

AdvantageClub

IMPACT OF R&R ON ATTRITION

Rewards & Recognition
Trends Report 2023



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Executive Summary

In the new, digitally democratised job market, the rules of employee engagement need to be completely reinvented. Organisations need to develop, equip and embrace the disruption in traditional ways of talent management to handle the workforce of the future. Companies have realised that 'to keep their lights on,' they need to focus on their employees. As a result, they are creating employee-friendly cultures that value and recognise their employees' efforts. Having a comprehensive Rewards & Recognition (R&R) strategy is one of the most effective ways to achieve this goal.

Advantage Club's Rewards & Recognition Trends Report 2023 examined more than 100 companies across India that have

robust R&R practices. They come from various industries, such as manufacturing, IT, BFSI, FMCG, Retail, BPO, Pharmaceuticals, Consulting, and many more. These practices have helped these companies to control their attrition level.

The report offers proof points to HR leaders and professionals on how having a robust and continuous rewarding strategy helps to reduce employee turnover. It provides insights about the different types of recognition techniques used by successful organisations to retain employees and the tools to combat attrition. The report also offers a comprehensive analysis of how monetary and non-monetary rewards impact attrition.

Scope of Study



Objective

Post the COVID-19 pandemic, new working models have emerged and they have brought new challenges for organisations worldwide. As a result, there has been a significant shift in the approach used to develop R&R strategies for employees. Further, Rewards & Recognition is a critical part of an organisation's employee engagement

strategy. Allocating a budget for R&R has become an industry standard practice. However, the percentage allocation of the total payroll cost may vary from company to company. The primary objective of this report is to analyse the impact of companies' R&R activities on reducing its attrition in employees.

In this report, we will discuss

Impact of R&R activities on attrition in organisations based on their industry & size

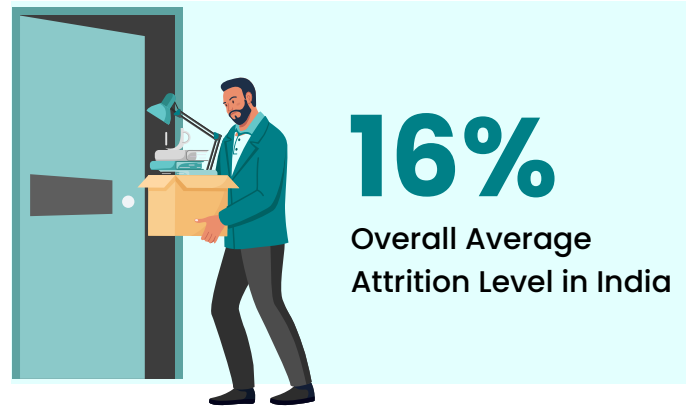
An overview of R&R expenditure by companies

The key trends and best practices that companies can adopt to combat R&R challenges



Research and Key Findings

Two of the biggest reasons for attrition in organisations are when people are not recognised and rewarded adequately for their efforts. For the purpose of this research, we analysed the rewarding behaviours of companies that robust in their R&R practices. The study covers companies from different industries and of various sizes (large, medium & small).



