



Manager's Guide to Employee Service Awards



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Manager's Guide to Employee Service Awards

Introduction:

Retaining valuable employees is one of your biggest challenges.

Employees are constantly being asked to do more with fewer resources, and they want, and need, to get frequent positive feedback regarding their efforts.

A recent SHRM survey shows that almost 80% of the employees surveyed said that "lack of appreciation" was one of the main reasons they would leave their current job. There are some simple steps you can take to correct this.

Your company's overall Employee Recognition Program should contain many components that allow recognition of your most valuable asset: your employees. This eBook describes one significant, and much appreciated recognition component: **The Service Awards Program**

This Guide to Employee Service Award Programs includes a brief history of this important employee recognition, reviews the current direction and types of service recognition, and offers practical advice on how to get an effective program started in your organization.

Adding a **Service Award Program** to your overall employee recognition efforts, provides great opportunities to show your appreciation and recognize employees for their service.

Let's start with some background and a brief history of Service Awards.

Definition of Service Awards: *Awards and recognition given to employees when they have worked with a company for a particular length of time, or a specific number of years.*

Is Service Recognition really needed ?

Consider the "Hawthorne Effect":

The term **Hawthorne effect** comes from a study of workers at the Hawthorne Works (a Western Electric factory in Hawthorne IL, a suburb of Chicago), done from 1927 to 1932. The study was testing if worker productivity could be increased by making changes in the workplace.

Using a selected study group, a supervisor would discuss potential workplace changes with them and would use their suggestions to make changes.

They found that the study-group's productivity improved simply in response to their being studied. These gains were mainly due to the motivational effect of the interest shown towards the employees during the study.

They noted that management can make workers perform differently by helping them feel differently.



Is Service Recognition really needed ?

the "Hawthorne Effect" (continued):

When they tested the effects of illumination on productivity, and found the study-group's productivity increased when lighting levels were increased, then increased again when the lighting was lowered to the original levels.

The study group felt they were being treated special, and apparently tried to work harder in response to the interest being shown to them. They felt management was concerned about them, sympathetic and listening, even making changes based on their input.

This study also noted that the increases in productivity were short-lived. When the study ended (and the special attention ended), employee productivity drifted back to the baseline observed prior to starting the study.



Is Service Recognition really needed ?

the "Hawthorne Effect" (continued)

What was learned – regarding employee recognition

It's all about employee morale, which is defined as the general attitude and happiness of employees. High morale is essential to improving productivity and your company's success.

When a company's culture creates a sense of purpose, team loyalty and pride, along with trust and faith in leadership, it influences everything and everyone in the company.

When there's a focus on employee morale, most companies see a dramatic improvement in productivity. And, as long as the company continues to work on the culture, continuous productivity improvement is the norm.

Management must constantly look for ways to make employees feel important and valued by consistently showing interest and appreciation for their efforts.

Employees respond favorably when they feel valued and appreciated!

When employees feel valued, appreciated, and empowered, they're more likely to describe themselves as happy, engaged, fulfilled, and loyal employees.

A Service Award Program provides opportunities for employees to be recognized and shown appreciation for their various service milestones, and is a very important part of a successful company's overall employee recognition program.

The Value of a Service Award Program

Communicates Company's Values

Service Award Programs provide a formal and effective way to communicate how much employees are valued and appreciated for their contribution.

When employees are recognized for their service, it generates goodwill toward your company and its management. It also shows that you understand the employee's service is a major investment of their life, and is something to be valued.

It will strengthen the relationship and communications between managers and employees.

Positive effect on Employees

Service Award Programs have a positive effect on employee attitudes, which can directly affect your bottom line.

Honoring and recognizing employees in front of their peers, helps them to feel appreciated. They'll be happier, more productive, and enjoy a higher sense of pride in their work.

According to a Gallup Poll, when employees had positive attitudes, their companies enjoyed **22%** higher productivity and **27%** higher profits.

Employees want Recognition

Surveys have shown that employees want recognition for their achievements and length of service.

Your Service Award Program will provide you with the opportunities to give them that quality recognition.

Service Award Programs – The Beginnings

Recognizing Employees for their years of service had its beginnings in the period known as the Industrial Revolution.

Manufacturing companies had to provide extensive training to low-skilled employees, so it was important to keep employees on the job for many years.

To help employees feel valued and want to stay longer, companies began using Service Awards to show their appreciation to long term employees.

