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## **An Announcement From Chairman Scrooge**

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By Editor Test      *Wed, Dec 16, 2009*

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*Less than a quarter (24%) of 300 companies surveyed by Hewitt Associates are offering holiday bonuses this year, down from 42% in 2008.*

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The number of companies offering traditional holiday bonuses in 2009 are at record lows, according to a new survey from Hewitt Associates. While the current economy has accelerated the decrease, Hewitt's research shows a steady trend away from these bonuses toward the adoption of more formal pay-for-performance programs.

Less than a quarter (24%) of 300 companies surveyed are offering holiday bonuses this year, down from 42% in 2008. Of those giving bonuses, nearly half (49%) will give cash, spending a median of \$250 per employee, and 39% will give gift cards with a median value of \$35 per employee. One in five companies will give a turkey, ham or other food.

Replacing holiday bonuses are variable pay programs, which have increasingly emerged as the primary pay for performance vehicle for employers and make up a greater portion of an employee's overall compensation package.

According to Hewitt research, average employer spending on variable pay as a percent of payroll has steadily increased over the past decade, from 9.7 percent in 2000 to 11.2 percent in 2010. Meanwhile, average pay raises have been steadily decreasing. In 2000, average salary increases were 4.3 percent compared to just 1.8 percent, in 2009.

"Holiday bonuses have been falling out of favor in recent years as companies face increased pressure to reduce costs and are more focused on growth and performance," said Ken Abosch, head of Hewitt's North American Broad-Based Compensation Consulting practice.

"Instead of giving arbitrary, across-the-board bonuses, employers want to find ways to appropriately reward their highest performing employees. And they are doing this by reserving more of their compensation budgets for bonuses that are based on performance and must be re-earned each year."

Apparently no one has told CEOs how much even a small company-wide holiday bonus can improve morale and cohesiveness, or how demoralizing and divisive it is for managers to reserve the bulk of the raises for a few often subjectively-chosen "star" performers.

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