



Employer-provided bonuses: what are they, what types of businesses offer them, and who receives them?

By Kristen Monaco

Many private industry employers provide different types of bonuses to certain employees for multiple reasons, annually and periodically in some cases. The U.S. Bureau of Labor Statistics (BLS) National Compensation Survey produces several measures, but it is a unique survey because it collects wage and salary data as well as a suite of employer-provided benefits.¹ Among these benefits are nonproduction bonuses, which consist of payments to employees that are not directly related by any formula to individual employee productivity. This **Beyond the**

Numbers article presents information on the types of private industry businesses that provide nonproduction bonuses and which employees have access to these bonuses.

What types of nonproduction bonus information does BLS collect?

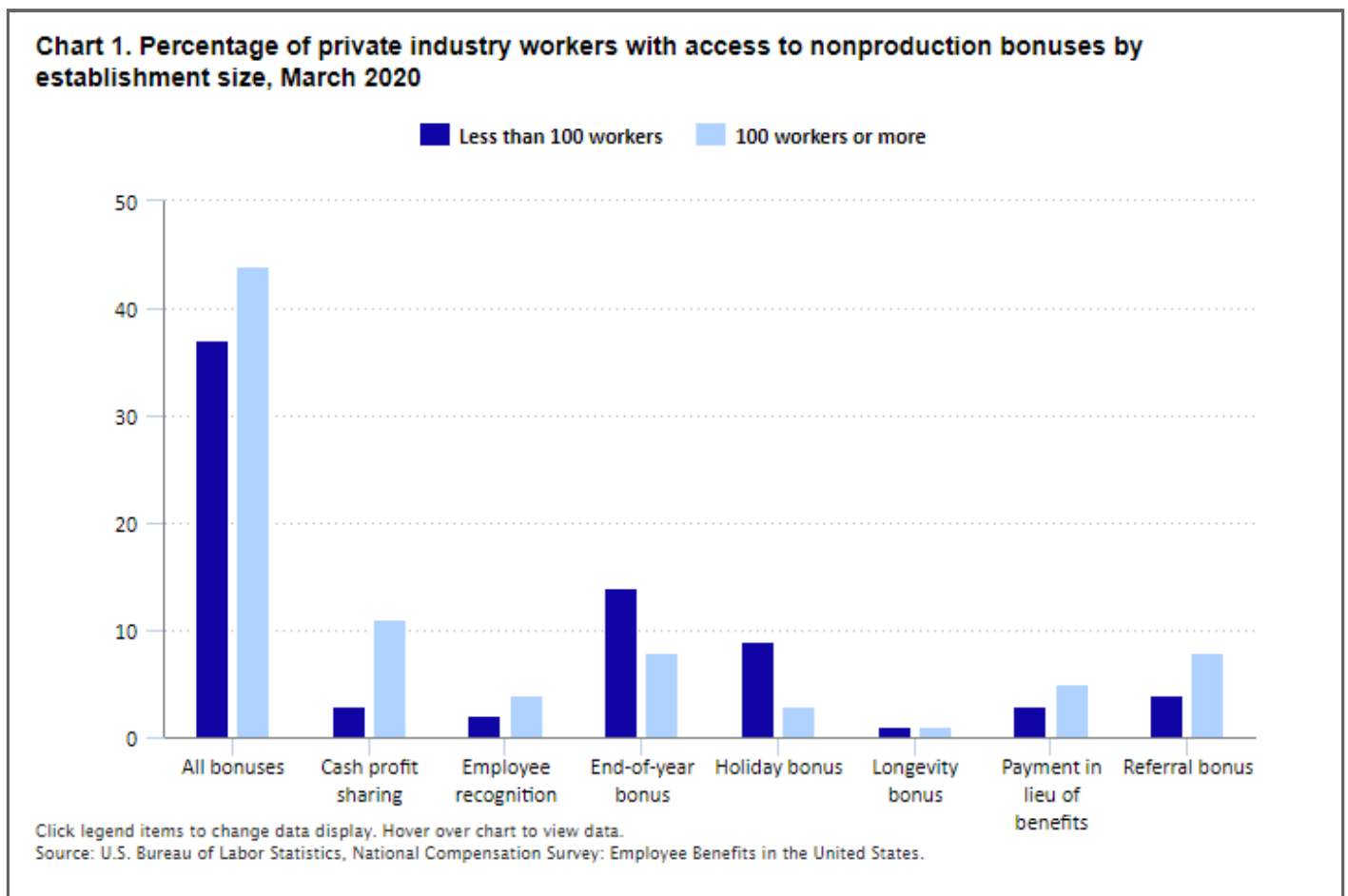
The National Compensation Survey collects detailed information about the types of nonproduction bonuses. This article focuses on the following components of nonproduction bonuses:

- *Cash profit sharing*: a payment to employees in recognition of their contribution to company profitability.
- *Employee recognition bonus*: a payment to employees that rewards performance or significant accomplishments.
- *End-of-year bonus*: a payment to employees near the end of the year, as a sign of appreciation for working hard throughout the year.
- *Holiday bonus*: a payment made on a holiday and as a sign of appreciation. The payment is usually a token gesture, with all employees receiving the same amount.
- *Payment in lieu of benefits*: a payment to employees in lieu of the employer's providing a benefit, such as healthcare. In some cases, the employer offers cash to employees who waive employer-sponsored benefits, such as sick leave. When this occurs, the employer passes the savings from the waived benefit to the employee.
- *Longevity bonus*: a bonus or a lump-sum payment of some kind paid to employees on the basis of their length of service.
- *Referral bonus*: a payment given to employees for recommending a qualified applicant who is hired by the establishment.

Forty percent of all private industry workers had access to nonproduction bonuses in March 2020. Within this group, 11 percent of the workers had access to end-of-year bonuses, 7 percent had access to cash profit sharing, 6 percent had access to holiday bonuses, 6 percent had access to referral bonus, 4 percent had access to payment in-lieu-of benefits, 3 percent had access to employee recognition bonus, 1 percent with access to longevity bonus, and 10 percent had access to other nonproduction bonuses.²

What types of businesses offer nonproduction bonuses?

Offerings differ systematically by establishment size (chart 1). Thirty-seven percent of workers at establishments with less than 100 workers had access to nonproduction bonuses, compared with 44 percent of workers at establishments with 100 or more workers. Among these smaller establishments, end-of-year bonus and holiday bonus were the two most common, with 14 percent and 9 percent access, respectively. Cash profit sharing had the highest access rate among workers at establishments with 100 or more workers, with an 11-percent access rate, followed by end-of-year bonuses and referral bonus, with access rates of 8 percent each.



Nonproduction bonus offerings vary considerably by industry (table 1). Industry groups with relatively low rates of access include leisure and hospitality (22 percent), administrative and waste services (26 percent), and other services (26 percent). High rates of access are evident in financial activities (65 percent) and information (69 percent).

Table 1. Percentage of private industry workers with access to nonproduction bonuses, by type of bonus and industry group, March 2020

Industry group	All bonuses	Cash profit-sharing	Employee recognition	End-of-year bonuses	Holiday bonuses	Longevity bonuses	Other bonuses	Payment in lieu of benefits	Referral bonus
Administrative and support and waste management and remediation services	26	1	1	8	4	1	6	3	6
Construction	41	5	1	18	11	1	5	1	3
Education and health services	32	1	3	7	6	1	9	5	6
Financial activities	65	11	9	18	5	2	21	3	9
Information	69	16	7	26	2	1	20	20	24
Leisure and hospitality	22	2	1	7	4	1	1	2	4
Manufacturing	55	13	2	16	6	1	20	5	5

See footnotes at end of table.