It was an accepted tradition for companies to present employees with an award after 25 Years of service, which was usually a nice watch.

Getting a watch after 25-years at a company was often was the only recognition employees received for their service.



Service Award Programs – TODAY



Today, employees expect to be recognized more frequently for their service.

For years, the industry standard for service recognition milestones has been in 5 year increments, beginning after 5 years of employment.

This worked fine until the Generation Y employees came in the work force (born from 1978 to 2000). Gen Y employees tend to stay at the same company for much shorter times, often leaving after only 1.5 to 2 years. The standard (5 year) milestones do not include these employees, and greatly increases the risk of losing talented people.

Gen Y employees want to make a difference in the companies they work for, and expect to be recognized for it. However, if they do not feel appreciated, they are very willing to move on.

Due to these changing demographics, more companies are adding early service recognition, beginning at 1 and 3 years. Some even earlier, such as at the completion of an employee's probationary period.



Types of Employee Service Recognition



- Early Service Recognition (before 5 years)
- Standard Service Award Program (starts at 5 yrs)
- Quarter Century Club – Recognition (at 25 Yrs)
- Retirement Recognition

The current types of Service Related Recognition in use today.

Every company's demographics and culture is different. Review the description of each type of recognition to see which of these fits your needs.

Types of Employee Service Recognition



Early Service Recognition

Early Service Recognition, beginning earlier than 5 years, was previously only seen in companies with very high-turn-over, or in companies with a probationary period as part of their employment process.

Today, early service recognition is something **every** company should consider adding to their plans.

According to the US Bureau of Labor Statistics, Gen Y employees are likely to have more than 10 different jobs in their career. That means employers must work harder to encourage employees to stay longer.

Turning over just one employee can cost an average of 150% of their annual wages plus benefits (according to a survey by the Society for Human Resources Managers).

To address the need for earlier recognition...

Today, companies are adding earlier recognition milestones to their Program, for: 1 month, 6-months, 1 year, and 3 years.

Using lower value awards, the investment is minimal compared to the cost to turn over even one person.

If it helps to instill belonging and worth, and motivates some employees to stay longer, it more than pays for itself.

Research shows:

80% of employees who quit mainly do so because they don't feel appreciated..

Types of Employee Service Recognition



(Standard) Service Award Program

The standard Years of Service Recognition Program, recognizes employment milestones in 5-year increments beginning with the employee's fifth service anniversary.

When defining your Service Recognition Program, most companies start with the standard Service Award component, then consider the benefits of adding Early-Service Recognition as well.

The presentation of ALL types of service awards provide valuable opportunities for management to recognize and honor their employees. If possible, give the employee a moment in the spotlight by presenting in front of peers.

A Service Award Program is the most cost effective and most appreciated recognition program a company can implement.

Service Award Recognition

Service Award Presentation Packets typically contain a letter of appreciation (similar to the one shown below), plus an award catalog the employee uses to select their gift.



Types of Employee Service Recognition



Quarter Century Recognition

Although **25 Years of Service** is one of the defined milestones in a “standard” Service Recognition program, some companies prefer to make this anniversary one that deserves special recognition.

To make it stand-out, consider integrating a unique recognition event for employees reaching **25-years**, into your regular service award program.

These awards may have the same, or a much higher value than the "regular" milestone awards, but includes additional recognition, such as a luncheon with senior management and a "Quarter Century" certificate - possibly presented framed, in a presentation box.

Retirement Recognition

Long term employees deserve and appreciate special recognition when they retire.

Retirement Recognition should include all of the aspects of the Quarter Century Recognition, including: an appropriately valued retirement gift (Gift Album), a luncheon with senior management, plus a Retirement Certificate – usually framed, and in a presentation box.

Retirement Recognition should include an event where as many of their peers as possible are brought together to help recognize this person's retirement.

This event will again demonstrate , to all employees, how much you value them.



Determine what Awards to Give

Give Awards People want

According to surveys, over 95% of employees would rather have practical, life-style merchandise items (that they can choose for themselves) as awards, than an item selected for them.

It's very important that your years of service recognition award is perceived as genuine by the employee. Be sure to consider this when determining the value of the awards for each service milestone.



Employees prefer to choose their own award.

Cash or Merchandise for Awards?

This question often comes up when defining any new recognition program.

Unlike cash, merchandise awards come with "Trophy Value" that serves as a source of pride whenever the item is seen or used in the employee's home.

