THE FUTURE OF SERVICE AWARDS & MILESTONE RECOGNITION

Meet Tom –
a hardworking employee, dedicated to his organization for 10 years. On the day of his service anniversary,

Tom notices his co-workers standing nearby commemorating the achievement of a top performer in sales with a round of applause. Someone makes a speech. Tom hears the garbled words down the row and takes a moment to consider his plastic anniversary pin. He questions his value to the organization before clicking "Apply Now" in his open web browser. Today, 83 percent of companies leverage service award programs to commemorate their tenured employees. Yet despite their popularity, service award programs are only as good as their commitment to acknowledging tenure in a meaningful way. Successful organizations use milestone recognition as a way to commemorate years of service and show appreciation for an investment to the company in a way that is personally significant.

Cases like Tom's are far too common, but can be avoided. When milestone recognition is done right, awards can carry legend, prestige and cultural recognition - both in presentation and perceived importance.

A familiar parallel is offered in the world of sports. The significance and value of symbolic awards like an Olympic Gold Medal, the World Cup and Super Bowl rings are immeasurable. Whereas childhood soccer trophies and participation awards wind up collecting dust in boxes of nostalgic memorabilia, other awards received leave a lasting mark in memories. Service award programs are as good as their commitment to acknowledging tenure in a meaningful way.

The State of Service Awards

The overwhelming majority of businesses have recognition programs in place, and service awards remain the most frequently chosen program type. By 2020, Millennials will make up 50 percent of the workforce, and there is some concern about how Millennials respond to milestone recognition programs. While they want to be recognized for their contributions as much as any other generation, Millennials may be missing out on inclusion in milestone recognition. With many programs offering the first milestone award at five years, the first question is whether Millennials will stay with an organization long enough to be recognized. According

to the Bureau of Labor Statistics, the average job tenure in the U.S. is 4.6 years, while Millennial employees have an average tenure of only 2.3 years. Forward-thinking organizations have adopted Early Milestone Recognition programs, celebrating anniversaries in smaller increments as early as one year. It is interesting to note that these organizations forgo tax benefits for service awards delivered before the five-year mark, presumably absorbing the cost because of a net-positive impact on their organizations when that engaging moment may keep the employee with the company a bit longer than average.

2.3 years

While there is always pressure on engagement programs to show a clear path to ROI, service award programs typically operate a little differently. Program owners won't necessarily see direct net positives when dealing with service awards, but most organizations without service awards experience consequences in the form of higher turnover, lower employee satisfaction and disaffected engagement. With so many organizations utilizing milestone recognition, it's time to take a fresh look at the way service awards are given and the impact they're having (or lacking) on employees.

> " In the U.S., the average job tenure is 4.6 years. For *Millennials*, the average tenure drops to only *2.3 years*. "

In the early days of service awards, a luxury timepiece engraved with the company emblem was a significant gift given at 25 years of service. Today, service awards are viewed as a staple recognition program with little enthusiasm. With a fast-approaching majority of the workforce feeling unaffected about milestone recognition, HR leaders need to understand the value years-of-service programs bring to the organization and where those programs might be in need of some revitalization.

The Impact of Milestone Recognition

One is hard-pressed to find an organization without an explicit statement of employees being their greatest asset. Most organizations have recognition programs in place to substantiate this claim, and the mere existence of service award programs has become commonplace. Because almost all organizations have some way of recognizing anniversary milestones, program managers may be taking their impact for granted. When Millennials make up half of the American workforce, the value of these programs will likely come under increased scrutiny.

Luckily for HR practitioners and program managers, service award program metrics speak for themselves. Researchers have found milestone recognition programs have a strong causal impact on key engagement metrics like length of tenure, sense of belonging and positive feelings toward the organization.

In his whitepaper, *The Effect of Years of Service Award Programs: Quantifying the Return-on-Investment,* Dr. Trent Kaufman wrote: *"Companies offering a years of service award program maintain employees an average of two to three years longer than companies without a program."* The global research study, conducted in 2012, revealed milestone recognition programs fulfill a unique and essential role in both culture and engagement, resulting in increased tenure and measurable increases in engagement metrics.

