

workhuman®

The Business Case for Employee Recognition

PROTECTING YOUR HUMAN CAPITAL





As the corporate world continues to churn and the economy reacts with expansion one day and retraction the next, C-suite executives have resigned themselves to operating in what a recent [Forbes article](#) has coined “stable instability.” CFOs, specifically, are losing sleep over one key, post-pandemic challenge that is affecting company performance and overall growth: finding and retaining talent.

In [Deloitte’s recent CFO Signals™ survey](#), more than 60% of CFOs ranked talent/labor as their highest priority for 2022.

Why? The costs associated with recruiting and onboarding are rising, which means retention efforts need to be increasingly formalized and strategic. Research shows that growing, developing, and retaining your workforce has a direct, positive impact not only on corporate culture, but also the bottom line. Creating a culture of recognition, value, and positivity can help protect a company’s greatest asset: human capital.

97%

of CFOs believe **talent/labor costs will increase substantially** in 2022 according to Deloitte's CFO Signals™ survey.



Labor costs continue to rise even as more employees choose remote work.

The statistics of the Great Resignation are stark – 47 million people voluntarily left their jobs last year. The reasons are myriad, but the effect is that employees have become increasingly clear about what they want from potential employers: higher salaries, flexible schedules and locations, and a more equitable balance between work and life. These demands come at a cost to employers from both the influx of new hires and the ongoing turnover of the current workforce.

Labor costs are significant line-item expenses

\$4K

\$4,000 is the average cost of hiring a new employee in the U.S., based on Bersin by Deloitte research.

\$2.37T

U.S. companies paid \$2.37 trillion in turnover costs last year, according to a recent Gallup survey (assuming an average salary of \$50,000).

The indirect costs of loss of time and productivity associated with employee onboarding, training, and normal learning curves cannot be dismissed.

The pressure of finding the *right* people to invest in is taking its toll on employers, and there is a real danger that if retention efforts are not structured and focused, then labor costs will simply cycle on an endless loop.

In addition to direct costs, the effects of remote work on corporate America are becoming increasingly apparent. Productivity won't necessarily suffer with a majority of the workforce at home, but culture experiences a slow death.

According to PwC's recent Pulse Survey, the challenge for today's C-suite is **building a corporate culture which values employees** and provides opportunities for them to grow and thrive – an environment employees want to be a part of.





A stronger corporate culture builds resilient companies.

According to [PwC's Pulse Survey](#), 88% of companies will use a hybrid work model this year. Hybrid models may address the flexibility employees are craving, but the culture of workplaces is taking a hit. The beliefs and behaviors that affect how employees and management interact are fundamentally shifting.

If we learned anything during the pandemic, it's that under pressure, a company and its employees can pivot, flex, and meet challenges more successfully when everyone understands where to look for guidance. Pointing employees and leaders to the core values of the company is true north and informs every aspect of a company's decision-making.

The loss of corporate culture is the biggest challenge of hybrid work, according to the recent PwC Pulse Survey.

Every company has some level of culture, but the question is whether it's helping or hindering your business outcomes, especially the **top three most CFOs are focused on: talent development, performance, and growth**. Based on Workhuman® research, strong core values develop a critical level of trust within organizations that allows for creativity, innovation, and risk-taking – hallmarks of resilient companies.



Companies with a **high level of trust** are 2.5x more likely to be high-performing revenue producers.

Reinforcing core values throughout an organization is essential to help employees feel connected to a purpose and valued as individuals. While purpose is a great motivator, recognizing employees for their contributions and achievements helps build an even better **employee experience that can drive engagement, performance, and retention**. Social Recognition® goes one step further by incorporating work milestones and life events in meaningful ways to strike an important balance between output and commitment. It also serves to highlight life outside the office, acknowledging that employees bring their whole selves to work each day.

Social recognition is a simple and effective means to connect remote workers to corporate culture.

While delivering recognition privately may be the norm for many leaders, the public component of social recognition helps reinforce core values and builds a stronger corporate culture among *all* employees.

Workhuman research shows that witnessing recognition is just as powerful as receiving recognition personally.

