



# **R.I.P. Traditional Service Awards**

Long Live Recognition Milestones

# Introduction

Years of Service Awards (yîr'z v sûr vis '-wôrds) – An antiquated form of recognizing employees that involves heavy administration and offers employees undesirable rewards at long-term time intervals.

The industrial age changed the workplace forever with inventions like the light bulb, steam engine and telephone. Alongside these inventions emerged another industrial age breakthrough – Years of Service awards.

In the early 1900s years of service programs were introduced in textile and automotive factories across North America and Europe. They marked the beginning of employee rewards and recognition programs and helped create the employee rewards industry.

We have witnessed a revolutionary change in the workplace. We are now in the knowledge economy. <sup>1</sup> It's time to transform the way we recognize employees for their loyal years of service.

This white paper sheds light on why traditional years of service awards are in need of a facelift, and offers best practices for the new era of service awards, Recognition Milestones - a recognition-driven approach that meets the needs of today's business and workforce.

## The Changing Landscape Of Employee Recognition

A long, long time ago service awards served a business purpose. The Ford Motor Company, arguably one of the most innovative companies of the industrial age, saw its employee turnover rate of assembly line workers skyrocket to 370% in 1913. The working conditions were so poor that 71% of new hires quit after less than five days on the line. <sup>2</sup>

This created a major business challenge for companies like Ford because a well-run assembly line was a company's number one competitive advantage.

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1 Paul S. Adler, Market, Hierarchy and Trust: The Knowledge Economy and the Future of Capitalism (California: University of Southern California, 2001)

2 Rudi Volti, An Introduction to the Sociology of Work and Occupations (California: Pine Forge Press, 2008)

Companies therefore created reward systems that offered highly valued gifts of that era such as gold watches and grandfather clocks to incent employees to stay on the job.

## Fast Forward to Today's Workplace

Over the last century, business and employee needs have undergone significant changes. We now live in a knowledge-based economy where innovation and information give organizations a competitive edge. As a result, companies have shifted their focus to retaining top performers and motivating their employees to produce value for their business with innovative ideas, knowledge and information.

Today's knowledge-based workforce is characterized as diverse, creative and performance-driven. Today's employee wants more than just a competitive salary and generous healthcare benefits. They are looking for work-life benefits and workplace perks such as flexible hours, career development and bonus programs.<sup>3</sup>

More than anything, today's employee wants to see the difference they make in their organization and be recognized for it. In fact, a recent study conducted by the Gallup Organization of more than 80,000 employees found that 82% of employees surveyed agree that recognition motivates them to improve their job performance.

Another telling characteristic of the knowledge-based worker is they no longer stay at one company their entire career. In 2008, the average employee tenure was 4.1 years. Statistics show that the typical member of Generation Y – those born between 1978 and 2000, will have 10 jobs by the age of 38, and stay an average of 1.5 years with their employer.<sup>4</sup>

Years of Service awards served the business needs for the mass-producing, industrialized era, not the globalized, information-based 21st century. To get the best out of today's workforce, Years of Service awards must speak to today's workplace.

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3 Harris Interactive and Kronos, Listen Up Employers; Employees Know What They Want. [www.hr.com](http://www.hr.com)

4 U.S. Department of Labor Bureau of Labor Statistics, 2008

# Top Reasons to Evolve Years of Service Awards

## Employees Wait Too Long to be Recognized

The truth is traditional programs actively disengage employees. Research shows that human behavior is driven by consequences<sup>5</sup>, and in order to increase employee engagement and drive repeat behavior, employers must provide positive consequences for positive behavior in a timely manner.

Traditional Years of Service programs do not offer timely recognition, given that the standard time intervals are 5, 10, 15, 20 and 25 years. Waiting five years to recognize and reward employees does not motivate repeat positive behavior, nor does it not make employees feel that their day-to-day actions and achievements contribute to the success of the organization.

Companies who wait to reward and recognize at these standard intervals risk losing their top talent and completely miss the opportunity to engage their Generation Y employees, who as studies show, average 1.5 years with an employer.

## Traditional Service Awards Focus on the Reward, Not the Recognition

It's not the reward, but the recognition that makes an impact. Studies show that recognition in the workplace makes employees feel valued by their employer, and significantly boosts employee engagement.

Did you know?  
According to the U.S. Bureau of Labor Statistics, a full 40% of employees quit their jobs not because of salary or workload, but because they don't feel recognized by their manager.

According to the Gallup Q12 survey – an industry leading survey that measures employee engagement, one of the top 12 key factors to securing employee engagement is regular praise and recognition from managers.<sup>6</sup>

Traditional service awards like gold watches and tie-tacs don't motivate or engage employees because there is no meaningful recognition behind the reward. Rewards don't build loyalty or engagement – recognition does.

