

EMPLOYEE BONUSES: A RETENTION BOON OR BUST?

Whether or not you pay bonuses to employees should be a strategic business decision—not an afterthought. And what better time to reevaluate your bonus pay strategy than the first of the year, as seasonal pay rates disappear, workers look for other jobs, and involuntary turnover rises? 'Tis the season, friends!

Your total compensation and reward package must aid your company in its quest to meet certain business goals, and a bonus (or lack thereof) can significantly affect your company's ability to do so by impacting attendance, productivity, and tenure, three important drivers of success. Because without productive workers who show up daily and remain on assignment long after mastering job-related competencies, a business cannot run efficiently.

BONUS PAYMENTS CORRELATE WITH LONGER TENURE BEFORE VOLUNTARY DEPARTURE

In general, bonus payments correlate with longer tenure before quitting. Over a two-year period, our associates who received at least one bonus stayed on assignment about 54 days longer than peers who did not receive a bonus (91 days versus 37 days, respectively). *But, you say, many workers are not eligible for bonuses until they've exhausted a waiting period, so it makes sense that tenure among bonus-earning associates will be longer!* Certainly, this is true. However—consider this: In general, associates who received a bonus stayed on assignment an additional 52 days after receiving their first bonus, effectively explaining the 54-day gap in tenure between bonus- and non-bonus-earning workers. Not only is the additional 52 days on assignment an impressive number—it's longer than the total time the average employee stays on assignment before quitting!

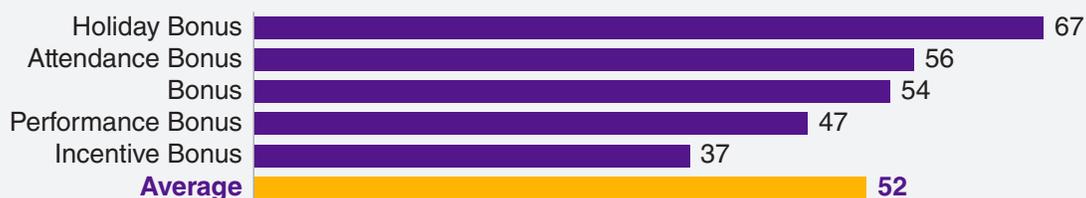
SOME BONUS PAYMENTS CORRELATE BETTER OUTCOMES THAN OTHERS

It's true that not every extra payment is created equal—at least for our pool of temporary workers. While the average time on assignment was extended by 52 days after a worker's first bonus payment, that figure fluctuates based on the type of payment received. Companies that pay a holiday bonus tend to receive the highest return on their investment, while employers who offer incentive payments receive the least. Perhaps this is because a holiday bonus is typically a lump-sum, discretionary payment that may be viewed as a charitable contribution, whereas incentive payments are typically paid on a schedule and directly based upon an employee's hourly or annual salary. In other words, one feels like generosity and the other feels like a paycheck.

DO THE HOLIDAYS—OR HOLIDAY BONUSES—IMPACT RETENTION?

Though the holiday season would seem to discourage fast, voluntary turnover—after all, Christmas gifts are expensive—our data show that associates hired in the fourth quarter tend to quit slightly faster than their peers who are hired during the other nine months of the year (30 days versus 39 days, respectively, for all associates who do not earn any form of bonus compensation). Enter the holiday bonus. Associates who are hired in the fourth quarter and who receive a holiday bonus in the fourth quarter work an average of 85 days after receiving their holiday bonus, for a total average tenure of 120 days before quitting. Keep this in mind as you budget for the fourth quarter each year!

LENGTH OF TIME ON ASSIGNMENT AFTER RECEIVING A BONUS



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TO PAY OR NOT TO PAY A BONUS, THAT IS THE QUESTION

While we feel comfortable promoting the relationship between bonus payments and length on assignment, we can only surmise that bonuses will also positively impact attendance and productivity in your workplace. The good news is that assessing the impact of productivity and attendance bonuses is relatively straightforward. To do this, you'll have to compare worker behavior and output in the presence and absence of the bonus, which might mean implementing new bonus programs if you do not currently have them. If you decide to take the leap, let us know what you find out!

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