Attrition Across Industries

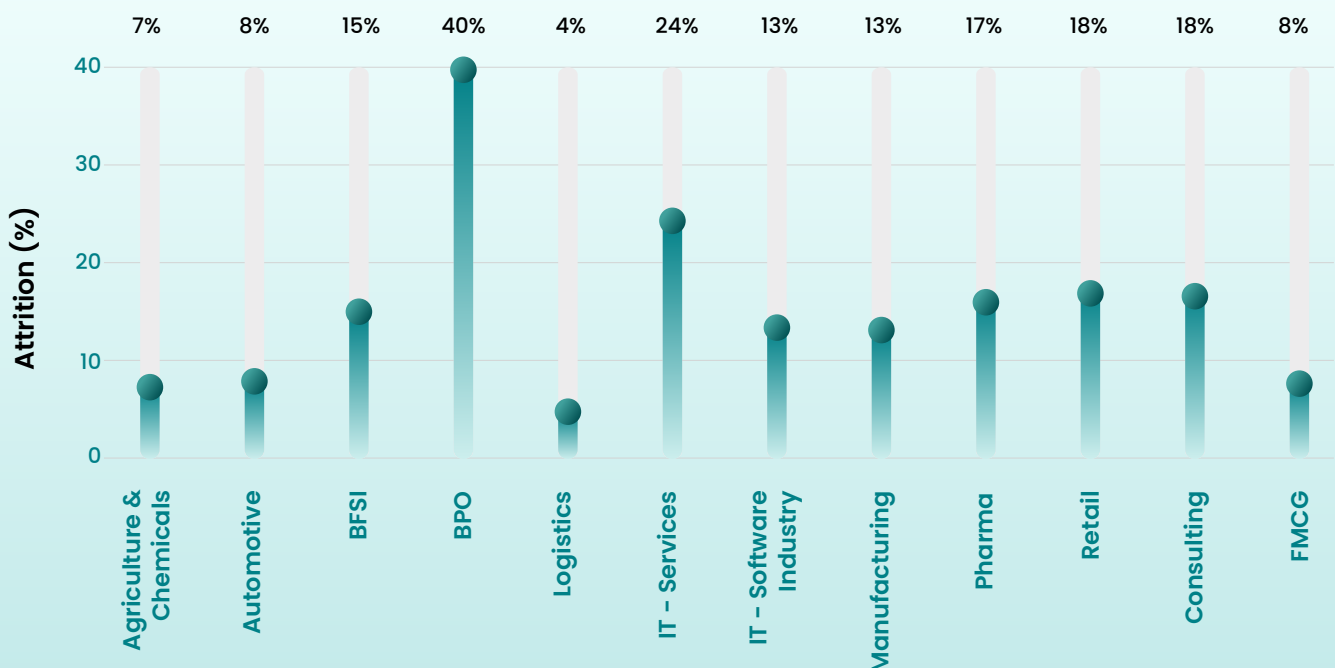
The behaviour of employees and the complexities of operations in different sectors impact the attrition level. There are specific sectors known to have high attrition levels and certain sectors that do not experience frequent attrition.

As the research findings suggest, the highest level of attrition is in the Business Processing Outsourcing (BPO) sector at 40%. The lowest average attrition level is seen in the logistics sector at just 4%.

Moreover, some other industries have attrition levels below 10%. Agriculture and the automotive industry have an average attrition level of seven and eight percent respectively.

As a result of our research, we found that the overall average attrition in India is 16%. In certain sectors, the overall attrition level crosses the 30% mark, which is too high.

Attrition in industries



Attrition Across Company Sizes

The company size adds different complexities to the people strategy of an organisation. The attrition level depends on the number of employees in a company. A larger workforce leads to

complications in the company's processes, operations, and work culture.

The highest average attrition level was seen in companies with an employee size of more than 50,000 at 31%.

Attrition as per company size



R&R Outlook 2023

R&R is an effective way to control attrition in organisations. According to an Advantage Club poll, 80% of employees work harder when they receive gifts and other bonuses as a token of appreciation by their boss. However, the poll also indicates that only 14% of managers have the right tools to reward and appreciate their subordinates.

