



# Survey of Incentive and Recognition Pay Practices Hourly Restaurant Level Positions

Conducted for the Chain Restaurant Compensation Association

by Hay Group  
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# Survey Background

- Purpose: to provide CRCA members with a better understanding of incentive and recognition pay practices for hourly restaurant-level positions.
- Topics covered:
  - Incentive pay programs
  - Recognition pay programs
  - Program objectives
  - Perceived effectiveness

## Survey Participants (n=44)

- AFC Enterprises, Inc.
- Applebee's International
- BJ's Restaurants, Inc.
- Bob Evans Farms
- Bravo Development, Inc.
- Brinker International
- BUCA, Inc.
- Buffet Inc.
- Buffet Partners LP
- Burger King Corporation
- Caribou Coffee Company
- Carlson Restaurants Worldwide
- Cheddar's Restaurants
- Chipotle
- Cosi, Inc.
- Cracker Barrel Old Country Store
- Culver Franchising System, Inc.
- Dave & Buster's, Inc.
- Denny's Inc.
- Domino's Pizza LLC
- Donatos Pizzeria LLC
- El Pollo Loco
- Fazoli's
- Hard Rock Cafe International, Inc.
- IHOP
- Jack in the Box
- Main Street Restaurant Group, Inc
- Morton's of Chicago
- O'Charley's Inc.
- Panera
- Papa John's Intl, Inc.
- Papa Murphy's International, Inc.
- Piccadilly Restaurants, LLC
- Potbelly Sandwich Works, LLC
- Qdoba Mexican Grill
- RARE Hospitality International, Inc.
- Rock Bottom Restaurants, Inc.
- Ruth's Chris Steak House
- Taco John's International
- VICORP Restaurants, Inc.
- Walt Disney World
- Wendy's International
- White Castle
- Yum! Brands Inc.

## Participant Demographics (n=44)

	Average	P25	P50	P75
System Revenues (\$Mills)	\$ 1,174	\$ 278	\$ 722	\$ 1,519
# System Restaurants	896	97	352	688
# of Total System FTEs	16,791	2,664	6,320	23,216

Concept Type	%
Quick Service	36%
Family Dining	23%
Dinner House	18%
Restaurant Group	14%
Quick Casual	9%

Data provided on pay practices for over 700,000 employees.

## Summary – Incentive Practices

- The significant majority of organizations do NOT utilize incentive pay programs for hourly restaurant employees.
- Eligibility is typically based on length of service and type of job.
- Targets are typically a percentage of actual pay.
- Measures tend to be a combination of team and individual targets and consist of financial, operational and customer dimensions.
- The program is typically designed by corporate HR, often with the involvement of field operations.
- Incentives are typically paid out quarterly.

# Incentive Programs

Do you have a cash-based incentive pay plan for hourly restaurant employees? (n=44)

Yes	14%
No	77%
Considering	9%

What best describes the type of incentive plan design? (n=6)

Team-based Measures	17%
Individual based Measures	17%
Both team and individual based measures	67%

Which positions are eligible? (n=6)

All full time and hourly positions	50%
Full time only	33%
Full time and a subset of hourly positions	17%

What are the minimum eligibility requirements for plan participation? (n=6)

None	17%
Job Title, level or grade	33%
Performance based	0%
Time in job	0%
Length of service	50%
Other	0%

How often is the incentive paid? (n=6)

Weekly	0%
Monthly	0%
Quarterly	67%
Twice a year	17%
Annually	0%
Other	17%

How are target incentive pay amounts established for hourly positions? (n=5)

As a percentage of actual pay	60%
As a percentage of targeted pay	0%
As a flat dollar amount irrespective of hours worked	20%
As a flat dollar amount that varies based on hrs worked	20%

How are target incentive pay amounts established for different types of hourly positions? (n=6)

All hourly positions generally have the same targets	50%
Targets vary based on size./complexity of the job	0%
Targets vary based on management discretion	50%

# Incentive Programs

Who is accountable for the design of the program? (n=5)

Corporate HR	40%
Field HR	0%
Field Operations	20%
Combination of HR and Operations	40%

Level of Performance Measurement	n=4	n=5	n=4
	Financial	Operational	Customer
US	25%	20%	25%
Region/Area	0%	0%	0%
Unit	75%	40%	0%
Individual Employee	0%	40%	75%

Typical measures: financial (profit), operational (unit cost control), customer (satisfaction)

What percentage of eligible employees received an incentive payment in the last fiscal year? (n=3)

Less than 40%	0%
Between 40%-59%	0%
Between 60%-79%	0%
Between 80%-100%	100%

Indicate the primary type of incentive plan design (n=5)

Awards based on results vs. pre-established objectives	80%
Discretionary awards based on after-the-fact results	20%

## Summary – Recognition Practices

- Recognition programs are much more prevalent than cash incentive programs for hourly employees.
  - A variety of recognitions programs are in place.
  - Gift card programs are fairly prevalent.
  - Other programs include service awards, team celebrations, discounted meals/
- All full time and part time employees are typically eligible to participate immediately.
  - A minority of organizations have a minimum length of service requirement.
- Programs tend to be fairly decentralized and of limited duration.
- Programs are typically designed by corporate HR, often with the involvement of field operations.

