

Holiday bonuses are getting rare

By Lisa Carricaburu
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If you're like most U.S. employees, you can consider this your holiday bonus: Be happy you have a job.

Continuing economic uncertainty and increased emphasis on shareholder value in 2004 prompted most employers to forgo holiday bonuses altogether this year, whether in the form of gift cards, turkeys or other food, or cash, according to Hewitt Associates, an Illinois-based human resources consulting company.

Hewitt's annual holiday study found 63 percent of U.S. companies planned to award no holiday bonuses this year. Sixteen percent discontinued their programs, while 46 percent never offered them. Of those that canceled holiday bonuses, 43 percent did so between 2000 and this year.

Given increased pressure to improve business results, more companies are moving to variable pay programs in lieu of across-the-board gifts, Hewitt business leader Ken Abosch said.

Variable-pay, or performance-based, bonuses enable companies to offer money as an incentive to employees to demonstrate accomplishment of company goals, "while eliminating 'entitlement' issues that often arise with holiday bonuses," he said.

Performance-based bonuses also are easier to justify to investors in an age when earnings pressure continues to stress companies. The percentage of companies offering holiday bonuses has been declining for a decade, and cost is the primary reason companies cite for eliminating them.

Sixty-five percent of companies that discontinued bonuses this year said money was the reason, according to the Hewitt study. Of companies that never offered a bonus, 40 percent said it was due to cost.

Yet companies seemingly are willing to spend the money if they see potential benefits coming their way.

Enterprises that offer holiday bonuses said the awards amount to 2 percent of their payroll, according to the study, while those that offer performance-based bonuses instead of holiday bonuses say the incentives amount to 10 percent of their payroll.

"They're clearly sending a message to employees that they will be rewarded for high performance," Abosch said.

There's something to be said for either approach.

Certainly, a holiday bonus tied to nothing other than an employer's appreciation can build loyalty. The Hewitt study found that of companies offering holiday bonuses, 54 percent found them a good way to say thank you, 24 percent identified them as important in maintaining tradition and 17 percent said they boosted morale.

"There is something to be said for the holiday spirit of gift giving that can positively affect the work force's

heart and minds," Salt Lake City management consultant Laura Arellano of Meta Logia Consulting said.

Performance-based bonuses often are more fair, though, and they arguably can help companies produce results. Money is a powerful motivator, and such incentives can be effective tools for recruiting and retaining the best employees.

In addition, bonuses spread throughout the year allow employees to budget and use the extra income over many months, rather than seeing it absorbed by year-end expenses, Arellano said.

Pros and cons aside, performance-based bonuses have become the norm and that trend will continue.

So if you are among the minority of U.S. workers who is receiving a holiday bonus this year with no strings attached, consider yourself lucky, and enjoy it while it lasts.

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