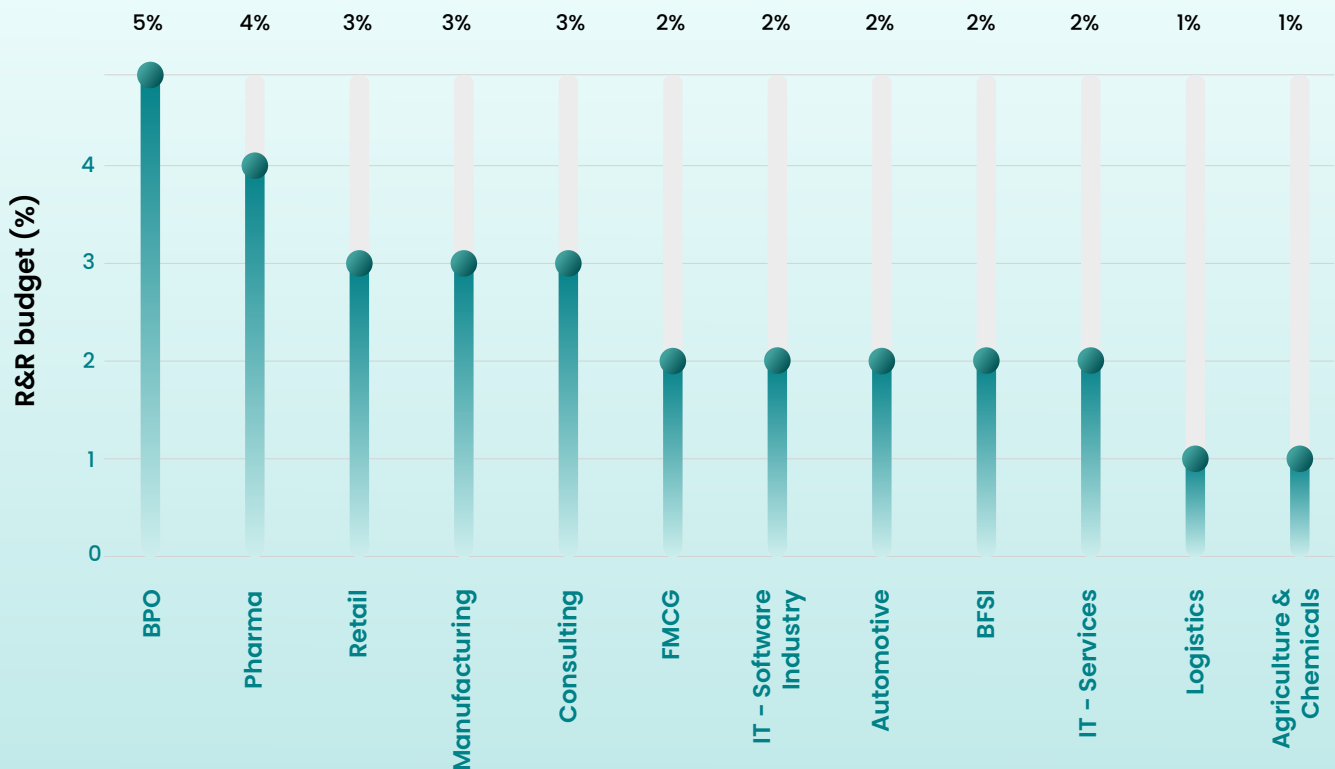
R&R Expenditure

The budget allocation in R&R varies significantly from company to company. It depends on various elements such as

the priorities of the firm and competitiveness in the industry. Some companies prioritise recognising their good performers and align R&R with their cultural values. In certain industries, the high employee turnover and competitiveness of the talent market, forces companies to allocate a higher budget for R&R activities.

As per the study, companies spend about 2-5% of the total payroll on R&R. In western countries employers are far ahead in allocating a much higher R&R budget for their employees.

