



A Closer Look at Grossing Up

CREATE THE BEST EMPLOYEE EXPERIENCE FOR YOUR INVESTMENT





Have you wondered about the difference between recognition and reward programs that use a gross-up versus those that don't?

Here's what it looks like if your program doesn't gross up:

Employee experience



\$1,000

Assume your employee receives a \$1,000 paycheck.

+



\$100

They're then given a recognition award valued at \$100.

-



40%

Because of the 40% tax due, the \$100 award costs them \$40 in take-home pay.

=



\$1,060

The employee is unhappy with this result, despite the \$1,060 combined value of award and pay. They lost money from their check! It doesn't feel like a reward.

Employer experience



\$100

Your cost is \$100 for the value of the award.

+



\$15

Along with a 15% Workhuman® transaction fee.

=



\$115

This is OK, but we can do better.

Here's what it looks like if your program does gross up:

Employee experience



\$1,000

Let's take that same \$1,000 paycheck...

+



\$60

...and give your employee an award valued at \$60.

+



(- \$24 + \$24)

The employee pays 40% tax (\$24), but they don't notice because you gross up 40% (\$24). Their paycheck is unaffected.

=



\$1,060

Your employee still receives a combined pay and award value of \$1,060, but we've created an awesome experience.

Employer experience



\$60

Your cost is \$60 for the value of the award.

+



\$24

Along with the 40% tax gross-up.

+



\$9

And the 15% Workhuman transaction fee.

=



\$93

By grossing up and offering an award of slightly less value, your recognition budget goes 24% further – and your employee is much happier. Everyone wins!

Furthering this example, let's say you have a million-dollar recognition budget:

- Not grossing up means you can provide 8,695 awards of \$100 in value, resulting in \$130,425 in Workhuman fees and a so-so employee experience.
- Grossing up allows for 10,753 awards of \$60 in value, resulting in \$96,777 in Workhuman fees and an excellent employee experience.

Yes, it's true that Workhuman will net less in fees. But we believe creating a long-term, positive employee experience is critical to successful, sustainable programs – and nets you better business outcomes such as greater engagement and productivity, and lower voluntary turnover. When you and your people are happy, we're happy too.

If you have further questions, connect with us directly or visit workhuman.com.

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Or read more on our blog: workhuman.com/resources

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