In fact, recognition is a two-way street, so when an employee is recognized, whether publicly or privately, they in turn are more likely to recognize their peers. Like compounding interest, **the positive effects of a social recognition program grow over time** and strengthen the foundation of corporate culture.





Social recognition is not simply a nice add-on, but a must-have.

Creating an environment where employees feel valued, connected to a purpose, and accepted as human beings means employees are less likely to voluntarily leave and more willing to set professional goals and realize their full potential.

A key pillar of social recognition is fulfillment – a consistent and reliable level of acknowledgment that validates an employee's efforts and values their contribution. An infrequent and variable approach to recognition can be as ineffective as no program at all, according to a [Gallup survey](#) conducted in partnership with Workhuman.

Employees who feel fulfilled by recognition are:

4x

as likely to be engaged

less than $\frac{1}{2}$

as likely to be looking or passively watching for job opportunities

44%

more likely to be “thriving” in their life overall

Employees who don't feel fulfilled by recognition are:

8x

as likely to be actively disengaged

4x

as likely to be actively looking for another job

62%

more likely to be “struggling” in their life overall

Employees who feel invisible, underutilized, or disconnected from a larger purpose are often those who could be reengaged through a structured social recognition program.

While 36% of employees say their company has a recognition program, less than half say it is embedded in their corporate culture. Practicing recognition at select milestones or during performance reviews is not the same as viewing recognition as an integral part of an employee's daily work experience.

Recognition drives retention.

In a recent Gallup survey, employees who received consistent recognition at work were 56% less likely to be looking for new job opportunities.

Employees who receive fulfilling, individualized, and authentic recognition at work are:

5x

as likely to feel connected to their work culture

4x

as likely to be engaged

5x

as likely to see a path to grow at their organization

73%

less likely to be burned out “always” or “very often”