% of total payroll allocated to R&R budget

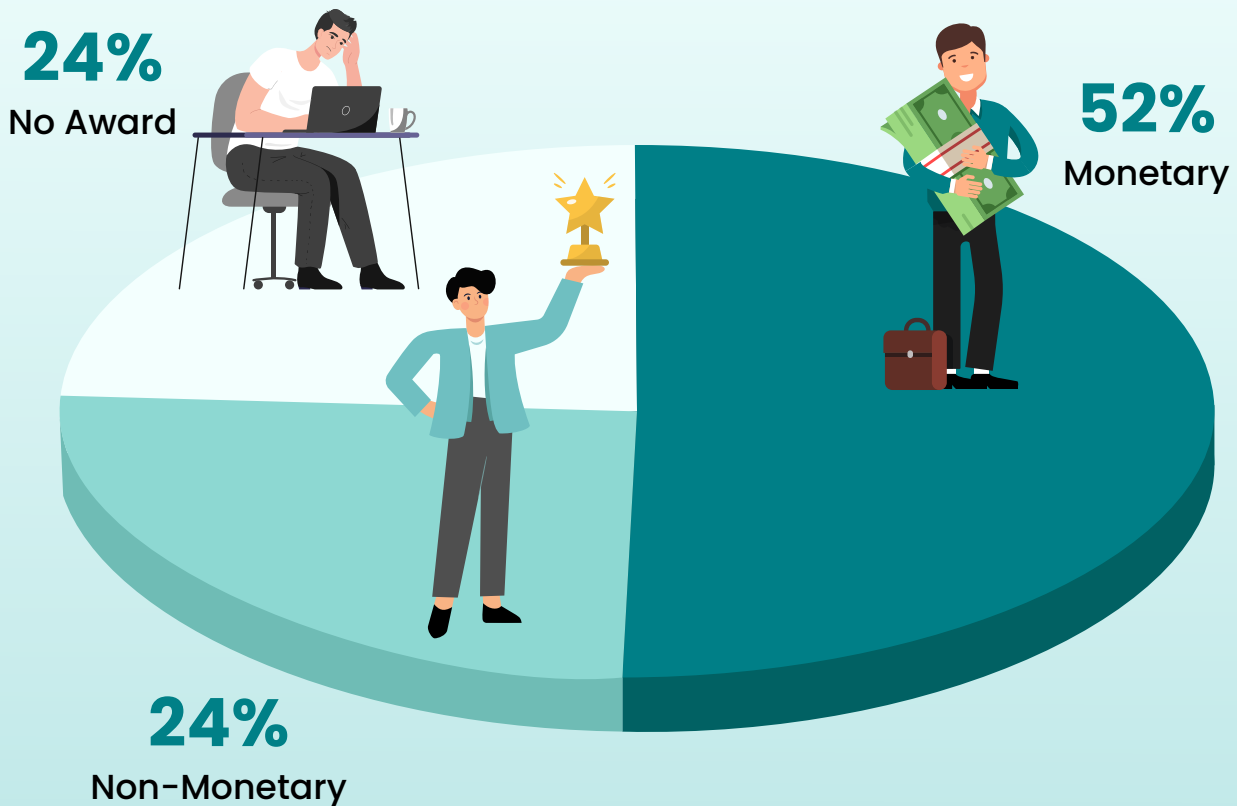


In fact, the importance of R&R and employee engagement increased in the year 2022 when companies started calling back their employees to office. A leading automobile company in India saw an increase of 25% in their budget allocated for employee engagement for 2022. Moreover, an Indian fintech startup also witnessed an increase in their R&R and employee engagement activities.

The Preferred Choice

From our study we found that monetary rewards are the preferred way to recognise and reward employees, with 52% of employees receiving monetary reward as compared to 24% receiving non-monetary rewards. However, 24% of employees are not rewarded at all. Monetary rewards help companies to strengthen their engagement strategy and control attrition.

Usage of rewards



Impact of Monetary Rewards

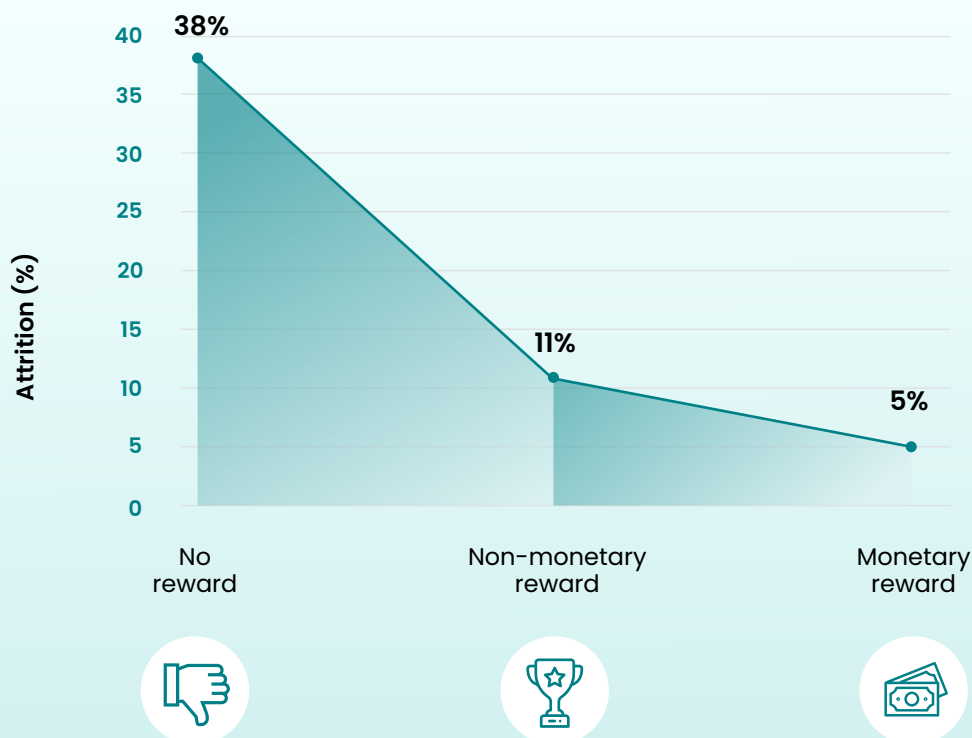
The Advantage Club study found that employees who receive monetary rewards have a significantly lower attrition level (5%) than those who do not receive any reward or recognition (38%). Our findings reveal that people who receive non-monetary rewards witnessed an attrition of 11%. From the study, it is visible that though non-monetary rewards are impactful but monetary rewards work the best to retain employees.