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Industry group	All bonuses	Cash profit-sharing	Employee recognition	End-of-year bonuses	Holiday bonuses	Longevity bonuses	Other bonuses	Payment in lieu of benefits	Referral bonus
Other services (except public administration)	26	1	1	8	13	1	2	1	1
Professional and business services	43	5	6	14	4	1	12	3	9
Trade, transportation, and utilities	38	12	1	7	8	1	7	3	4

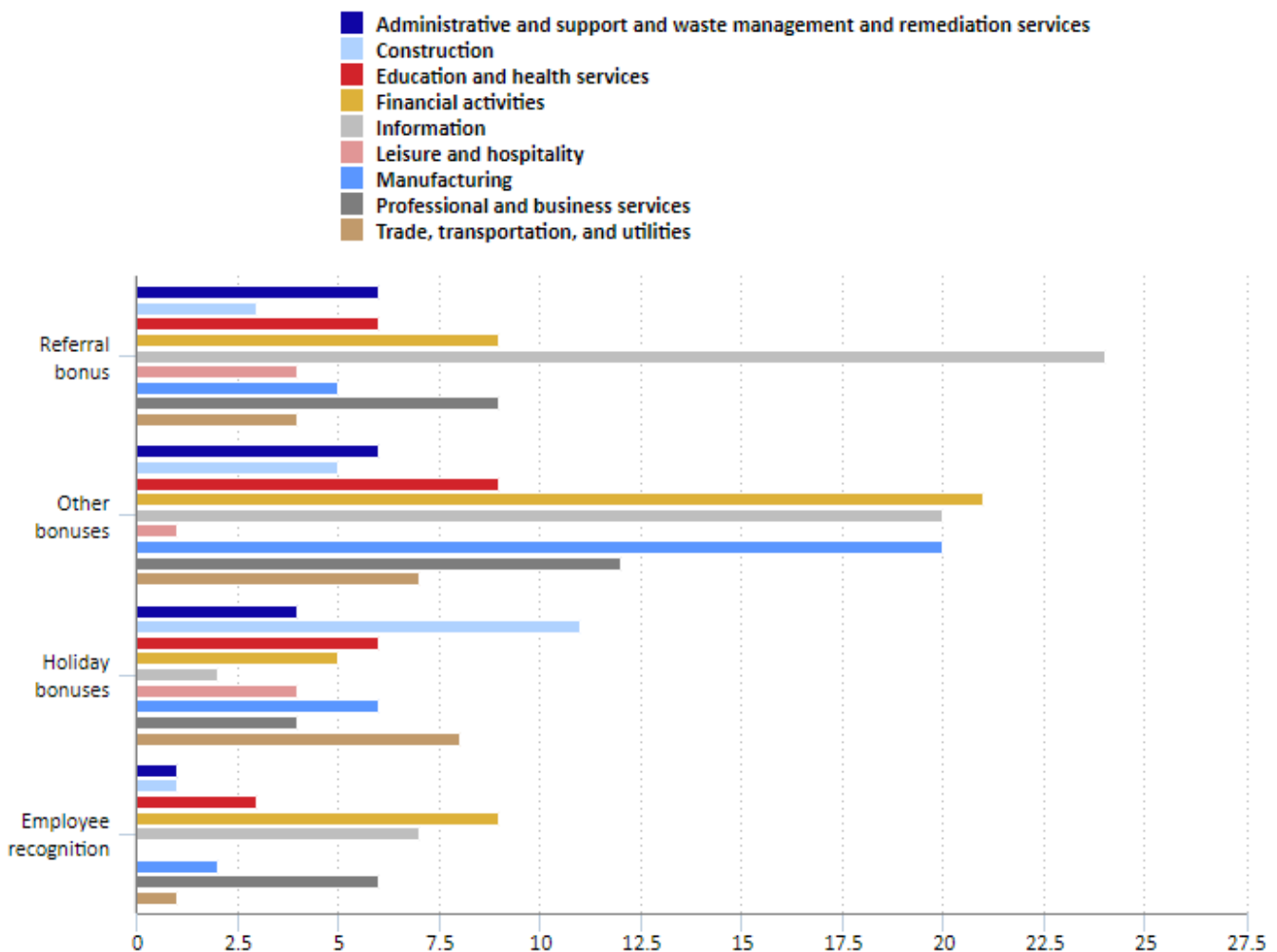
¹ No workers in this category or data did not meet publication criteria.

