

San Francisco Chronicle

Back to Bonuses: Improving economy allows companies to reward workers

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December 2003

As a consultant on human capital management, Valerie Frederickson & Co. tries to practice what it preaches. So the Menlo Park company allocates quarterly bonuses to its 12 employees based on a combination of their performance and the firm's profitability.

After a stand out 2003, this year's bonuses will total 50 percent of payroll, double last year's. But there are no one-size-fits-all holiday bonuses. "If I could dole out year-end bonuses based on how warm and friendly I am feeling, I would take away people's power to perform and control their own income, said Valerie Frederickson, the company's principal.

She's not alone. Increasingly, companies are doing away with the traditional year-end onus given to every employee who showed up and warmed a seat. Instead, firms are switching to individual performance bonuses based on measurable goals and tempered by the reality of the bottom line. And with the economy finally thawing after two frigid years, companies have returned to awarding those performance bonuses.