

Employee Morale and Productivity Take a Hit Due to Recessionary Cutbacks, Globoforce Survey Reveals

Surprisingly, Employee Goodwill toward Employers Holds Up Better Than Expected

SOUTHBOROUGH, Mass. and DUBLIN, Ireland – June 2, 2009 – In a [recent survey](#) conducted by [employee recognition](#) strategist [Globoforce](#), employees admitted that their morale and productivity are in a state of decline due to recessionary cutbacks. According to the survey, **70 percent** of employees indicated that layoffs and the reduction or elimination of programs and benefits will have a negative short- or long-term impact on morale, and **55 percent** said these cuts will impact their productivity levels now and in the future. HR managers concur, with a full **89 percent** indicating that employee morale is being impacted and **80 percent** saying that productivity will take a hit in the short or long-term.

However, in spite of company layoffs, bonus reductions and payroll freezes, employees are, on average, maintaining goodwill toward their employers, with nearly half (**45 percent**) of employees surveyed indicating that these cuts have had ‘very little or no impact on their goodwill’ and only three percent were ‘holding out until I can find another job.’ Employee goodwill is holding up far better than HR managers indicated, with nearly **80 percent** saying that cutbacks will impact employee goodwill in the short- or long-term.

“The dichotomy taking place within the mindset of today’s employees tells us that while people may be attempting to ‘grin and bear it,’ the reality is that beneath those smiles are fear and uncertainty, which create a distracted and disengaged workforce,” said [Derek Irvine](#), Chief Marketing Officer and Head of Strategy, Globoforce. Companies need to directly address this through efforts that facilitate communications between management and employees to calm fears, articulate company goals, values and direction, and re-energize employee morale and productivity. [Strategic recognition](#) is a cost-effective and high impact way to accomplish all of that. By communicating regularly and recognizing the hard work happening within the walls of your organization with small, frequent rewards that reinforce company goals and values, you can infuse life back into your talent base, lift employees out of this recessionary rut and inspire new levels of energy and enthusiasm.”

The Recession’s Heavy Toll on Our Global Workforce: Layoffs and Cost-Cutting Will Continue
The survey reinforced the heavy toll this recession is having on our global workforce. A full two-thirds (**66 percent**) of HR professionals surveyed have had layoffs within their organizations and more than one third (**37 percent**) believe they may have to conduct layoffs again in the next three to six months. When it came to reducing costs, the biggest cuts have been in merit increases (**63 percent**), bonuses (**47 percent**) and training (**45 percent**). However, **75 percent** of HR managers indicate they are maintaining their recognition programs even while other areas are being cut, with an additional five percent planning to increase their budgets.

“With pay raises, bonuses and even training programs frozen at so many organizations right now, companies need to maximize the impact of the programs they still have that spread goodwill and elevate [employee engagement](#) levels,” said Irvine. “Thanking employees for their continued commitment and for doing more with less will go a long way to make up for those losses. Recognition programs are a natural way to deliver that appreciation and sense of value.”

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Irvine noted that many other studies on employee engagement are indicating that levels are dropping throughout corporate America. A **Corporate Executive Board** survey of nearly 80,000 employees reported that one in every five employees now consider themselves disengaged from their job, compared with one out of 10 last summer. That's echoed by a **Quantum Workplace** survey, which reported that two out of three companies surveyed in late 2008 had lower overall employee engagement scores compared with a year earlier.

- When it comes to taking steps to counter the negative impact of layoffs and cutbacks, HR professionals and employees are aligned, according to [Globoforce's survey](#). More than **75 percent** of both HR respondents and employees said that communicating company goals, initiatives and values to ensure employee alignment was the best response to current challenges.
- Nearly half of employees and HR respondents indicated that implementing or continuing employee recognition programs was an important strategy.
- Offering people a way to notice and acknowledge the stellar efforts of their peers was another important strategy to both HR respondents and employees.

Globoforce's Best Practices for Nurturing Goodwill and [Re-Engaging Employees in a Recession](#):

- **Communicate Clearly** – Our respondents got it right. Be accessible, address concerns openly and recognize effort frequently and appropriately with small rewards. According to a [recent report from Watson Wyatt](#), clearly communicating changed strategic objectives or company plans can 'directly connect employees to the purpose of the organization.' A strategic recognition program that ties frequent and timely rewards to behavior that reflects company goals will reinforce those important values and ignite motivation levels.
- **Show Employees You Respect and Value Them** – Respect should be at the core of any business strategy for companies facing layoffs and cutbacks. Demonstrate that you respect the individuals in your workplace and find simple, cost-effective ways to acknowledge the fact that they are doing more with less. Something as simple as an in-person thank-you was one of the top responses in a recent survey of administrative professionals.
- **Build Career Paths** – Employees understand that raises, bonuses and training might not be in the budget this year; however, organizations have other ways to nurture engagement and communicate value to employees. Think about new ways to let employees flex their muscle and build on their career path such as giving them new assignments. While companies have to fix the financials of the organization in the short-term, they also have to see how their workforce fits in the bigger picture and find ways to not only maximize their productivity, but also provide interesting growth opportunities.
- **Remember that Recognition Offers Higher ROI than Bonuses** – **Jeffrey Pfeffer from Stanford's Graduate School of Business** was recently quoted in [Workforce Management](#) as saying, "The mistake is that companies try to solve all their problems with pay." In the wake of Wall Street bonus scandals, incentive-based compensation is drawing much more scrutiny, and hefty bonuses are not considered politically correct. As it turns out, they may not be effective either. A **McKinsey** study published last year showed a \$1,000 payment had a 10 times greater ROI when it was given as recognition than when it was given as a pay increase.

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- **Recognize Everyone, Not Just Top Performers** – According to the same **Watson Wyatt** research referenced above, employees who indicate their organization effectively delivers on the employment deal are 20 times as likely to be highly engaged and **50 percent** more likely to be top performers. Recognizing employees equally through recognition programs is one way to communicate that ‘everyone is in it together.’ These rewards are not just for top performers – they can extend a powerful ‘thank you’ to every employee, from those in the mail room to those invited into the board room.

To request a copy of the full survey, ‘**Voice of the Employee: How to Overcome the Morale Crisis with Increased Communication and Recognition,**’ visit the following link:

<http://www.globoforce.com/corporate/eng/innovation-center/whitepapers/>

About the Survey

The [survey](#) was sent via e-mail to HR professionals and cross-functional employees during the first quarter of 2009. More than 200 respondents answered the questionnaire via an online survey tool and were assured of their confidentiality. Their responses were used to drive the results and conclusions of this report and will be used only in this aggregate analysis. The key findings herein are based at the 95-percent confidence level with a +/- five-percent margin of error.

About Globoforce

Founded in 1999 and co-headquartered in Southborough, Massachusetts and Dublin, Ireland, Globoforce is the world’s leading provider of global strategic employee recognition solutions for Global 2000 companies. Named a 2008 Inc. 500 company, Globoforce delivers an innovative, easy-to-use, on-demand software solution that engages employees across the globe, transforming the way enterprises motivate their workforce. Globoforce’s blue-chip customer base, which includes Avnet, Biogen Idec, Dow Chemical, Global Crossing, Fairmont Hotels & Resorts, Intel, Intuit, Procter & Gamble, Quintiles and Thomson Reuters, reflects the importance of recognizing and engaging the workforce in the 21st century. For more information, log on to <http://www.globoforce.com> or visit the Company’s blog at <http://globoforce.blogspot.com/>. Globoforce can also be found on Facebook, LinkedIn, Twitter and YouTube; [click here](#) for details.

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