

# Hourglass

*Making the most  
of your people*



# Letter from the editor



*The Hourglass team holds regular editorial meetings to discuss the content of this magazine, and we can honestly say that we've never once found ourselves at a loss for subjects to write about. If anything, there are too many subjects for us to cover, which is as good an indication as any of the wide variety of problems and issues that you, as HR professionals, face on a daily basis.*

It seems that the brief of an HRD is becoming wider and more complex by the minute. Take the subjects under discussion in this issue, for example. They range from the difficult problems that the HR function has wrestled with for years – such as how to get the message about pensions across to employees who might range from the age of 18 to near retirement (see page 28), or making sure that redundancies are dealt with as fairly and compassionately as possible (page 24) – to the issues that only an HR professional could honestly say that they have to deal with as a matter of routine, such as what to do when two people from the same team start dating (see page 20).

The range of subjects that comes up whenever the HR function is under discussion is a clear indication of the multitude of skills and knowledge that HR professionals hold. There's rarely a dull day, as is ably illustrated by our profile of Ann Pickering, HRD at Telefonica UK (see page 12).

But this variety and volume of work has its drawbacks. It's often the case that HR professionals spend so much of their time fire fighting that you rarely have time to sit back and look at the bigger picture. HRDs are not alone in this dilemma – a lack of time to think and plan properly is a challenge for senior management in general. But it's a new year and, as Michael Rendell argues on page 02, what better time to think about long-term strategy?

**Liz Fisher**

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## **Published by**

PwC  
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7 More London,  
Riverside, London,  
SE1 2RT  
Tel: 020 7583 5000  
Fax: 020 7212 7500

## **Printed by**

Empress Litho Ltd  
Woolwich, London SE18  
on 100% recycled paper

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# Contents



## Looking forward

It's a new year, and an ideal time for HR to assess long-term strategy. Are you on the right track? *Michael Rendell*

02

## Secondments

Sending your employees on secondments to overseas territories can bring valuable experience and insight into the business. But is HR making the most of these people's newfound knowledge? *Nick Martindale*

04

## Remuneration

Complex reward schemes for senior executives make HR directors invaluable for remuneration committees. But they have to play a careful balancing act. *Philip Smith*

08

## HRD profile

Ann Pickering, Human Resources Director at Telefonica UK, owner of the mobile network provider O2, explains how she juggles the challenges of managing people in a huge UK employer with a Madrid-based parent. *James Ashton*

12

## Wellbeing

Happy workers are more productive, have more energy and are more likely to stay in their jobs than unhappy employees. But what makes us happy at work? *Liz Fisher*

16

## Workplace policy

Workplace romances have been going on for as long as we have had desks. But is it HR's job to write the policy for employee relationships? *Beth Holmes*

20

## Redundancy programmes

Redundancy programmes should be treated as a hugely important part of a business's people strategy. They need to be delivered flawlessly, which can be a major challenge both for HR and the business. *Liz Loxton*

24

## Pensions

How can HR help to get the important messages on pensions auto-enrolment across, particularly to migrant and low-paid workers? *Liz Fisher*

28

## Letter from Sweden

We hear about the current people issues and challenges that are being faced by Swedish HR professionals.

31



*It's a new year, and an ideal time for HR to assess long-term strategy.  
Are you on the right track?*

# *Helping your business look to the future*



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**Written by**

**Michael Rendell**  
Partner and Global  
Head of Human  
Resource Services  
at PwC





After a long period of dealing with short-term, tactical issues, the New Year presents a welcome opportunity for HR to look more at long-term strategy. It's a cliché, but now is a good time for a fresh start, particularly when it comes to employee relations.

Economic turbulence has taken its toll on staff at all levels. High-profile coverage of CEOs having to take stress-related leave has restarted the conversation around employee wellbeing. In financial services in particular, many are being asked to deliver more to try and drive up results for shareholders against a backdrop of job cuts, cost cuts and an overall tightening of resources and headcount freezes. The mantra is 'do more with less' and it's inevitable that this will put staff under pressure, which can then reflect back on the employer.

