

Bulletin www.incentivefederation.org

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**Federal and California Labor Laws That May Affect Awards Programs**

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| **Who does the Incentive Federation represent?**The Incentive Federation is the only organization whose membership and leadership includes all the industry’s national trade associations, as well as individual companies. It is under The Incentive Federation umbrella that the collective interests of the Incentive Marketing Association (IMA), the Promotional Products Association International (PPAI), The Incentive Research Foundation (IRF), and Society for Incentive Travel Excellence (SITE) are discussed, nurtured and advanced. |
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| **IFI Mission Statement****The Incentive Federation is dedicated to promote, protect and research the incentive field, encompassing recognition, promotional products and related**  **promotions.** |

promotions.

George Delta, IFI’s legal counsel, has provided an update and overview of certain Federal and state labor laws that potentially affect how companies reward employees with various types of incentive programs, particularly when points are accrued by employees for satisfactory and exemplary work.

Tax reporting and compliance issues are familiar to incentive companies and their clients who use reward and recognition programs. Although tax issues are important for all reward and recognition programs, compliance with federal and state labor laws is often overlooked, even though sometimes it can be just as important for the overall success of a reward and recognition program. Often, the parties using the program are not aware of labor law issues, and, occasionally, they may turn a blind eye to them.

One such important issue that is often unrecognized arises when awards are paid solely in merchandise, gift cards (physical or virtual), reloadable prepaid bank cash or debit cards, travel, event tickets, and other non-cash awards. The awards are based on points that employees earn and which are redeemable for the various non-cash items. In such cases a question arises whether the reward and recognition program would violate the Fair Labor Standards Act (the “FLSA”) unless the employer also offers a cash option in lieu of the other awards under the program. If the program is used to reward employees in California, the same issue would arise under California labor law

An example of a non-cash reward and recognition program that could violate the FLSA and/or California labor laws is when a client of an incentive company gives the employees in its retail operations, fulfillment centers, call centers, and corporate offices “points” for achieving certain targets or other metrics. The “points” could be discretionary or earned automatically when such targets are reached. The program does not incorporate a system where each employee can opt for the cash value of an award instead of merchandise, gift cards, cash or debit cards, travel or other awards when redeeming the points earned.

Delta’s full analysis of the affect labor laws may have on rewards and recognition programs may be viewed [here](http://www.incentivefederation.org/wp-content/uploads/2017/08/IF-Wash-Update-08.15.17.pdf) on the IFI website at [incentivefederation.org](http://www.incentivefederation.org/).

**Growing Incentive Gift Card Market Provides**

**Opportunities for Incentive and Payments Industries**

Results of a new research study show most U.S. businesses with revenues over $100 million are increasingly using gift cards as a reward tool for multiple groups, (channel, sales, employee & customer), and that investment in gift card rewards is both significant and growing.

The study from the Incentive Gift Card Council (IGCC), a Strategic Industry Group within the Incentive Marketing Association (IMA) and the Incentive Research Foundation (IRF) provides encouraging news for the gift card and payments industries.

“The increase in gift card spending across mid-sized and large businesses shows an exciting uptick and having the study results helps our IGCC members optimize opportunities in the B2B marketplace, “said Ashley Harris, IGCC vice president of education, and director of strategic partnerships, National Gift Card. “Gift cards are an important option in incentive programs and will continue to grab a significant market share,” Harris added.

“Looking beyond the incentive space, the impact of gift cards on the payments industry is expanding significantly. Gift cards, particularly digital cards, are becoming a form of branded currency and an increasingly important player in the payments industry,” Harris explained.

Key findings from the IGCC/IRF B2B Gift Card Buyer study show:

* **Most of U.S. Business surveyed choose to use gift cards as a reward tool for not one, but many groups (channel, sales, employee & customer):** 61 percent of large companies are purchasing gift cards for an average of 2.4 different reward and recognition audiences; 69 percent of mid-size companies are purchasing gift cards for an average of 2.8 different rewards and recognition audiences.
* **U.S. business investment in these tools is both significant and growing.** On average, mid-size firms with significant enough gift card purchases to qualify for the study are spending $450,000 per year on gift cards across all programs, the largest firms are spending over $1 million. 71 percent of mid-size and 52 percent of large companies say their B2B gift card spend is increasing.
* **As a developed market with many buying options available, U.S. Businesses have firmly developed opinions on the types of partners from which they buy**: Within the largest firms, gift card suppliers receive the highest ratings on choice, ease, and service, followed closely by agencies. Brands are seen as easy to work with, but offer less choice and service than alternatives. Online general merchants and retailers are easy to work with and offer a variety of options, but lag agencies and gift card suppliers on service.

 In conducting the study, responses were measured by whether the gift card rewards were for sales, channel, employees or customers. Sales and customer budgets are the highest for large firms while channel budgets are the largest for mid-size firms. Large companies were identified as having overall revenues of $1 billion or more, and mid-size companies were identified as having revenues between $100 million and $1 billion.

**Questions, Concerns, Requests**

Please contact the Federation if you have any questions or learn of any issues you believe the Federation should be aware of. Since the Federation’s founding in 1984, its effectiveness in representing and protecting the industry with one voice has only been made possible through the financial support and active participation of industry organizations and companies.

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