

Show me the gift cards! Reward types impact effectiveness of wellness programs

21 March 2019, by Whitney Steele

Employee wellness programs are popular among businesses seeking to increase productivity and cut health care costs. However, many firms have struggled to reap those benefits due to low employee motivation. New research from Brigham Young University finds the problem may lie in how the employees are choosing to reward themselves.

Previous research shows that when choosing between different incentive options, employees prefer cash rewards. According to Bill Heninger, Steve Smith and David Wood's study published online in *Management Accounting Research*, cash might not be the most effective incentive. Its replacement? Gift cards.

"You would presume that when people pick the reward type that is the most appealing to them, it would have the most motivational power," Smith said. "But that wasn't the case. Employees choosing to be rewarded with [gift](#) cards actually reaped the greatest health benefits. So the way you are choosing to incentivize yourself may not hold the strongest motivational power."

For the study, researchers tracked an institution that rewarded employees for completing six-week "wellness challenges." Participants were able to choose which reward they would like upon completion: a cash bonus on their paycheck, a [gift card](#), or a tangible reward of equal value. About 60 percent of the participants chose cash rewards, 30 percent selected gift cards, and 10 percent chose the material good. Though cash was chosen more frequently, people who selected gift cards were approximately 25% more likely to complete a wellness challenge than the other participants, holding other relevant factors constant.

The authors theorize that gift cards may be more motivational because they represent the optimal balance between hedonic value (fun, enjoyment) and fungibility. "Cash is fungible—it can be used for

anything," Smith explained. "A George Foreman Grill is not fungible, a gift card is not fungible, so from an economic perspective, it makes the most sense to choose cash."

On the other hand, a small [cash](#) bonus does not hold as much hedonic value as a tangible item. This puts the gift card in a "[sweet spot](#)" between the other two rewards.

"People keep mental accounts," Wood explained. "If you work and make \$10, that's your work money. If you find 10 bucks on the ground, then that's free money. You might go out to lunch with the free money when you normally wouldn't with your work money."

The research does not yet suggest that organizations should exclude other incentives and only offer gift cards. "At the very least, we can say that gift cards seem to help," said Smith.

"Our hope is that this is one of many studies that can help us find out how to make these wellness programs as successful as possible," Wood said. "If you can get your employees to be more healthy there are big, big cost savings. Giving employees a [reward](#) to help them stay healthy is absolutely worth it."

More information: William G. Heninger et al, Reward type and performance: An examination of organizational wellness programs, *Management Accounting Research* (2019). [DOI: 10.1016/j.mar.2019.02.001](#)

Provided by Brigham Young University

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