# Recognition Programs

Please indicate other recognition programs that are in place for hourly employees (n=32)

Gift Card Recognition Awards	34%
Monetary Recognition Awards	13%
Earned Time Off	9%
Other	44%
None	22%

What are the minimum eligibility requirements for plan participation? (n=32)

None	47%
Length of service	38%
Performance based	6%
Other	6%
Job Title, level or grade	3%
Time in job	0%

Which positions are eligible? (n=32)

All full time and part time hourly positions	91%
Full time positions only	3%
Full time and a subset of hourly positions	6%

How would you characterize the nature of the program? (n=31)

Periodic (programs begin/end via field needs)	81%
Ongoing	19%

Who is accountable for the design of the program? (n=32)

Combination of HR and Operations	44%
Corporate HR	34%
Field Operations	22%
Field HR	0%

What is the level of consistency in program administration? (n=32)

Decentralized (different programs for U.S. units)	63%
Centralized (common programs for most U.S. units)	38%

## Summary – Program Effectiveness

- Key objectives of these programs tend to be centered on:
  - Better recognize employee contributions
  - Reduce employee turnover
  - Improve employee performance / productivity
- Programs are perceived to be marginally effective.
  - Only a third of respondents rate their programs as successful or highly successful
  - About half say their programs need improvements.
- Very few organizations formally measure the effectiveness of their programs.
- Only half of the organizations surveyed believe a majority of their employees understand how they can impact their own rewards.

# Program Objectives

<b>Program Objectives (n=29)</b>	<b>Not Applicable</b>	<b>Intended Objective</b>	<b>High Priority</b>
Noticeably improve organization or team financial performance	52%	31%	17%
Noticeably improve individual employee performance/ productivity	24%	52%	24%
Better recognize employee contributions	10%	55%	34%
Create a more competitive total compensation market position	62%	24%	14%
Support culture change	66%	24%	10%
Reduce employee turnover	21%	48%	31%
Promote a sense of ownership	43%	43%	14%
Improve employee involvement	29%	54%	18%

# Program Effectiveness

Indicate the most prevalent/impactful program that you have in place, and for which the answers to the questions in this section will apply (n=29)

Recognition program	69%
Cash based incentive program	31%

What is management's assessment of the program to date? (n=28)

Needs significant improvements	14%
Needs minor improvements	32%
Adequate	0%
Successful	25%
Highly Successful	7%
Too new to tell	4%
Feedback not collected	18%

How does your organization primarily measure the effectiveness of programs? (n=28)

Formal, quantitative measures	11%
Formal, qualitative measures	7%
Informal opinion gathering	46%
Feedback not collected	21%
HR determines	11%
Other	4%

Do plan participants understand how they can impact their own rewards? (n=27)

Most understand (greater than 2/3s of employees)	52%
Many understand (between 1/3 and 2/3 of employees)	22%
Few understand (less than 1/3 of employees)	26%

## Program Effectiveness – “The Good”

- The one design or administration aspect I would **keep** doing in our current plan is the following:
  - Design
    - “Continue to award higher incentives for greater budget attainment”
    - “Our focus on cash vs. other vehicles”
    - “Continue to have the associate choose their own service award. This way the award meets their individual needs and preferences.”
    - “Continue to keep the program very simple and straightforward - if you reach the anniversary, you get the bonus”
    - “Keep the variety in the gift cards that are used as awards.”
    - “Recognition of individual competencies and the intent to increase retention”
    - “Recognizing tenure”
  - Administration
    - “Centralized administration”
    - “Highly publicize the plan... this ensures all employees know exactly what is expected and what it takes to be recognized and helps maintain the level of excitement for the program.”
    - “There is no longer a waiting period for the referred associate to have to work before the incentive payment is made. It was 4 months of employment previously “

## Program Effectiveness – “The Bad”

- The one design or administration aspect I would **change or stop** doing in our current plan is the following:
  - Design
    - “Our discretionary element should be tied to something more tangible.”
    - “We need to find other ways to recognize outstanding performance amongst our hourly associates besides just an award for tenure.”
    - “We need to reward performance instead of just tenure.”
    - “We need to have as much emphasis on store certification versus store improvement.”
  - Administration
    - “For the Employee of the Month program, I would like to see this administered in every store. Also this program needs some additional guidelines on selecting the employee and on how the reward is presented in order to maximize its effectiveness.”
    - “We need more frequent payouts.”
    - “Centralize the hourly incentive and recognition function”
    - “We need to budget recognition \$ for each restaurant, so that the managers can support these endeavors at the store level, rewarding behavior that we don't see or hear about at the HQ level.”
    - “We need more education / emphasis on presentation of the award”
    - “We have a rather arbitrary design and implementation at the store level.”