

Bob Kustka

Factoring Human Capital Into Your Business Plan

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By Kim Leonard

Holiday bonus disappears from paychecks

Most employees can expect a company party this month. But the holiday bonus is fading from workplace traditions.

In fact, 66 percent won't award them this year, compared to 59 percent in 2005, according to Hewitt Associates' latest holiday survey, released Monday.

Hewitt found that about half -- 52 percent -- of 1,000 large companies surveyed never offered bonuses, and of the other half that did, one in seven (14 percent) discontinued them since 2000.

The Lincolnshire, Ill., human resources services firm has a Pittsburgh office and included some local employers in its annual survey.

Jim Zeik doesn't intend to follow that trend with the 28 workers at his American Thrift Stores in West Mifflin and Glassport.

They get holiday bonuses that reflect 1.5 percent to 2 percent of revenues and that means that this year, they'll share about \$8,500 -- along with the \$1,285 in loose bills and change found inside pockets and drawers of the donated clothes and furniture sold in the stores.

"It's a way of saying thank you to employees for doing a good job," said Zeik, who has given bonuses for 16 years and plans other rewards through the year, such as a lunch out when a sales record is broken.

"It keeps the morale better at the stores and in the long run, I would want to be treated that way wherever I worked."

Most companies still see the value of bonuses. "But larger companies have begun to put in more formalized, structured bonus programs" based on individual or team goals, said Dawn Cumpston, a partner in Compensation Consulting Consortium LLC, in Wilkins. "And they can't do a holiday bonus on top of the performance-based bonuses."

Smaller employers with more paternalistic philosophies continue to give holiday bonuses, Cumpston said. Many lack the time or resources to run more complex incentive bonus plans. But in the end the year-end awards may work anyway "because when you're a small organization, you generally want to reinforce teamwork beyond everything else," she said.

Among the region's large employers, Verizon Communications Inc. doesn't give year-end bonuses, said spokesman Lee Gierczynski, although incentive awards are handed out at other times. Highmark Inc. follows a similar policy, spokesman Mark Weinstein said.

U.S. Steel Corp.'s hourly employees share in profits in distributions each quarter, and administrative and management staff get their payments in the early part of the year, with amounts based in part on personal performance and meeting specific goals, spokesman John Armstrong said.

Employers can benefit come tax time for their holiday generosity. A business gifts deduction of \$25 per recipient, per year, is allowed under the tax code for gifts to employees, as well as customers or clients, said Mark E. Cobetto, a partner at Schneider Downs & Co. Inc., Downtown.

H.J. Heinz Co. sends gifts to employees and retirees around the holidays, with each year's items locked up and kept

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secret until distribution day, said spokesman Michael Mullen said.

This year's gifts will go out Wednesday. Previous presents for workers at the company's world headquarters Down-town included stoneware jars and ceramic replicas of the Heinz Hitch horse and wagon team or buildings that depict the company's history.

As for smaller, local employers, "My sense is that most are still doing something at holiday time," said Cliff Shannon, president of SMC Business Councils, which represents about 4,000 small businesses in the region.

"There has been less of a dropoff in doing something, and more of a change in what they do." Holiday seasons of decades past typically meant a party for employees, then another event for the employees and their families. Now, after gauging their employees' interests, most have scaled back parties and switched to small monetary gifts, gift cards or other items, Shannon said.

Still, look for major employers to offer more perks, including year-end bonuses, as the workforce shrinks, said Bob Kustka, president of CHR Partners, a human resources consulting firm in Norwell Mass.

Government statistics show 168 million workers will be needed in 2011, and there will be 165 million -- "and I think that is conservative. It doesn't capture all the small companies creating jobs."

Employers will start creating more incentives to "get considered" by the workers they'll need, he said, and those gifts can range from the performance bonuses to Thanksgiving turkeys to corporate culture-creating events like Friday pizza.

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