

# Incentives and Employee Recognition

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## INTRODUCTION

Incentives and employee recognition are effective elements of hiring and retaining agency Talent. This means providing incentives to and recognition of employees for their performance and acknowledging their contributions to the agency's mission. There are many ways to acknowledge contributions and good performance, from providing a sincere "Thank You!" for a specific job well done to establishing a formal cash incentive and recognition awards program. Agencies have the authority to:

- Design extensive incentive and recognition programs
- Grant awards to Federal employees to recognize individual and/or group performance or the achievement of pre-established goals.

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## TYPES OF INCENTIVES AND EMPLOYEE RECOGNITION

This tool contains information/regulation on the following types of incentives and recognition:

- Cash awards – rating-based and other
- Referral bonuses
- Quality step increases
- Honorary and informal recognition
- Time-off.

Associated Web sites are included at the end of each award description.



Web sites related to incentives and employee recognition:

<http://www.opm.gov/perform/reward.asp>

<http://www.opm.gov/perform/articles/2000/jun00-3.htm>

## Incentives and Employee Recognition (continued)

### Cash Awards

Agencies have discretionary authority to grant an employee a lump-sum cash award based on a "Fully Successful" or better rating of record. These are called rating-based cash awards. These cash awards do not increase an employee's basic pay. Awards based on the rating of record can be up to 10 percent of salary, or up to 20 percent for exceptional performance. (5 U.S.C. 4302, 4503, 4505(a); 5 CFR 451.104)

Agencies may also grant other cash awards. A cash award can be granted to an employee, individually or as a member of a group, in recognition of accomplishments that contribute to the efficiency, economy, or other improvement of Government operations. Agencies may grant up to \$10,000 without external approval, up to \$25,000 with Office of Personnel Management (OPM) approval, and in excess of \$25,000 with Presidential approval. (Department of Defense (DoD) does not require OPM approval for awards up to \$25,000, but awards over \$25,000 must be approved by the President.) Award payments are subject to the aggregate limitation on total pay equal to the rate of pay for Executive Level I. (5 U.S.C. 45; 5 CFR 451)



Cash awards Web sites:

<http://www.opm.gov/perform/reward.asp>

<http://www.opm.gov/perform/articles/2000/jun00-3.htm>

### Referral Bonuses

Federal agencies can use the incentive awards authority under chapter 451, title 5, U.S.C., to provide incentives or recognition to employees who bring new talent into the agency, usually by establishing a specific award such as a referral bonus. Each agency must determine whether the use of referral bonuses is appropriate and establish criteria for giving them to employees.



Referral bonuses Web site:

<http://www.opm.gov/perform/articles/2001/spr01-1.htm>

## Incentives and Employee Recognition (continued)

### Quality Step Increases

Agencies have discretionary authority to accelerate an employee's pay by granting a quality step increase. A quality step increase is an additional step increase agencies may grant to an employee who has received the highest rating of record available under the applicable performance appraisal program, which would be "Outstanding" or Level 5 if such a level is available, and has met the agency-developed additional criteria required for programs that don't use a Level 5 summary. Quality step increases are basic pay increases for all purposes. Agencies can grant no more than one quality step increase to an employee within a 52-week period, and such an increase may not cause the employee's pay to exceed the maximum rate of the grade. There is no authority to grant quality step increases to Federal Wage System employees. (5 U.S.C. 5336; 5 CFR part 531, subpart E)



Quality step increases Web site:

<http://www.opm.gov/perform/articles/2000/jun00-6.htm>

### Honorary and Informal Recognition

Agencies can develop honorary and informal recognition programs that use recognition items as awards to recognize individual and group performance. Recognition items must meet certain criteria. For honorary awards, the item must:

- Be something the recipient could reasonably be expected to value, but not something that conveys a sense of monetary value
- Have a lasting trophy value
- Clearly symbolize the employer/employee relationship in some fashion
- Take an appropriate form to be used in the public sector and to be purchased with public funds.

For informal recognition awards, the item must be of nominal value and take an appropriate form to be used in the public sector and to be purchased with public funds.

(5 U.S.C. 4503; 5 CFR 451.104(a))

## Incentives and Employee Recognition (continued)



Web sites related to honorary and informal recognition awards:

<http://www.opm.gov/perform/articles/1999/nonmongd.htm>

<http://www.opm.gov/perform/articles/003.htm>

<http://www.opm.gov/perform/articles/011.htm>

### Time-Off

Agencies may grant time off from duty without charge to leave or loss of pay as an award to individuals or groups of employees. (5 U.S.C. 4502; 5 CFR 451)



Time-off awards Web site:

<http://www.opm.gov/perform/articles/1999/jun99-4.htm>