welcome, but on its own will it bring the

mechanism. Variety allows employers to reward different kinds of staff activity, such as performance, productivity, loyalty, and length of service. With companies and agencies providing such a range of rewards and incentives, it couldn't be a more interesting time to be making decisions in HR.



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ROI that is required? How many employees really remember getting a cash bonus or reward? And when they do, can they remember what they spent it on? Then there's merchandise - an employee may well appreciate a discounted electrical good. But is it enough on its own?



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