

# Future-proofing your business:

## Employee incentives and the right balance

### Key contact



**Catherine Daw**  
Head of Employment

01622 655291  
catherinedaw@brachers.co.uk

### The benefits of employee incentives

Incentivising your staff can have many positive effects for your business from improving efficiency to impact on profit margins. The use of financial incentives along with the prospect of promotion and career opportunities have traditionally been used as key elements in motivating employees. However, increasingly employees, especially the millennial generation (typically those born from the mid- 1990s to early 2000s), have wider expectations and benefit from incentives other than just pay to keep them motivated and engaged with their employer.

### Are financial incentives right for your company?

A financial incentive is intended to be a reward or recognition offered in exchange for work performance. Whatever employers think is right for their business, they must ensure that the incentive rewards the right behaviours and effectively links to business strategy and objectives.

People tend to weigh incentives against how hard it is to earn. Ask too much, and people will dismiss your incentive. Choose employee rewards that have higher value and you may inspire higher performance. Incentives need to target the right audience and be in line with your company ethos in order for them to appear most attractive to employees.

### Incentive spending

With profitability in mind, incentive spending needs to be cost effective and tailored to your business.

There are three main types of incentive:

- Individual
- Group
- Company (Standard Profit Sharing).

There is no recommended set spending amount for each class. It is likely to centre around your company ethos and what you wish to achieve from introducing incentives: what does your company value most and how can you reinforce that to your employees?

### Clawback provisions

Clawback provisions are clauses, drafted before the release of an incentive, that give employers discretion to reduce or recoup some or all of an employee incentive. So, if after having reviewed participation in said schemes performance is not meeting expected targets a clawback provision can allow your company to remove that incentive. However, these must be used with caution as they require accurate drafting to ensure they remain legally compliant and proportionate. Depending upon how they are being introduced it may also require consultation. Finally, they may have a negative impact on employee engagement and defeat what you were trying to achieve in the first place.

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“Its ‘highly professional and knowledgeable’ team is led by the ‘thorough and friendly’ Catherine Daw.”

The Legal 500

### Employee engagement

Although financial incentives may require a sizeable budget others may not need any at all.

For example, Hewlett-Packard’s most prestigious honour is ‘The Golden Banana Award’ a prestigious honour for inventive employees. This came about when one day an engineer burst into his manager’s office and solved a problem they had been struggling with for weeks. The manager wanted to mark this accomplishment but all he had was a leftover banana from lunch, he handed it over and said ‘well done’. Although many employees may not be incentivised with a left over banana the message remains relevant, that specific recognition can be just as effective as other incentives leading many employers to look carefully at their employee engagement strategies.

The key elements of employee engagement strategies usually include looking at the extent to which employees feel their views are noted, effective management and supervision, trust and effective communication. Our clients have found the following practical steps to be particularly effective:

Examples of which can include:

- encouraging work/life balance
- promoting teamwork
- open door policy (linked to teamwork and breaking down barriers).

### Support and assistance

Support is available from Brachers, Kent HR and Brachers Wealth Management in identifying effective employee engagement and reward strategies and ensuring your documentation supports your strategy.

If you would like to talk to us about any of these issues, please contact Catherine Daw, Head of Employment and HR on 01622 690691 or email at [catherinedaw@brachers.co.uk](mailto:catherinedaw@brachers.co.uk).

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