## High Administration

Heavy administration and reward redemption are two common "thorns" in the sides of managers who run traditional years of service programs. In particular, traditional years of service programs are painfully slow to process and involve a great deal of manual work.

HR can start the process up to 12 months in advance. The back and forth between HR, managers and employees to ensure the right employee receives the right gift for the right reason, ends up being a time-consuming hassle for everyone involved.

TRADITIONAL YEARS OF SERVICE	RECOGNITION MILESTONES
Traditional service awards focus on the reward	Recognition Milestones are about the recognition
Employees have to wait too long to be recognized.	Employees are recognized and rewarded at shorter time intervals to ensure employees feel valued by their employer
High administration and a long, drawn-out process makes service awards a hassle for the employee, their manager and HR.	An automated solution that reduces the time, effort and administration involved in managing the process.
It's an expensive program that eats away at the HR budget.	A cost-effective solution that empowers the employee to choose their reward and the way they want to be recognized.

## It's Expensive!

Due to the high administration and steep price tags of many traditional rewards like rings and watches, traditional programs tend to eat up a large part of a company's HR budget. Also, it's important that one does not equate cost to value. A gold watch may have a significant price tag attached to it, but if the employee doesn't wear a watch the intended meaning is lost.

# Recognition Milestones

Recognition Milestones (rek-uh g-nish-uh n mahyl-stohns) – Today's version of Years of Service award that delivers meaningful recognition rather than outdated rewards. The Recognition Milestones program helps organizations celebrate the contributions of employees while aligning them to corporate goals and culture.

## The Future of Service Awards

Traditional years of service programs are yesterday. Welcome to today's years of service program – Recognition Milestones. Recognition Milestones is the evolution of traditional years service programs. This program helps organizations build a culture of recognition, not a culture of entitlement in their organization.

## Recognition Milestone Best Practices

The following four best practices show how to evolve traditional service awards program into a Recognition Milestones program that fits your organization's culture and aligns to your corporate goals.

### 1. Offer Personalized Recognition

To make the most of workplace recognition, HR needs to train managers on how to provide it because managers know their employees best and can therefore provide meaningful, personalized recognition. For example, a manager knows who on their team appreciates being recognized publically and who prefers a one-on-one celebratory lunch with their manager. Give managers the autonomy to decide how to recognize their employees for achieving milestones.

## 2. Automate the system

Look for opportunities to automate the process so you can manage instead of administer the program. Remember, the future of years of service programs is all about making your program work for the needs of your workplace and workforce.

One solution is integrating Years of Service awards with your current data systems such as a Human Resource Information System and build in the ability to:

- Send notifications of upcoming anniversaries to the HR department and managers.
- Create personalized letters of recognition for managers to give their employees.
- Allow employees to choose their own rewards from an online catalog.

## 3. Reflect your corporate culture

Creating an association between the recognition received and the organization is an effective way to strengthen alignment and engage employees in your culture and their future with the company.

A great example of this comes from a major North American brewery that gives its new employees a company beer stein – a coveted memento that acts as a symbol of the company's culture. The stein serves to recognize an employee's first year with the company, and is engraved with the employee's name and date to make it meaningful.

## 4. Offer personalized rewards that make an impact

Just like recognition should be personal, so should the reward. There are many options available today that allow employees to choose their own rewards. One option is moving to a points-based currency where employees are awarded points and can redeem their points for items of their choice.

Popular employee rewards include the latest and greatest in personal electronics such as iPods or iPhones, experiential rewards for adventure seekers and the ability to donate the monetary value of their reward to the charity of their choice.

The benefit to providing choice is that employees feel their employer is empowering them to choose the reward that best fits their individual lifestyle and needs. When meaningful recognition is tied to meaningful rewards, everyone wins.

## Conclusion

In today's knowledge-based economy, successful organizations are looking past traditional years of service programs and embracing the future – Recognition Milestones.

Evolving your traditional years of service program will help your organization:

- Focus on meaningful recognition and rewards instead of solely on the reward.
- Minimize administration and cost, and maximize the impact of recognizing employees for their contributions and years of service.
- Establish a culture of recognition in your workplace.
- Secure employee engagement and alignment by driving long-term positive employee behavior.

# About Achievers

Achievers (formerly I Love Rewards) is passionate about employee rewards and Social Recognition. Our software helps engage employees and inspire performance globally. Achievers' customers include Deloitte, 3M and Microsoft.

Check us out on the web at [www.achievers.com](http://www.achievers.com).

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