It is observed that monetary rewards have a better impact in reducing attrition than non-monetary rewards. The attrition level comes down from 38% to 5% (87% reduction) when monetary rewards are given. Whereas, when non-monetary rewards are given, the attrition goes down to 11% from 38% (71% reduction).

It is understood that employees value monetary rewards more than non-monetary rewards. But when monetary and non-monetary rewards are combined, they have a strong impact. There are certain industries where a combination of monetary and non-monetary rewarding strategy further reduces attrition among employees.

In the BPO industry, when employees are given monetary rewards, the attrition level comes down to 16%. But when non-monetary rewards are coupled with monetary benefits, the attrition further comes down to 10%, which is a 38% reduction in attrition. Similarly, in the IT-Services, Pharma and Retail sectors, a reduction of 10% to 30% is observed when an employee receives monetary and non-monetary rewards together.

Impact of rewards on attrition



What Are The Successful Employee Recognition Techniques?

After analysing companies with exceptional R&R practices, we found that recognition can be categorised into four types based on time and purpose. The four identified types of recognition are: Day to Day, Formal, Informal and Approval Based.



Day-to-Day Recognition

Day-to-Day recognition are appreciations that are personal and individualistic to a particular employee. Examples of such recognitions are long term service awards, birthdays, anniversaries etc. In a large workforce, there is a possibility that everyday one or the other employee has a birthday or a work anniversary. Organisations can celebrate these personal celebratory moments in their own way with either non-monetary rewards or monetary rewards.

Formal Rewards

Formal rewards are quite structured and objective based. These rewards are given when an employee earns an achievement through their performance. These can further be characterised as Target/KRA (Key Responsibility Areas) based, rewards linked to cultural values and significant achievements by employees. Examples of such rewards can be, sales incentives, referral rewards, spot awards, 'Employee of the month,' and many more.





Informal Recognition

Informal recognitions are driven to promote culture building and to create a sense of value and purpose in employees. These can be peer-to-peer recognitions which can be in non-monetary forms, event-based celebration rewards such as festival-based gifts, or events like women’s day or boss appreciation day.

Approval Based

Digital recognition platforms also give a range of rewarding options. These can also be approval based where peers or managers can nominate someone for a reward which can then be approved by a multi-level chain of senior officials or even a single-level approval process. Such rewards are generally monetary.



How To Combat Risks And Uncertainties

In this current VUCA (volatile, uncertain, complex, and ambiguity) world, it is essential for organisations to keep re-inventing themselves from time to time. For any company to be successful, it is important to have a highly engaged workforce. Best R&R practices like rewarding an employee for its hard work with bonuses, making recognition a part of company culture and having a robust feedback mechanism help to conveniently achieve this goal.

Going Beyond Compensation

Compensation is the core reason for any employee to take up a job. However, organisations need to recognise that these

factors alone cannot keep employees engaged in the long run. It is important to have a robust employee benefits programme that caters to the needs of each employee. Offering digital vouchers, personalised gifts, and discounts on healthcare products are some of the benefits employees appreciate. Financial wellness programmes that cover employees' family members are also gaining popularity.