Note: Standard errors for each bonus type by industry are available from the author.

Source: U.S. Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States.

The types of nonproduction bonuses also vary considerably by industry (chart 2). For example, establishments in the information industry tend to offer relatively high levels of end-of-year bonuses (26 percent), referral bonus (24 percent), and payment in lieu of benefits (20 percent), but do not tend to provide holiday bonuses (2 percent). The information industry is far more likely to provide payment in lieu of benefits than other industries—the next highest access rates range from 2–5 percent in other industry groups. The same holds for referral bonuses, with access rates roughly twice as high as financial activities and professional and business services.

Chart 2. Percentage of private industry workers with access to select types of nonproduction bonuses, by type of bonus and industry group, March 2020



Click legend items to change data display. Hover over chart to view data.
 Note: Data did not meet publication criteria for employee recognition bonuses in the leisure and hospitality industry.
 Source: U.S. Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States.

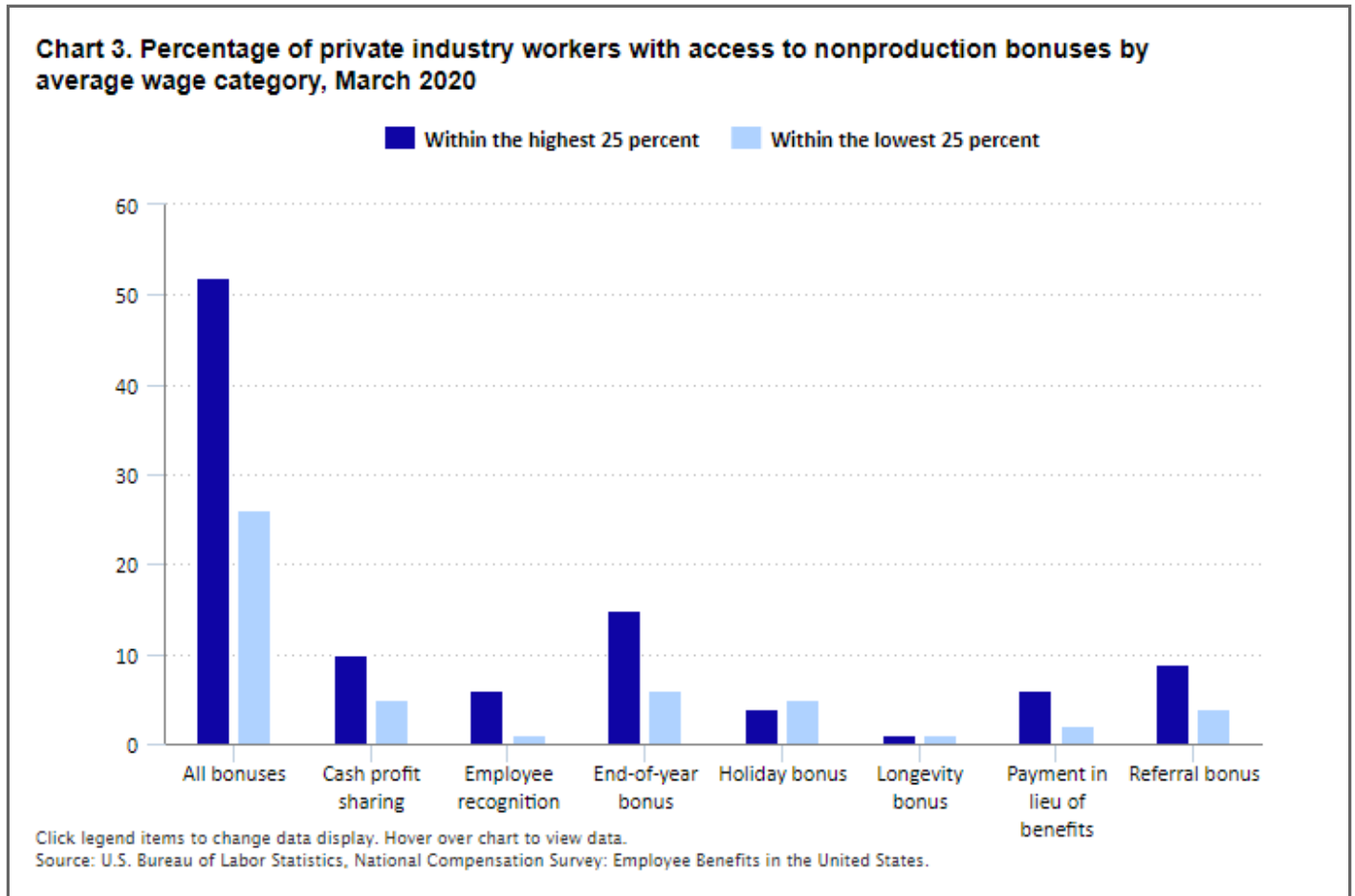
In addition to the information industry, cash profit sharing is most prevalent among manufacturing (13 percent access), trade, transportation, and utilities (12 percent), and financial activities (11 percent).

