



Bonus Grants: A Creative Way to Retain and Reward Key Employees

Changes in the economy – as well as new generations in the workforce – have altered the employment landscape. Gone are the days of someone retiring after 40 years with the same company. Job hopping has become the norm, and in the war for talent, top performers are regularly being courted by the competition.

Organizations need to implement new and creative ways to keep their key employees – and keep them happy. While salaries are generally staying level, more employers are focusing on bonuses as a way of rewarding employees. But traditional bonus programs may not be good enough anymore. Enter: The bonus grant.

Bonus grants are different than conventional bonuses in that they are a commitment that the company makes to key employees. Instead of earning raises and/or bonuses that are paid out annually, key employees accrue larger bonuses over a longer period of time. The company also has the option of tailoring the program to the individual employee to provide the most appropriate benefit.

While there are many advantages associated with implementing a bonus grant program, following are the three most significant:

Retention: Most bonus programs are paid in the year they are earned. While this may immediately inspire feelings of gratitude and loyalty, the effect quickly wears off. With bonus grants, key employees are credited a certain bonus amount each year, but are not fully vested until a specific date determined by the employer (usually 5-10 years). This is a terrific way to help ensure retention, because if an employee leaves the company, they are walking away from the bonus account that was set up for them.



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Flexibility: Unlike salary raises that commit employers to funds that they may not be able to spare in the future, bonus grants provide companies the flexibility to determine how much – if any – money is given to a specific employee based on their individual performance, as well as the company’s performance that year. Employers can set a different percentage or flat rate for each employee in the program, and these numbers can vary from year to year, at the employer’s discretion.

Simplicity: There are different types of retention tools and tactics in the marketplace, but most are complicated and difficult to understand – for both employers and employees. A bonus grant program can be very straightforward. By keeping it simple, key employees will easily understand the value of the benefit being offered, and the company leadership will understand what they are committing to.

Is a bonus grant program right for your company?

Here are some questions to ask when deciding if a bonus plan is right for your company:

- Are you having issues recruiting and retaining key employees, or competing with larger companies for employees at the executive level?
- Do you wish to provide specialized forms of compensation to key executives or employees in lieu of making them partners or part owners in the business?
- Is your ability to offer a more robust benefits package to high-performing employees hindered by your business’ lack of free cash flow?

If you answered ‘yes’ to any of these questions, a bonus grant program is worth exploring. According to a local vice president of a logistics company, he states the, " bonus grant program is beneficial to our company. It is a simple plan, but very effective in helping us reward and retain our key employees."

There is some strategic planning involved in setting up a bonus grant program, but there are skilled advisors who can help your organization set up and administer one. To learn more about this creative way to hold onto your best employees and setting your company apart from the competition, connect with Monique Kahkonen, Director Compensation and Benefits Services at 888.237.9554 or mkahkonen@hrxperts.org.