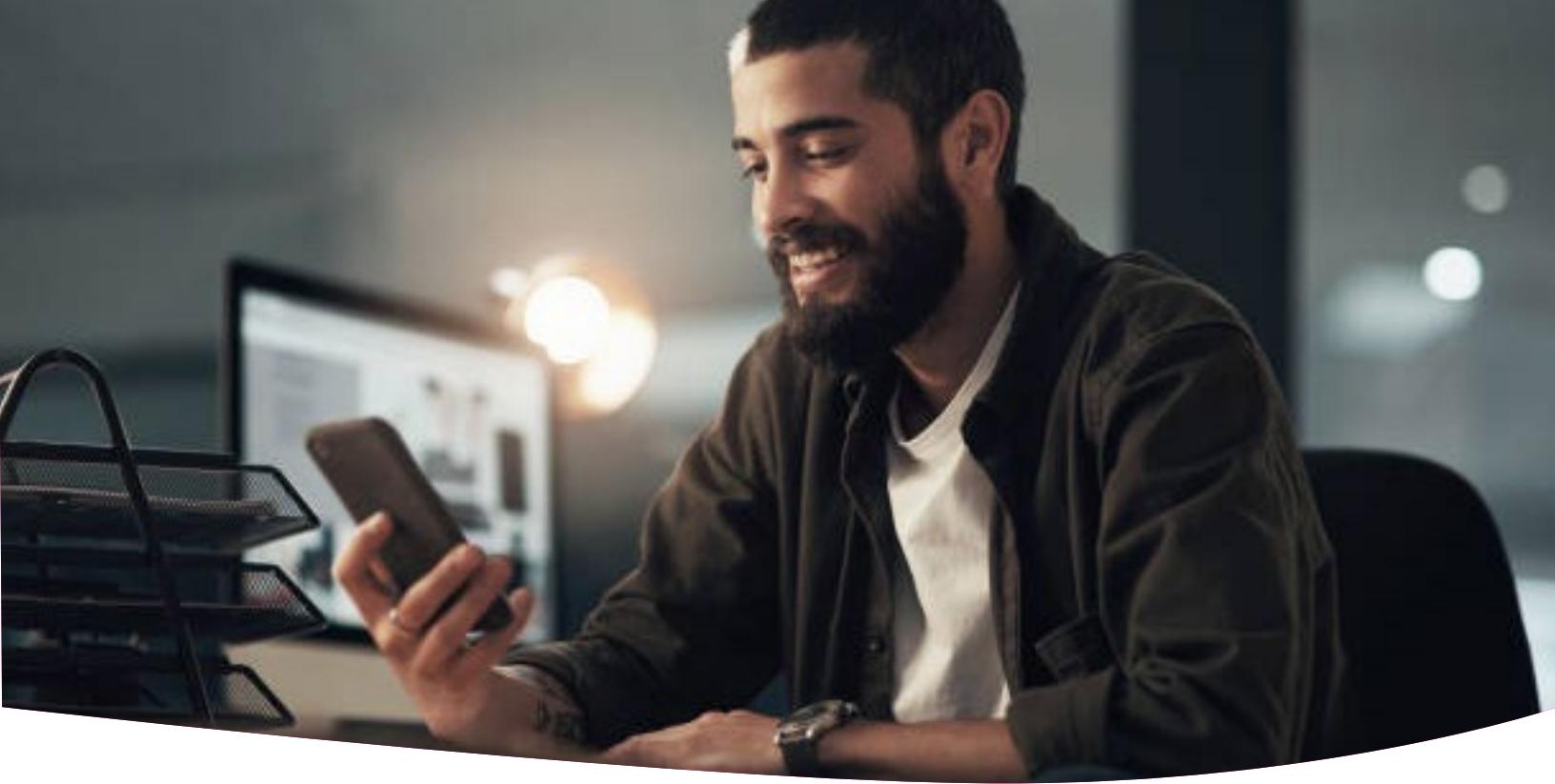
56%

less likely to be looking for job opportunities



Fully supporting and investing in a social recognition program can engage employees at a level that will help **bolster retention strategies, reduce turnover costs, and increase overall productivity.**

Workhuman and SHRM research found that 84% of companies surveyed said social recognition measurably and positively impacted employee engagement.



Small changes in employee experience can lead to big impacts.

A culture of recognition can yield significant returns not only in engagement, but also in retention. In a recent [Gallup](#) survey, employees who received consistent recognition at work were 56% less likely to be looking for new job opportunities. Workhuman research supports the [Gallup](#) survey, indicating employees who receive strong recognition have the lowest turnover.



Founded: 2003

Net Income: \$159.2M

Number of Employees: 18,000

LinkedIn's employee retention rate increased to 96% when employees received four or more awards (recognition) in a year.

Recognition also acts as a buffer amid disruptions in the “stable instability” of today’s workplace. If employees are more engaged, motivated, and committed, they stick around longer. Subsequently, the costs associated with turnover are lower. In fact, recent Gallup research showed a culture of recognition can save more than \$16 million in turnover costs.