Defining Milestone Recognition

Traditional service anniversary programs commemorate an employee's tenure, or years of service, at an organization. A similar, yet broader program category, is milestone recognition programs that highlight employee milestones such as onboarding, years of service and retirement. These programs celebrate employees' commitment and ongoing value while reinforcing your corporate culture. Bottom line: the most effective programs are ones in which employees are recognized and celebrated in a personally meaningful way.

When surveying employees at companies with and without a milestone program in place, more than 18 percent more employees strongly felt their current company cared about employees and that they fit in and belonged if the company had a milestone program.

Dr. Kaufman provides evidence of a strong correlation between milestone programs and tenure, but stated they felt concern that companies with these programs were also likely to offer other valued employee benefits, such as 401k matching, tuition reimbursement or comprehensive health care. On ruling out other factors, Dr. Kaufman wrote:

"If one of these benefits were ***driving employees to stay longer***, this is the factor that may be causing the observed correlation between years of service award programs and employee tenure. However, after running the same analysis on other benefits that we ran on years of service award programs, we found years of service award programs to be far more correlated with employee tenure than any other employee benefit.**"**

*Average number of years an employee stayed at their **previous** company*

No Program	Milestone Program
4.7	6.7
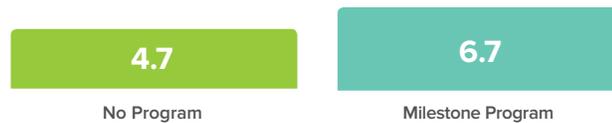
*Difference in the average number of years an employee plans to stay at their **previous** company based on whether a given benefit was provided*

401k Matching	Healthcare Plan	Milestones	Tuition Reimbursemant
0.6	1.6	2.0	1.0

*Difference in the average number of years an employee plans to stay at their **current** company based on whether a given benefit was provided*

401k Matching	Healthcare Plan	Milestones	Tuition Reimbursemant
1.0	2.2	2.9	1.4

Survey participants also identified strengthened relationships as the core benefit of years-of-service award programs and these relationships as a primary consideration in their decision to remain with their organization, providing a causal relationship between milestone recognition and employee loyalty. Service award programs do not rely on performance and, therefore, encourage open, non-competitive relationships between coworkers. While it might be difficult for a next-in-line performer to celebrate the success of a peer, it isn't difficult for an employee with four years of tenure to honor the five-year anniversary of a peer.

Service Award Program Checklist

A benefit to service award programs is they can be relatively low-maintenance. A paired negative with low-maintenance programs is when they are set to "coast," they can stop providing results when they stop being personal and meaningful to employees. A milestone recognition program is only as good as its legend and execution — both of which suffer with low oversight. When service awards are given in a way that supports the company mission and values and simultaneously considers the personal needs and preferences of the employee receiving recognition, milestones can be celebrated in a way that leaves an impression for years to come.

Ask these five questions to determine if the organization's existing or potential milestone recognition program meets best practices:

1. Does the program have clearly defined goals and objectives? Whether implementing a new milestone recognition program or assessing an existing program, take time to understand various stakeholder expectations. Some goals may be lower retention rates or higher employee engagement scores. When revitalizing an existing program, interview relevant managers and leaders on current program perceptions and areas in need of improvement. Benchmark relevant employee data and monitor trends in tenure, satisfaction and loyalty over time.

2. Are expectations for employee and manager participation clear? Through effective program communications and training, managers should have a clear understanding of who, what, when, where and how to give service awards in a meaningful and memorable manner before anniversary dates approach. As with any internal initiative relying on adoption for success, training is a critical element of implementing effective milestone recognition. When managers understand what is expected as well as how to properly leverage the opportunities provided by program tools, adoption improves and employees feel more confident participating.

3. Is receiving a milestone award from the organization a personal, memorable experience? A service award presentation can be a moving, emotional rite for employees or it can be a forgettable experience. A milestone observance should be based on the employee's personal recognition preferences. For example, a milestone celebration for someone who enjoys public recognition should include invitees selected by the employee of honor, an open and inviting atmosphere as well as a presentation of their achievements to the organization by a trusted manager or mentor. For a more private celebration, a manager can present the award in person to the recipient along with a sincere recognition of the individual's accomplishments with the company. Possibly the simplest way to determine the answer to this question is to consider if you feel genuinely appreciated and recognized at the thought of receiving an anniversary award from your organization.