Construction establishments tend to offer nonproduction bonuses in the form of end-of-year bonuses (18 percent access) and holiday bonuses (11 percent). Similarly, leisure and hospitality nonproduction bonuses tend to fall into categories of end-of-year bonus (7 percent), holiday bonus (4 percent), and referral bonus (4 percent).

What types of workers receive nonproduction bonuses?

Nonproduction bonuses vary by occupation and wage level. Access to nonproduction bonuses is two times higher for those at the top 25th percentile of wages and salaries than those in the lowest quartile—52 percent versus 26 percent (chart 3). There were two nonproduction bonus categories in which these two quartiles had similar access,

holiday bonus and longevity bonus. In all other categories, the highest quartile had significantly higher rates of access. Fifteen percent of workers in the highest quartile had access to end-of-year bonuses, versus 6 percent of workers in the lowest quartile. There were also sizeable gaps in access to cash profit sharing (10 percent versus 5 percent), referral bonuses (9 versus 4 percent) and employee recognition (6 percent versus 1 percent).



Given that wages tend to systematically vary by occupation, it is not surprising that access to bonuses as well as nonproduction bonus type varies by occupational group (table 2). The highest access rate for nonproduction bonuses is 60 percent for management, business, and financial occupations and the lowest is 25 percent for service occupations.

Table 2. Access to nonproduction bonus by type of bonus and occupation group, private industry workers, March 2020

Occupation	All bonuses	Cash profit-sharing	Employee recognition	End-of-year bonuses	Holiday bonuses	Longevity bonuses	Other bonuses	Payment in lieu of benefits	Referral bonus
Construction, and extraction, farming, fishing, and forestry occupations	42	6	1	16	13	1	7	1	1
Installation, maintenance, and repair occupations	44	6	2	14	11	1	9	4	6

See footnotes at end of table.

Table 2. Access to nonproduction bonus by type of bonus and occupation group, private industry workers, March 2020

