

The Christmas Bonus – To pay or not to pay, that is the question.....

As the holiday season rolls around again, one of the age old questions along with “Will we finally get some decent weather these holidays?” and “Do we have to see the in-law’s this Christmas?” is whether or not you should pay employees a Christmas bonus. While this is a lovely, ‘feel good’ custom in theory, is it a good idea in practice?

Employees unsurprisingly like the idea. Traditionally it takes somewhat of a ‘thanks for all your efforts, here’s a little bit extra to make you feel good, happy Christmas shopping, happy holidays, see you in the New Year’ feel.

But how common are Christmas bonuses these days? What do you as an employer get for them and are they really necessary?

Holiday bonuses are definitely becoming less common with more organisations tying their reward programmes to performance.

In a recent study by Hewitt Associates in the US, 59% of companies surveyed were not intending to pay out holiday bonuses, while 78% of companies offered performance related bonuses that typically exceeded traditional holiday rewards. This research is entirely consistent with our experience of the New Zealand market. (In fact we would see an even higher percentage of companies offering incentives).

One of the most common reasons for companies opting out of Christmas bonuses is that it becomes an expectation, and there is no link to performance. Employees absolutely expect it every year, regardless of both how they have done and how the company has done. So, it’s no surprise the custom leaves some employers feeling distinctly ‘scrooge’ like. The simple economic reality for a number of organisations is that they cannot afford to hand out cash in a Christmas bonus.

However that’s no reason to ditch the ‘Merry’ from Christmas. There are a multitude of options available to employers to say thanks. These include Christmas parties, Christmas hampers, personalised gifts, team lunches etc. Other ‘feel good’ factors if you don’t want to part with cash include encouraging staff to leave early on the last working day or gifting them an extra day of annual leave over the holiday period. Alongside this, the old fashioned ‘thanks for all your efforts’, ‘thanks for contributing to a great year’, never go astray.

If you’re unsure how to reward staff in a non-monetary way, then simply ask them what they would appreciate. It’s no use giving a vegetarian the traditional cured leg of ham, or a bottle of Cabernet Merlot to a tee-totaller.

So while there are definite up-sides to a little something nice for employees at Christmas, a bonus is becoming the ‘ghost of Christmas past’. In these competitive times, money shouldn’t be for nothing, and a discretionary Christmas bonus may undermine some of the messages you are trying to send through your performance incentive scheme/s.

While performance related incentives are the way of the future, you should also beware of the trap of tying your incentive plan to a Christmas year end. If targets aren’t hit you are then flying in the face of standard ‘feel good’ Christmas tradition by not paying a reward to employees. (On this note, can you guess the most common time of year for companies tweaking targets in sales compensation plans.....?)

In summary, Christmas bonuses on the whole are decreasing both in incidence and quantum, with performance related incentives and non monetary recognition at Christmas being the approach favoured by most employers.

However, for every trend, there is an exception.

Last Christmas Wall Street awarded itself tens of billions in bonuses. A New York times article reported that top 'rainmakers' at Goldman Sachs (bankers and traders) would each take home as much as \$20 - \$25 million in bonuses alone. The article cited the comment from one New York Investment firm, "Anyone in the bonus line at Goldman Sachs died and went to bonus heaven. It just doesn't get any better than this".

Leg of ham anyone?!