Employees can feel good when telling a friend about an item received as an award, while he would not want to be seen bragging about a cash award he got for working at his company.

Also, tax laws allow favorable treatment for tangible gifts awarded as part of a Service Award program (defined as beginning at 5-years and at 5-year increments), while cash awards are always taxable. **Please ask your tax consultant for details.**

Ideas for Service Awards



Service Award Presentation Packets

Service Award Presentation Packets from **Select-Your-Gift** include an awards catalog (Gift Album) inserted in a white inner wrap. The packets can be customized with your choice of stationary and message, and personalized with each employee's name and anniversary, along with your company's logo.

Employers love them because they can select the album's value based on various service milestones. With each award level, everything is included, even the shipping of the award (within lower 48 US).

Employees love them because they can select their gift from a wide range of quality name brand life-style items.

Packets include a packet-closing years-of-service seal for 1-year, 3-years, 5-years, etc. There are many other customization options available, including Certificate Frames, Presentation Boxes, and individual mailing services. Visit: www.select-your-gift.com for details.



Employees redeem awards using the provided catalog, or redeem online – with even more choices. Awards are shipped directly to employee's home.



Start by defining your Program and Setting Award Values

Define all components of your Program

When defining your Service Award program, describe each type of service recognition included in your program, such as: Early Service Recognition, standard 5-Year Service Awards, Quarter Century Recognition, and Retirement Recognition.

It's also very helpful to tie in specific business objectives, such as: improving employee retention, increasing employee engagement, improving productivity, improving employee moral, etc.

Describing your Service Recognition Program with ties to benefits makes its value very clear to management, enabling better funding.

Better funding allows higher value awards, resulting in a larger impact on employee morale.

Set Award Values for each Milestone

The amount spent on awards for each service anniversary milestone will vary for each organization.

When assigning an award value for each milestone, consider the demographics of your average employees. Your award value decision will be different if you have mostly low-skilled hourly workers, or mostly six figure incomes.

Typically, companies spend from \$10 to \$25 (and more) per year of service. For example, a five year award could range from \$50 to \$125.

The value you assign to each service milestone will depend on many factors, including those described above, and of course, your budget.



How to Handle Catch-Up Awards and Setting Your Budget

“Catching Up” for missed milestones

Ask Human Resources to help you identify all employees who have already reached one of your defined milestones "prior" to the effective start date of your new program.

From this list, exclude anyone who will reach a milestone in the first year of your program.

Employees still listed would be eligible to receive the awards assigned to their missed milestones.

If your company decides to include “Catch Up” awards in the launch of your new Service Recognition Program, distribute these awards in a more low-key method, as soon as possible after starting your program.

Setting Your Annual Budget

To calculate the budget for the first year of your program, extended the number of employees reaching each milestone by the award value assigned to each. Add the calculated catch-up awards (if any) to the calculated first-year’s awards.

Using the data from Human Resources, you can also project the budget for the second year based on the number employees who will be reaching various milestones in that year.

Use the second year’s budget as the typical annual needs going forward.

Presentation of Service Awards



When Presenting Your Service Awards, show them, with style, that your organization appreciates their loyalty.

If possible, give the employee a moment in the spotlight by gathering their peers for a brief presentation, or by presenting in your next monthly staff meeting.

The presentation is an excellent opportunity to acknowledge the employee's service, and possibly share a story about some recent achievements or contributions.

Take advantage of these valuable presentation opportunities to review some information about your company and its values.

Describe how your valued employees have helped make the company what it is today.

If you have a newsletter, include a short article recognizing the employees who received a recent service award, and thank them again for their service.

Service Awards from **Select-Your-Gift**



Select-Your-Gift, Inc

For more information about implementing a Service Award Program in your organization, please contact us at:

630-954-1287 M-F 8am – 5:30pm CST

Or, visit www.Select-Your-Gift.com

For a **FREE Sample Service Award Presentation Packet**, please click on “Request Information” at www.Select-Your-Gift.com

Gift Albums in our unique Award Presentation Packets are perfect for all types of Recognition Awards. Priced by level (18 available levels), each Award Presentation Packet includes the selected gift, and the shipping of the gift to the employee (within the lower 48 US).

Also see how Gift Albums can be used for other recognition awards and Holiday Gifts!



Award Presentation Packets can be customized with your choice of stationary and seals.

More are available at www.select-your-gift.com

This Manager's Guide to

Service Awards

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Version: February-2012

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