



Building Your Employee Recognition & Rewards Budget

Industry benchmarks and best practices to maximize employee engagement and ROI.

Effective recognition not only boosts morale but also significantly impacts employee retention and productivity.

This guide will help you navigate rewards and recognition budgeting, offering benchmarks and strategies based on your company's goals and needs.

Just looking for benchmarks?

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Things to Know Before Building Your Budget

There are two things to consider when planning your budget for Kudos:

- **Software Subscription fee** (A fixed monthly user fee for access to the Kudos recognition platform).
- **Optional Rewards budget** (Covers the cost of rewards that employees redeem with their Kudos Points, which hold no currency value until redeemed. In other words, unused points or expired points do not cost your organization anything).

General Budgeting Best Practices

Kudos is a great way to impact as many employees as possible. Rather than spending your entire recognition and rewards budget on big, annual awards that only recognize 4-5 of your top performers, make recognition and rewards available to everyone in the company, regardless of their role or tenure by spreading the budget out across your organization.

There are typically two ways to determine your recognition & rewards budget:

- **Percentage of Payroll:** 1-2 % of total payroll.
E.g., if you are a company of 500 employees, with a total annual payroll of \$30,000,000, your recognition budget would be anywhere from \$300,000 – \$600,000 per year (includes software fees).
- **Fixed Amount Per Employee:** \$150 – 250 per employee per year.
E.g., if you are a company of 500 employees, your recognition budget would be anywhere from \$75,000 – \$125,000 per year (not including software fees).

Average Annual Rewards Spend by Industry

Kudos clients typically see approximately 60% of points received get redeemed each year, meaning you can expect that percentage of your budget to be used in practice. Here's a breakdown of how much Kudos clients spent on rewards in 2024.

Based on average annual rewards spend from Kudos clients in each industry.

INDUSTRY	AVERAGE	TOP-PERFORMERS ¹
Healthcare	\$39 / employee / year	\$64 / employee / year
Financial Services & Banking	\$96 / employee / year	\$112 / employee / year
Utilities	\$19 / employee / year	\$47 / employee / year
Education	\$43 / employee / year	\$97 / employee / year
Manufacturing	\$31 / employee / year	\$158 / employee / year
Professional Services	\$79 / employee / year	\$133 / employee / year
Software & IT	\$35 / employee / year	\$50 / employee / year
Hospitality	\$19 / employee / year	\$35 / employee / year
Energy & Natural Resources	\$39 / employee / year	\$68 / employee / year

¹ "Top-Performers" are organizations with platform participation levels in the top 20th percentile

Allocating Rewards & Recognition Budget

After determining your budget and deducting software fees, you'll allocate your rewards budget based on your organization's goals.

Rewards buckets to consider (within and outside of Kudos):

- Kudos points for employees to give when sending recognition from the Kudos Give Bar (Peer to Peer Recognition).
- Kudos Awards to celebrate specific events, and achievements (Kudos Awards).
- Automated points for birthday and employment anniversaries (Celebrations).
- Appreciation events outside of the Kudos platform (holiday parties, other employee gifts and events).





Settings that Increase or Decrease Rewards Spend

Certain settings can be implemented to either increase or decrease your rewards spend each year. The table below shows how these settings impact rewards spend:

SETTING	EFFECT	RECOMMENDATION
Points to Currency Ratio	<i>Decreases or increases rewards spend</i>	<i>10:1 ratio</i>
Points Expiration	<i>Decreases reward spend</i>	<i>1-year points expiry</i>

Keep in Mind:

- Points allocated for P2P recognition that aren't given out by the end of the month don't rollover, encouraging timely recognition throughout the month.
- Points available for redemption can expire annually, quarterly, or have no expiry.
- When users exit the company, their points are removed along with their account when they're archived (remember points have no monetary value and you will not be charged).
- We typically recommend that clients fund the rewards liability at 50%. Meaning if you have \$100,000 worth of points available to redeem, your float should carry at least \$50,000.

Other Tips for a Limited Budget:

- Adjust your points to dollar ratio higher.
- Expire points at the end of each year to limit liability.
- Explore different point distribution strategies:
- Everyone is empowered to give points with the same point allocation.
 - Everyone is empowered to give points within a tiered point allocation structure.
 - Only leaders are empowered with points to give.
 - Consider running your program without points.