

Engaging Gen X and Gen Y Employees

Three Significant Trends in Recognition

The New Rules of Recognition: How To Engage Gen X and Gen Y

According to the U.S. Bureau of Labor Statistics, Generations X and Y – the two youngest generations in the workforce – will constitute 57 percent of the workforce by 2011. As these generations become a workforce majority, the way they choose to work and be recognized will shift in significant ways.

These generations have seen the median length of job tenure in the United States for all workers age 16 and older fall from 9.2 years in 1983 to 4.1 years in 2008 (the last complete year for which numbers are available). These employees don't expect to spend their entire career with one company.

As a result, the days are long gone when effective, meaningful employee recognition was all about giving a worker a reward for simply staying on the job. Total recognition is the name of the game today. But the rules of total recognition are rapidly changing as the landscape of the workforce and what we know about employees also change.

The three most significant trends in recognition programs that create more meaningful employee engagement are:

1. Peer-to-Peer Recognition
2. Results-Based Recognition
3. Social Recognition

Dr. Bob Nelson, an authority on employee recognition, points out that 89 percent of today's employees report that recognition is very or extremely important to them. To attract and retain top talent, an organization needs to be exceptional at recognizing employees in ways they value. However, Nelson says that most recognition dollars

are still spent on programs that reinforce presence over performance, such as years-of-service awards.¹

“It’s almost universally accepted now that any effective recognition program needs to be built upon a foundation of recognizing more events and results than simply staying on the job a fixed number of years,” says Razor Suleman, founder and CEO of Achievers, the leader in results-driven rewards and recognition solutions. “We are seeing this firsthand with our customers, who are top employers all over North America.”

For organizations that want to attract, retain and encourage better performance from Gen X and Gen Y employees, it’s crucial to stay abreast of changes in the kinds of recognition that employees expect and that motivate them. Based on our real-world experience, this paper will explain how you can use recognition to engage and motivate these generations in your workforce.

Moving Forward: Three Trends Toward Engaging Gen X and Gen Y Employees

In today’s work world, any recognition and rewards program that hopes to keep up with the changing demographics and expectations of the modern workforce must accept that recognition has a different meaning for Gen X and Gen Y employees. Gallup interviews with more than 1 million managers and employees showed that recognition matters for these younger generations – for achievements large and small, individual and team-based, personal and professional. Employees may be motivated by many different things, but they all strive for recognition and praise. And they need that positive feedback at least every seven days.²

However, organizations that want to recognize their Gen X and Gen Y employees must remember that these employees want not only the recognition but also the ability to choose their reward.

1 Nelson, Bob. “The Importance of Strategic Recognition.” Human Resource Executive Online. November 17, 2006. <http://www.hreonline.com/HRE/story.jsp?storyId=8181009>

2 Rodd Wagner and James K. Harter. 12: The Elements of Great Managing (Gallup Press, December 2006). <http://gmj.gallup.com/content/28270/The-Fourth-Element-of-Great-Managing.aspx>

Gallup interviews with more than 1 million managers and employees showed that recognition matters.

In its 2009 research report on the value and ROI in employee recognition, the Human Capital Institute boiled it down to this: “Recognition programs need to include multiple forms of awards – e.g., what is recognition for one worker will not necessarily work with all.”³

For example, our nationwide survey of 2010 college graduates asked what type of rewards would be most meaningful to them. The top response was travel rewards – 84 percent of respondents ranked travel rewards as one of their top three reward choices. Ranking second were experiential rewards (67 percent), followed by product of their choice (46 percent). Years of Service awards, such as watches and pen sets, ranked at the bottom of the list (17 percent).

Although recognition and rewards go hand-in-hand, recognition is the first step and is key towards engaging the new workforce.

Trend No. 1: Peer-to-Peer Recognition - The New Silver Bullet of Recognition

Peer-to-peer recognition programs historically started with employees nominating peers for recognition and then having one nominee randomly selected as the employee of the month or quarter. The downside to this approach is its subjective nature. If the winner is selected by pulling a name out of a fishbowl, the result is unlikely to be very motivating or able to influence behavior. We’ve also all been involved in the ‘by committee’ decision that includes mystery within the selection process.

Today, peer-to-peer recognition is designed to involve and recognize everyone that deserves it, not who is randomly selected. With a recognition solution and culture of total recognition, all employees can, and should be, involved.

In turn, everyone has a chance to offer feedback – which taps into the need for Gen X and Gen Y employees to have their voices heard. It also allows an organization to monitor who is and isn’t recognizing. The company can promote ideal behaviors and values and help everyone feel like stakeholders in the organization’s culture. Best of all, the approach is not paternalistic, top-down recognition. Peer-to-peer recognition is a grassroots recognition that involves everyone.