Cost benefits of a culture of recognition

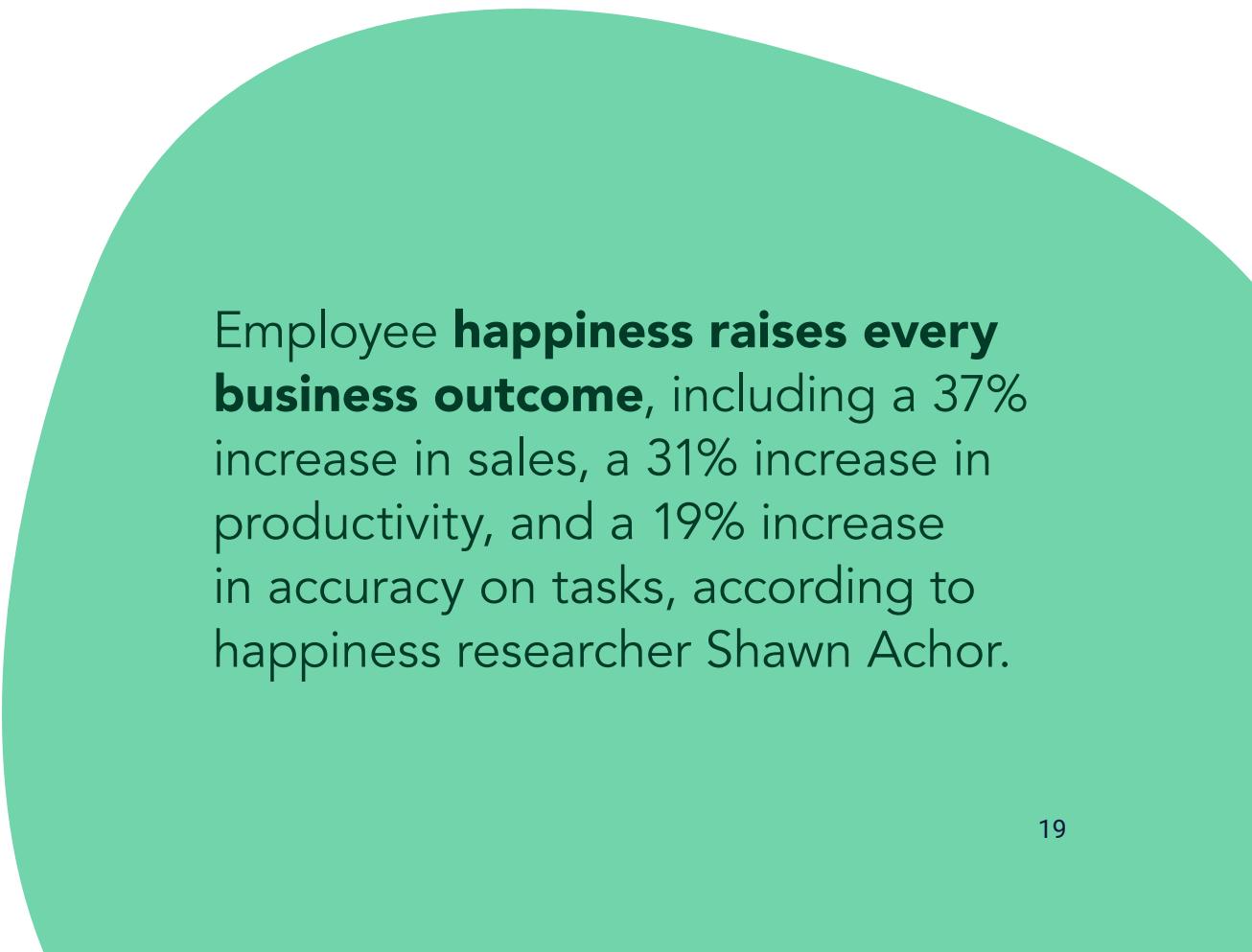
Company size	Turnover cost (% of salary)	Savings with an engaged & embedded culture
1,000	50% – 200%	\$403,797 – \$1,615,189
10,000	50% – 200%	\$4,037,973 – \$16,151,892

In addition, the indirect costs of loss of time and productivity associated with high staff turnover are an added savings. With high engagement among employees and low turnover, the broad effects of social recognition can be seen in employee productivity.

Contrary to popular belief, salary is not the only factor affecting employee performance.

Research has found a combination of recognition, feedback, and monetary incentives can lead to a 32% increase in employee performance.

Research shows that recognition makes people happier – at work and at home. And happier employees, experts say, take 10x less sick leave, are 6x more energetic, and spend 2x as much time on task as other employees. All those factors combined can yield impressive results in terms of business outcomes.



Employee **happiness raises every business outcome**, including a 37% increase in sales, a 31% increase in productivity, and a 19% increase in accuracy on tasks, according to happiness researcher Shawn Achor.



The case for social recognition is not built on nice-to-haves or a soft touch, but proven results researched and documented by top-performing companies. **The real dollars and cents of a recognition program add up to a return on investment that is difficult to ignore.** An integrated, structured, and embedded solution for social recognition can be a powerful tool to harness the full potential of employees.

The challenges facing today's corporate leaders are not getting any easier, and a good night's sleep is never guaranteed. However, ensuring work is a place of purpose, value, commitment, and fulfillment makes us all a little more human.

Review our report, The ROI of Social Recognition: 7 Ways It Drives Business Success, for more facts, figures, and information on the power of Social Recognition.



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