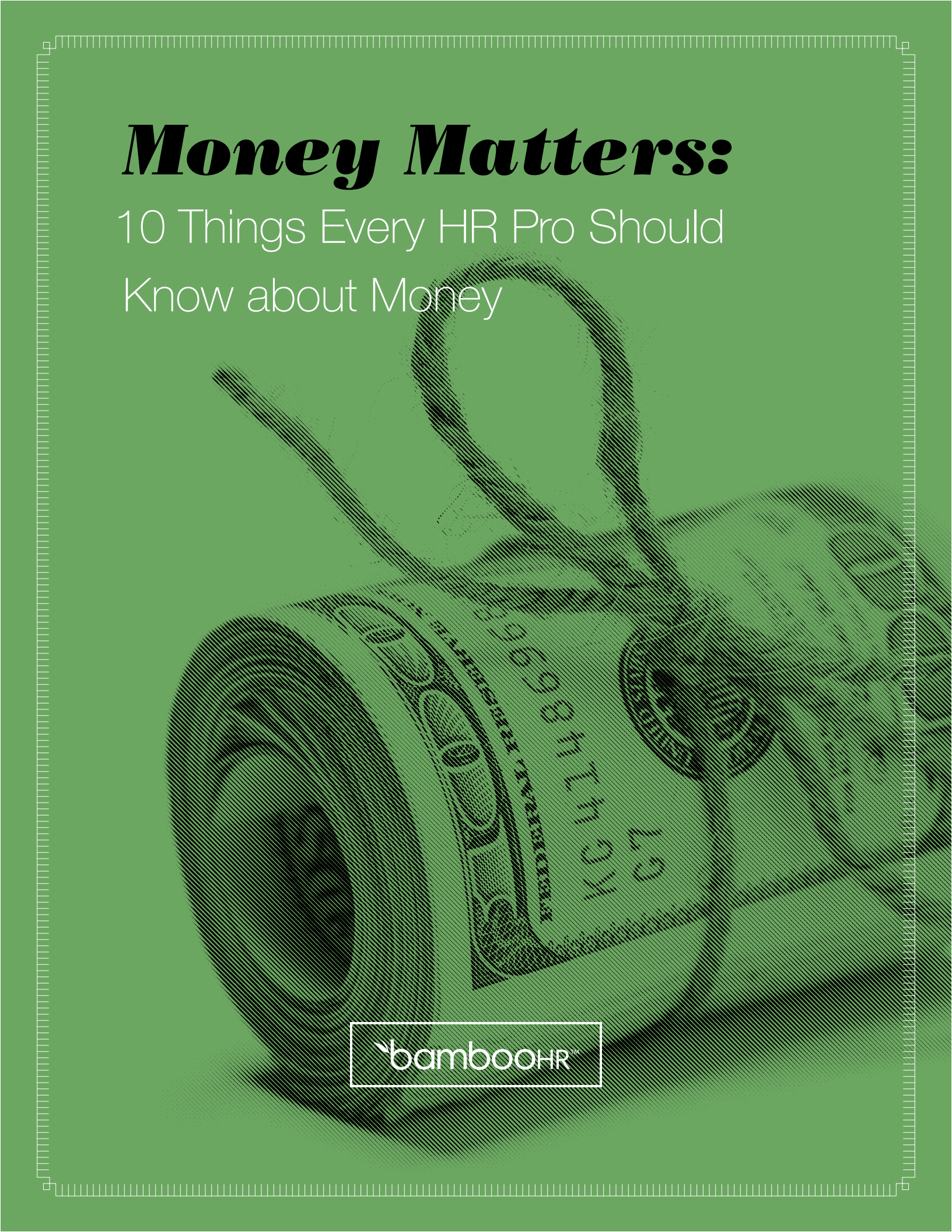
Money Matters:

10 Things Every HR Pro Should Know about Money



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Currency, cash, dough, cheddar, moola. There are a lot of ways to say money. And the reason is obvious: Money matters! It drives markets, keeps business doors open when it's in abundance (and closed when it's not), and puts food on tables. HR knows as well as anyone how important money is. Being able to pay employees affects how well you hire, retain, and engage your people. Again: money matters!

But just how much does it matter? And what specifically, should an HR professional know about money as they go about their work? Below are ten things we've learned about money that every HR professional should know.

1. MONEY TRUMPS EXECUTIVE RECOGNITION. 70 percent of employees prefer a cash bonus over recognition through a company-wide email from a company executive. Even if the cash bonus is a small amount—say $25—it will mean a lot to the majority of employees. It means something financially *and* psychologically—employees know their employers care and who doesn't need a little extra cash?