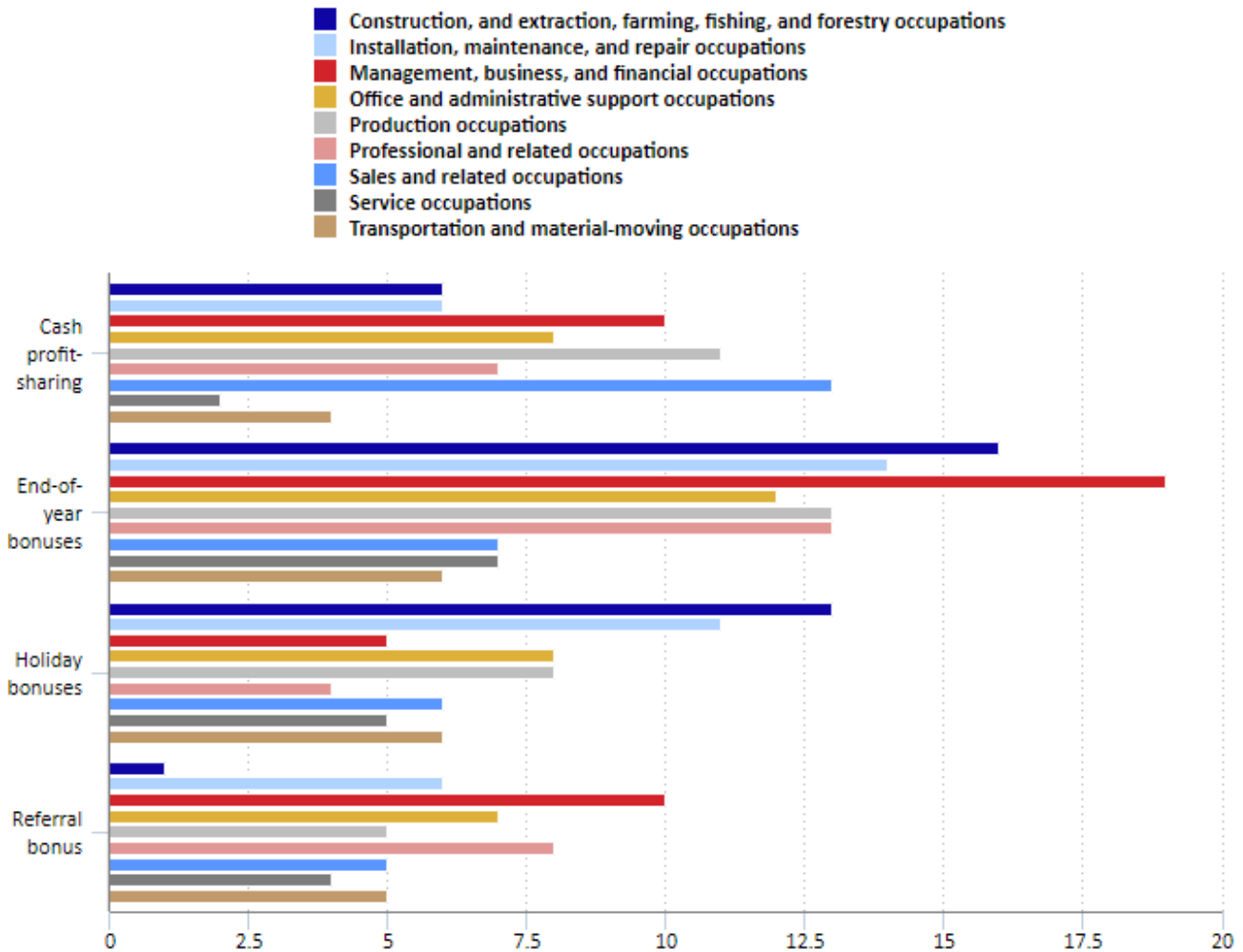
Occupation	All bonuses	Cash profit-sharing	Employee recognition	End-of-year bonuses	Holiday bonuses	Longevity bonuses	Other bonuses	Payment in lieu of benefits	Referral bonus
Management, business, and financial occupations	60	10	7	19	5	1	17	4	10
Office and administrative support occupations	47	8	4	12	8	1	10	5	7
Production occupations	48	11	1	13	8	1	17	4	5
Professional and related occupations	43	7	5	13	4	1	12	5	8
Sales and related occupations	35	13	1	7	6	1	5	2	5
Service occupations	25	2	2	7	5	1	4	3	4
Transportation and material-moving occupations	35	4	1	6	6	1	14	4	5

¹ No workers in this category or data did not meet publication criteria.

Source: U.S. Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States.