³ Human Capital Institute, June 2009, “The Value and ROI in Employee Recognition: Linking Recognition to Improved Job Performance and Increased Business Value – The Current State and Future Needs.”

The theory behind the power of peer-to-peer recognition is not rocket science. In a nutshell, a caring pat on the back in a timely manner by a colleague, manager or anyone else in the organization for a job well done is one of the most cherished and motivating forms of recognition. It creates employee engagement, inspires team effort, and makes everyone in the organization a potential leader and participant in the recognition process. It doesn't need to be expensive, doesn't need to flow through rigid corporate channels, and with an automated recognition system is easily managed and incredibly flexible.

"Peer-to-peer recognition changes recognition to more of an open and transparent approach, where everyone can recognize and be recognized. It empowers employees to decide," Suleman says. "It also drives engagement. And engaged employees drive far better performance for the organization." Other research by Gallup found that companies with above-average employee engagement levels generated:

- 27 percent higher profits
- 50 percent higher sales
- 50 percent higher customer loyalty ⁴

A recognition program also provides a form of feedback to ensure that people are getting things done right – and provides a mechanism to ensure that what gets recognized gets repeated.

Trend No. 2: Results-based Recognition - The Power of Recognizing Defined Achievements

Results matter to Gen X and Gen Y employees, and offering results-based recognition may sound like an obvious choice for a recognition program. But many companies still place too many of their recognition eggs in the service award basket, experts and researchers say.

With increasingly shorter workplace tenure, employees are obviously going to be less motivated by recognition based only on their length of service. Traditional service rewards may still be expected,

According to WorldatWork, 51% said recognition for achieving sales performance had a high impact on employee retention.

but they're certainly not effective in meaningfully engaging employees with their workplace.

If you look at the six "best principles" for applying recognition programs, as determined by the Human Capital Institute's research, you can see that results-based recognition plays into nearly every one of them, and the potential for adding peer-to-peer recognition is there, too:⁵

1. Use both formal and informal recognition.
2. Provide a wide variety of recognition rewards.
3. Emphasize the recognition of increased quality in performance instead of simply quantity of effort.
4. Recognize workers frequently.
5. Reward activities that are linked to specific business objectives and/or desired cultural values.
6. Measure the cost of the recognition and rewards system and the benefits gained.

When WorldatWork, the association for human resources professionals, asked respondents to its 2008 Trends in Recognition survey to rank the impact of various employee recognition programs on employee

RECOGNITION PROGRAM	PERCENT OF RESPONDENTS WHO SAID THE PROGRAM HAS A HIGH IMPACT ON EMPLOYEE RETENTION
Sales Performance	51%
Above and Beyond Performance	27%
Programs to Motivate Specific Behaviors	27%
Safety Performance	27%
Peer-to-Peer	16%
Retirement	14%
Major Family Event	13%
Employee of the Year, Month, Etc.	13%
Suggestions/Ideas	10%
Attendance	10%
Length of Service	10%

retention, length of service was at the bottom of the list. Only 10 percent of respondents said recognition for length of service had a “high impact” on employee retention. By comparison, 51 percent said recognition for achieving sales performance had a high impact on employee retention.⁶

The results from the WorldatWork survey touch on a key point – the results of recognition must be ROI positive to the company. Think about recognition like you would a sales commission – you pay a commission to encourage behaviors and results that benefit the organization. And businesses that engage their workforce using recognition to drive behaviors and results also achieve return on their investment. Research in 2006 from global employee research and consulting firm ISR found a 52 percent gap in the one-year performance improvement in operating income between companies with highly engaged employees versus companies whose employees have low engagement scores.⁷

Trend No. 3: Social Recognition - The Leading Edge of the Curve

With the continuing rush by nearly anyone and everyone to participate in social media and networking programs such as Facebook, LinkedIn and Twitter, the newest trend in making employee recognition meaningful is to leverage those very same social media programs to enhance the power of employee recognition. Social Recognition leverages these existing programs and allows employees the choice of sharing recognition if it’s meaningful to them – and if you’ve been online lately, this new generation now publicizes everything online.

Gen X and Gen Y employees are also far more wired than previous generations. They are plugged into the Internet and social networks from smart phones and netbooks to stay connected with personal and professional networks 24/7. Shorter employment tenure and increasing numbers of off-site workers are trends that run parallel with the expanding number of people connecting through online social networks and the rising use of Web 2.0 tools by organizations to communicate with their employees.