4. Do employees want the gifts they receive at milestone anniversaries? A frequent complaint of service award recipients is that the award options they're given don't include gifts they'd be really excited about receiving. Offering a broad selection of items from which the employees can choose maximizes the impact of awards. Prioritize premium, non-cash, tangible awards to improve the associations and relationships between employees and the organization. When gifts are offered from favored brands or with a strong emotional connection to the organization with a personalized engraved item or other, related aspirational awards, they leave a lasting impact on recipients. An additional opportunity provided by non-cash items as milestone awards is the tax benefit inherent to tangible gifts. In the U.S. and Canada, milestone programs have a favorable tax implication for the organization.

5. Do service awards create and reinforce connections for employees to their sense of purpose and the impact of their contributions on the organization? Milestone awards provide additional opportunities to connect employees to the organization's brand promise. With millions spent on brand marketing internally and externally, organizations understand the value of sentimental attachment to the organization's mission and goals. Further, when managers and employees have a clear understanding of the company's mission, values and Brand (with a capital "B," including the bundled intangibles that come with brand recognition and association), they are empowered to create impactful experiences for employees around core messages.

If a program meets best practice standards, the next step should be to ensure the efforts to recognize employee contributions can adapt to the changing expectations of the multigenerational workforce.

How to Revitalize a Milestone Recognition Program

A major generational shift is fast approaching. Within the next four years, Baby Boomers and Traditionalists will be largely retired from their existing work lives, making room for the youngest generation: Gen Z (a.k.a. Gamers). As the workforce transitions to accommodate the influx of younger workers, milestone recognition programs should adapt to fulfill new expectations and requirements of meaningful awards.

Best Practices — Sustain	Future of Work — Positive Change
Personalization	Social keepsakes
Symbolism	Mini milestones within 1st year
Presentation	Connection to purpose
Manager engaged	Every year service recognition
Consistent	Reward flexibility

> *Implement Early Milestone Recognition.* With Millennial (Gen Y) employees only staying with a company an average of less than 3 years, milestone programs that begin recognizing anniversaries beginning at five years will miss significant opportunities to include, engage and retain younger workers in company traditions. Consider acknowledging contributions beginning on year one with mini-milestone awards in high-turnover organizations. Giving employees an additional time of reflection at year three can help employees find connection with purpose.

> *Focus on legacy.* With more than half of employees today questioning the value and importance of milestone recognition programs, organizations should take time to evaluate the way service awards are given. Today's business environment prioritizes the "cult of culture" — and for good reason. Employees who feel a sense of belonging within their organization are more likely to stay longer, work harder and understand their impact on the organization's values. Incorporating the company's legend, story, tradition and meaning to the way milestone awards are given can change the perception of service awards internally.

> *Ask employees how they want to be recognized.* Nothing can say what employees want from an internal initiative with more clarity than employees themselves. Ask employees how they feel about existing years-of-service programs or if recently recognized employees have suggestions for improvement on the experience of receiving recognition internally. Incorporate social media sharing to give employees the opportunity to be recognized by their friends and connections online for their tenure.

The Future of Service Awards

A recognition program is only as good as the human, emotional experience delivered to employees. Leaders and managers want to recognize employees not just for what they do through performance-based reward programs, but also for who they are. Appreciation clearly communicated through milestone awards shows gratitude for an investment no smaller than the years of their lives.

A cornerstone of a company's recognition and engagement program portfolio should be a milestone service award program. They are not going away, but they should be adjusted based on changes in workforce demographics. Change can be scary for legacy programs like those that recognize years of service. However, milestone recognition offers an opportunity for innovation that can make a lasting impact on the lives of employees within the company. Organizations want their employees to feel valued, to know their contributions matter and that their commitment to the organization is appreciated through years of service. Milestone recognition provides a surefire way to show employees they are valued as individuals while increasing tenure and engagement across the board.

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