Among management, business, and financial occupations, nonproduction bonuses tend to take the form of end-of-year bonus (19 percent), cash profit sharing (10 percent), and referral bonus (10 percent). A similar pattern exists for professional and related occupations, with end-of-year bonus access of 13 percent, referral bonuses at 8 percent, and cash profit sharing at 7 percent. Cash profit-sharing access rates are also relatively high among sales and related occupations (13 percent) and production occupations (11 percent).

Chart 4. Percentage of private industry workers with access to select types of nonproduction bonuses, by industry group, March 2020



Click legend items to change data display. Hover over chart to view data.
 Source: U.S. Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States.

How much do nonproduction bonuses cost businesses?

Information on the cost of the components of compensation are available through the Employer Costs for Employee Compensation (ECEC), another output of the National Compensation Survey.³

Although the ECEC does not break out the cost of nonproduction bonuses into the various types, it does provide an estimate of the cost per hour for an establishment’s nonproduction bonus as well as the nonproduction bonus share of total compensation costs (table 3).

Table 3. Employer Cost for Employee Compensation, nonproduction bonus, private industry, March 2020

Category	Cost per hour	Percent of total compensation
All workers	\$0.80	2.3
Establishment size		
Establishments with less than 100 workers	0.49	1.7
Establishments with 100 workers or more	1.16	2.7
Industry		
Construction	0.50	1.2
Education and health services	0.32	0.9
Financial activities	2.67	5.4
Information	2.33	4.1
Leisure and hospitality	0.14	0.9
Manufacturing	1.09	2.7
Other services (except public administration)	0.22	0.8
Professional and business services	1.24	2.8
Trade, transportation, and utilities	0.52	1.8
Occupation		
Management, professional, and related	1.90	3.1
Natural resources, construction, and maintenance occupations	0.41	1.1
Production, transportation, and material moving	0.50	1.7
Sales and related occupations	0.52	1.9
Service occupations	0.15	0.9

Note: Standard errors for cost and percent of compensation for each category are available from the author.
Source: U.S. Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States.

In March 2020, the average cost per hour of nonproduction bonuses for all private industry workers was \$0.80 and made up 2.3 percent of the total cost of compensation. For perspective, retirement and savings costs for all private industry workers averaged \$1.25 per hour and made up 3.5 percent of the total cost of compensation.

As would be expected by the variability in access to nonproduction bonus by establishment and occupational characteristics, the cost varies as well. For establishments with 100 workers or more, the average cost per hour for nonproduction bonuses was \$1.16, or 2.7 percent of total compensation.

Among establishments in private industry, those in financial activities and information had the highest cost per hour (\$2.67 and \$2.33, respectively) and relatively large shares of total compensation (5.4 percent and 4.1 percent, respectively). Switching to occupational groups, management, professional, and related occupations had the highest average hourly cost of nonproduction bonuses (\$1.90) and largest share of total compensation (3.1 percent).

In summary, nonproduction bonuses provide additional compensation for workers. The types and availability of nonproduction bonuses vary considerably with establishment size, industry, and occupation. And while nonproduction bonuses, on average, make up roughly 2.3 percent of total compensation and cost \$0.80 per hour, only 40 percent of private industry workers have access. As an example, simply restricting the number to those who have access suggests that the average nonproduction bonus among workers with access is roughly \$2.00 per hour (or \$4,000, assuming a 2,000-hour work year).

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NOTES

¹ The National Compensation Survey is a BLS-collected survey that is used to produce multiple outputs, including the Employer Cost Index, Employer Costs for Employee Compensation, and Employee Benefits. For additional information, see the BLS *Handbook of Methods*, “National Compensation Measures,” www.bls.gov/opub/hom/ncs/home.htm.

² Employers may provide more than one type of nonproduction bonus.

³ For more information about the Employer Costs for Employee Compensation, see the BLS *Handbook of Methods*, “National Compensation Measures,” www.bls.gov/opub/hom/ncs/home.htm.

SUGGESTED CITATION

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