6 WorldatWork, April 2008, “Trends in Employee Recognition.”

7 “Engaged Employees Help Boost the Bottom Line.” ISR press release. June 29, 2006. <http://bit.ly/a5WTzJ>

Facebook announced 400 million users in February, more than double the number from a year earlier. LinkedIn now has 60 million users, up from 55 million in December 2009. In October, LinkedIn CEO Jeff Weiner said in a Twitter post that half of LinkedIn's membership now is international.

"Employees' real-life connections are now living on social platforms, and they share information about their activities and what's going in their lives on the job and outside of the job," says Suleman. "So social media for recognition is really just taking an event that occurs inside the company and publishing that recognition on a social network and sharing it with professional or personal networks."

What also needs to be addressed is how this can positively impact organizations. Beyond the meaningful personal employee benefits, this is also a great way to build an employer brand. Companies that enable employees to publicly share recognition can stand out as employers of choice in front of an online audience that can run into the thousands or even millions.

A well-implemented and strategic communication plan can publicize recognition internally in an organization, but also encourage employees to post announcements of their recognition to their personal and professional networks, as well motivate managers and recognition program owners to blast recognition to networks.

"This is revolutionary stuff," Suleman says. "HR managers and recognition program owners can seamlessly publish accomplishments to LinkedIn or share recognition within a portal within their company and really expand the power of their program."

Enable These Trends with Technology and Rhythm

The only way to implement a broad-based recognition and rewards program that ensures that recognition is specific, meaningful and timely for all generations in the workforce, as well as measurable and manageable for the program owner, is with technology that automates the system and a rhythm that establishes the proper cadence of recognition.

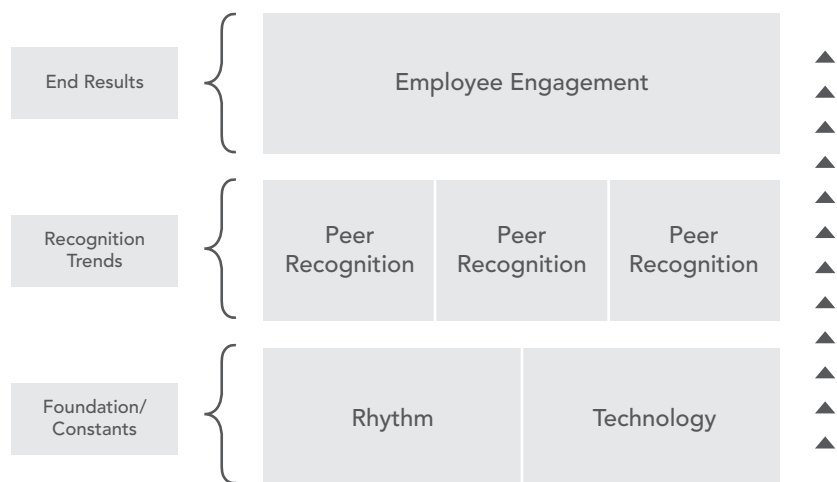
With technology supporting the appropriate recognition strategy, an organization will be able to recruit and hold onto the best and

the brightest from today's young workforce and begin to look beyond what have become the traditional components of recognition and rewards. Technology and the ability to measure over time the types and amount of recognition and reward that employees receive enable an organization to effectively evaluate a certain level of performance based on the desired behaviors.

The advance in Web-based recognition programs allows companies to initiate and carry out recognition on a weekly, daily, or rhythm basis – recognition can be given by anyone, anytime. And, more importantly, organizations can monitor who is and is not living the value of recognition and supporting the recognition mandates set out by the company. "A culture of recognition can only grow if an organization has a rhythm of recognition that builds consistency and becomes ingrained in the company's culture," says Suleman.

Rewards and Social Recognition: Driving Employee Engagement

As the new rules of recognition become prominent in the workplace, Employee Engagement can be impacted through having Rhythm & Technology as a base and implementing Peer, Results-Based and Social Recognition.



Conclusion

Employers that want to attract, engage and retain employees from Generations X and Y must reevaluate their recognition programs to be sure they continue to engage these employees in a way that truly matters.

As the old saying goes, people resemble their times more than they do their parents. Now that Generations X and Y have become a majority of the workforce, recognition programs must change to keep up with new times and new attitudes.

Employers that want to attract, engage and retain employees from Generations X and Y must reevaluate their recognition programs to be sure they continue to engage these employees in a way that truly matters. Peer-to-peer recognition, results-based recognition and Social Recognition all have the potential to ignite engagement in the youngest generations in the workforce.

Rewards and Social Recognition programs can truly drive employee engagement that will treat employees as the customers that they are - or at least approach them with the same strategic intent as you would customers whose loyalty you want to gain and retain. That's what they expect and that's where meaningful employee recognition is heading.