2. MONEY *DOESN'T ALWAYS TRUMP* EXECUTIVE RECOGNITION. But 30 percent of employees prefer an email from a company executive recognizing their contributions, and employees' opinions should not be ignored. Of the 30 percent, three out of four said a bonus would have to be at least $2000 for them to accept it over a company-wide recognition email and one out of five said a bonus would have to be at least $5000 for them to accept it over a company-wide recognition email. *$5000!* Nevermind that giving positive recognition is the right and kind thing to do, and never mind that it compels others to work harder as well. For some employees, positive recognition from an executive is worth *a lot of money.*

3. EMPLOYEES DON'T LIKE TAXES! 70 percent of employees prefer a gift card while 30 percent would opt for cash added to their next paycheck. In other words, employees don't want the taxman going through their pockets. But the value of the gift card will depend on if it's something that they'll genuinely want or need. A gift card to a local arcade can only make the average employee so happy, while a gift card to a retailer the employee already frequents will add much more value to their lives.

4. MONEY TRUMPS TITLE. 82 percent of employees only need a 3 percent raise to accept money over a title promotion. Money speaks much louder than titles to most employees, and the raise doesn't even have to be that much to matter more than a promotion. If a highly valued employee is unhappy about their career trajectory—and there simply aren't any promotions available at the moment—a (relatively) small monetary incentive can sometimes satisfy them until other possibilities open up. At the very least it lets them know that you value them. And when one considers that it can cost up to 1.5-3 times an employee's total salary to replace them, a 3 percent raise might actually save an organization a significant amount of money in the long run.

5. MONEY *DOESN'T ALWAYS TRUMP* TITLE. However, one in five still prefers the title change. It's important for an employer to understand employee preferences, and then apply that knowledge before it's too late. Candid conversation or employee surveys are two ways to determine what motivates individual employees. If an employee prefers a title promotion anyway, an organization can save itself money—and make their employee happy—by offering that.

6. MONEY ISN'T A DEAL BREAKER *THAT* OFTEN. Believe it or not, only 10 percent of employees think they're underpaid so much that it's a deal breaker (i.e. they'll quit their job). It's probably best to be cautious when an employee comes back with news they got an offer for more money. Jumping to the conclusion that it's only about money, without candidly talking with an employee to figure out what they really need to stay put, can be very costly (both financially and in terms of retention).

7. WORK-LIFE BALANCE IS A BIGGER DEAL BREAKER THAN MONEY. Money is only the third biggest deal breaker according to employees. The first deal breaker is lack of promotion and the second is work-life balance. We all know the old phrase "time is money." Well, when it comes to employees' personal lives, it appears that time is worth *a lot* of money.

8. BUT MONEY IS ALWAYS RELEVANT. Even when employees name something else as the main deal breaker, money is almost always a secondary reason for job dissatisfaction. In other words, employees are unhappy that they aren't promoted *and* they're not getting paid enough to be okay with a lack of promotion. Or they think their work-life balance is out of balance *and* they don't think they're paid enough to justify the extra work. If an organization doesn't intend to give an employee what they want in qualitative terms (job title, flexibility, etc.), they're going to have to make up for it in quantitative terms ("show me the money!").

9. THE YOUNGER THE EMPLOYEE, THE MORE FAIR PAY MATTERS. Lower-than-expected salaries are especially annoying to younger employees. 52 percent of employees aged 18-29 are "incredibly annoyed" when their salary is less than expected, compared to only 38 percent for 30-44 years old employees, 34 percent for 45-60 years old employees, and 31 percent for employees older than 60. Of employees older than 60, only 8 percent would quit because of an "unfair salary."

10. BUT YOUNGER EMPLOYEES CARE MORE ABOUT LOVING THEIR JOB. What makes pay fair probably has something to do with how much young employees like their job. 64 percent of millennials would rather make $40,000 a year doing something they love than $100,000 a year doing a job they think is boring. By cultivating an environment and culture in which employees enjoy their work, organizations can keep their top talent for less money. But this only works when employees love their job.

Money matters. Employees think about it all the time and keep it top of mind as they make important career decisions. But money isn't everything. And it can't solve every problem an organization faces. To hire and retain top talent, organizations need to understand when to pay up and when to focus on other areas of the employee experience. Only then will money matter less to the employee. And when money matters less to employees, they'll enjoy their job more and do better work. And the more employees do better work, the more money *everyone* will make.

Think it's time to master reward and recognition programs? Learn the ins and outs of when and how to start now.

(Points 1-5 come from a survey we conducted in 2016 to learn more about employees opinions regarding reward and recognition programs, and points 6-9 come from a survey we conducted in 2014 to determine what makes employees leave an organization.)