Rewarding Only on Performance

Limiting rewards to targets can be risky. HR professionals need to recognise outstanding behaviours that build the cultural values of the organisation. It is crucial to reward behaviours that add a human touch to the company's total rewards strategy. Rewards can be as simple as recognising an employee for being on time at work every day or always being ready to help colleagues in need.



Feedback Based Performance Review System

Annual performance reviews are becoming outdated. It is crucial to have a continuous feedback performance review system that shows managers how employees are adding value every day. This system enables organisations to deploy benefits accordingly.

Designing Sustainable Rewarding Programmes

Building a sustainable rewarding system is critical to retain employees. Organisations must have an R&R programme that can be executed efficiently year after year. An R&R strategy that can be "always on" or run periodically. This helps to keep employees' motivation and aspiration levels high.



Key Takeaways

The report reveals that a robust and continuous R&R strategy significantly helps to control the attrition level in employees. The study analysed the rewarding pattern of the covered companies as per their rewarding behaviour last year. The analysis

compared the attrition rate of employees who were not rewarded by their employers with that of those who were rewarded. The findings show that rewarding employees has a direct impact on reducing attrition levels.

Employees who receive no reward have a 38% attrition level, while those who receive some form of reward have a 9% attrition level.

Companies with exceptional R&R strategy have four types of rewards such as Day-to-Day, Formal, Informal and Approval Based.

Monetary rewards can reduce attrition by 87%, while non-monetary rewards can reduce attrition by 71%.

Companies with a workforce size more than 50000 have the highest attrition level at 31%.

Employees who receive monetary rewards have a 5% attrition level, while those who receive non-monetary rewards have an 11% attrition level.

Companies spend about 2-5% of total payroll on R&R. In the North America region, companies allocate a higher budget for R&R as compared to Indian firms.

Conclusion

Organisations need to recognise the importance of Rewards and Recognition strategies to retain employees. By understanding the different types of recognitions, organisations can design and implement an effective R&R programme that meets the needs of their employees. However, monetary rewards,

such as salary hikes and bonuses, and other performance-based rewards, are still crucial in retaining employees, especially in times of inflation and economic downturns. Our study also establishes that a combination of monetary and non-monetary rewards has the power to reduce attrition to negligible levels.

About Advantage Club

Established in 2014, Advantage Club is live in 100+ countries, with 1,000+ companies and providing redemption options across 10,000+ brand partners. We offer innovative programs and solutions for all your needs related to the Moments That Matter, i.e. rewards, recognition, perks, flexible benefits and community building, on a unified platform.

Rewards & Recognition

Enhance engagement and recognise employees' hard work with awarding features



Easy to Use Digital Recognition Platform

Revolutionise rewards & recognition programs and acknowledge employees for their efforts! Give high-fives, likes, comments and more to show your appreciation for your fellow colleagues - all integrated within your technology stack.



Global Reward Redemption Marketplace

Improve retention by offering your employees the gift of choice! Let them pick the brands to redeem reward points on, from a gamut of 10,000+ global brands.

Moments that matter

Long service awards, Special service and Client awards including festive and occasion gifting



Long Service Awards

Truly value and recognise the contribution of those who stood by you at all times.



Special Service and Client Awards

Reward exceptional efforts of those who walk an extra mile to achieve excellence.



Festive Gifting

Make moments special and memorable for life.

Flexible Benefits

Show employees that you care and add something more to their earnings



Focused Benefits

Drive initiatives like wellness, loyalty, learning & development, food and more.



Choice of Benefits

Give employees the gift of choice and let them pick and choose benefits while being compliant.



Analytics

Live dashboards and real time reports help identify ROI and increase engagement.

Communities

Bring fun at work and promote a sense of social belonging within the organisation



Hobby Clubs

Created for like-minded employees with common interests. Clubs ranging from photography, sports, cooking and many more.



Diversity and Inclusion Groups

Company and self-selected communities to increase engagement and performance. Fun groups for diversity, or even mentor-mentee groups for leadership.



Classifieds

All-inclusive internal marketplace for your employees to buy, sell, and rent within your organisation.