

Executive **EDGE**

"GAME SHOW" PROGRAM BOOSTS LOYALTY

Want to make work more fun? Treat it like a game show. Nortel Networks, an Ontario-based international communications company, gives its employees an opportunity to win prizes instead of cash bonuses.

Nortel got the idea from Netcentives, a San Francisco consulting firm that specializes in programs to strengthen employee and consumer loyalty.

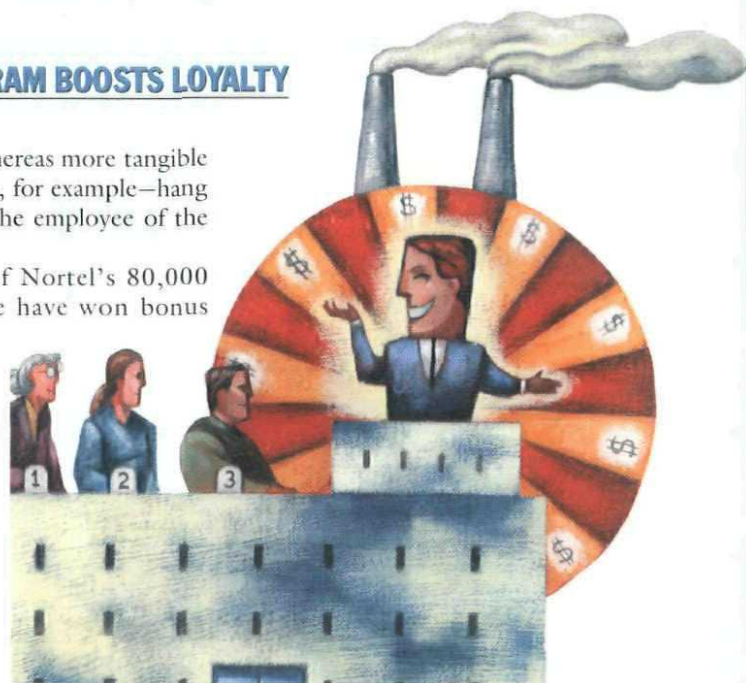
Supervisors at Nortel reward employees with a certain number of points for every job well done. Those employees can immediately trade the points for cash, or let them add up and exchange them for different kinds of prizes—which can range from a set of tools to a vacation in the sun.

Nortel's workers enjoy the drama and excitement the program generates. Because the company pays most of the taxes on prizes, the majority of program winners choose prizes rather than cash. (Taxes on cash can run as high as 39.6 percent.) From this, Nortel reaps a psychological benefit: Cash bonuses tend to

rapidly disappear, whereas more tangible prizes—DVD players, for example—hang around, reminding the employee of the firm's generosity.

So far, 25,000 of Nortel's 80,000 workers worldwide have won bonus points, and 40 percent of those have exchanged them for prizes. Kathy Gorley, an administrative assistant, was able to save up enough points over three years to pay for remodeling her bathroom. Jessica Flynn, a senior financial analyst, traded her points for an all-expenses-paid trip to the Pro Bowl in Hawaii.

Because the entire "game show" setup is conducted online, Nortel has found it faster and more efficient to run than previous bonus programs. And, best of all,



the new program does appear to reinforce employee loyalty. Last year's winners say they plan to stick around and shoot for bigger prizes next year.

From Ahmad Diba, "If Pat Sajak Were Your CEO. . .," Fortune, December 18, 2000, p. 330.

PUTTING EX-WELFARE RECIPIENTS TO WORK

TJX Cos., corporate parent of the clothing retailers T. J. Maxx and Marshalls, specializes in turning former welfare recipients into self-supporting citizens. In doing so, the firm has solved one of its own problems as well.

"Welfare reform"—the Personal Responsibility and Work Opportunity Reconciliation Act of 1996—ended longstanding federal subsidies to poor families and encouraged their heads, usually single mothers, to seek work instead.

- Unfortunately, many of these people were unskilled at finding and keeping jobs.

In May 1997, TJX's CEO vowed to hire 5,000 former welfare recipients by 2000. Altruism was one motive, need another. Because retail salaries are

generally low, employee turnover tends to be high. At TJX, which operates more than 1,000 stores in 47 states, turnover of 100 percent was common. The company had to find a way to fill those slots. It did so with a three-part program:

- TJX engaged CIC Enterprises, an Indianapolis-based firm, to operate a job hot line linked to agencies that help welfare recipients get ready for life in the working world. By calling a toll-free number, a TJX store manager in any city is connected within 24 hours to a local agency, which sends out candidates for the job.

- Because many such candidates have little education or work experience, TJX gives them three weeks of classroom training, followed by internships at

a T. J. Maxx, Marshalls, or Goodwill store. (Goodwill, a TJX partner in the effort, runs the training with federal funding.) Those who complete the internships get TJX or Goodwill jobs.

- A case manager follows each welfare recipient-turned-employee for at least a year, helping the new worker solve problems with, for example, child care or transportation. A liaison person is available to help the employee with performance problems at the store.

TJX's program—which brought it 16,000 new employees, rather than the 5,000 originally envisioned—has been a success both for former welfare recipients and the firm itself.

From Ann Harrington, "How Welfare Worked for T. J. Maxx," Fortune, November 13, 2000, pp. 453-456.

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