There are other New Year opportunities for HR to help steer the organisation and deliver its competitive advantage. The way you incentivise people has to sync with the goals and objectives of the organisation. For example, it's counter-intuitive for a company striving to have renowned customer service to reward its people for the numbers of sales they make. Alignment between strategy and the way you incentivise is so important.

Another challenge is to harness the opportunities in emerging markets. I've recently been in China and seen for myself just what a dynamic and vibrant market this is. How can we bring some of this to Western markets?

Wage inflation is affecting the market in places like India, and this will change the way we employ labour from these emerging markets. In ten years

## Your business needs to nurture and hold close the talent that you have – it's hard to fill the bath if you're taking the plug out!

Compensation is under pressure. With bonus pools well down and unlikely to recover in the near term, employers need to start thinking now about, what we're calling, the 'new deal' they can strike with their employees. What replaces pay? Is it other benefits – if so, what?

Organisations need to ensure that their early warning systems are working to alert them to signs of stress-related problems with employees as soon as possible. Managers need to be alive to the wellbeing of their people and HR has a critical role to play in this by helping them intervene at the earliest opportunity.

More broadly, finding and keeping the right people with the right talents remains one of the biggest and costliest issues for business – it's been a theme for a while now, and it's not going to go away, particularly in an unsettled economic environment.

Your business needs to nurture and hold close the talent that you have – it's hard to fill the bath if you're taking the plug out! Think laterally about the way that you're attracting talent and where you're looking. All the top companies are chasing all the top graduates, so be open to looking to different industries and different geographic environments.

there will no longer be 'cheap' labour in India. And we need to be aware that it's so much more than a market of so-called cheap labour; it's a huge talent pool of bright, smart and engaging workers, so we need to look at how we can tap into that.

Another area to consider is around risk and compliance. You need to understand the people risk to your organisation. We recently carried out a compliance tracking study which showed that right now there are 197 different people-related pieces of regulation for an organisation to comply with. Some of these regulations are complex, costly and have been implemented in very short time frames. Risk and compliance is a huge responsibility for HR, but it can be brand-destroying if the organisation fails to comply.

Among all this is a real opportunity for HR to play their part and develop faster, better, more efficient processes to support these challenges. HR can offer leadership and programmes for the right talent development and retention. We can also make sure that incentivisation programmes are aligned with the organisation's key values.

Looking to the future, your organisations will need to define itself by the way you acquire, retain and develop your talent now and in the times ahead.



*Sending your employees on secondments to overseas territories can bring valuable experience and insight into the business. But is HR making the most of these people's newfound knowledge?*

# *Out of sight, out of mind?*

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**Written by**

Nick Martindale



If there's one thing the economic turbulence of the past few years has proved, it's just how interconnected the global economy is. Against a wider backdrop of a shift in economic and political power from West to East, established organisations operating in traditional markets can no longer afford to remain isolated in their own country, or to cling to an outdated perception that business empires can be run solely from headquarters in a home nation.

From a leadership development perspective, the value of sending your people abroad on tactical secondments to develop leadership skills has never been more important. Our research into talent

can have on those individuals the business – and HR in particular – would like to develop. In fact, many choose to leave the company altogether shortly after they return home.

Often, this is the result of failing to adequately match the secondment with both the individual concerned and the skills which the business hopes to develop, suggests Lucy Povah, International Business Development Manager at talent management company A&DC. "Not all international assignments are the same; any country or culture will be completely different and companies also need to consider how important that market is within the business," she says.

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**'In recent years companies have realised that for people to develop and grow their own individual skills, secondments and new experiences in new environments with new responsibilities are an important aspect. But the main driver in most organisations is still around filling gaps.'**

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mobility in the financial services industry found that nearly 90% of chief executives in the sector are looking to significantly expand their operations in faster-growing emerging markets over the next 12 months – with South America, Africa, Asia and the Middle East the most likely destinations – while more than half intend to increase the number of staff they send out on assignments.

In theory, this should allow businesses to benefit in several ways; enabling them to launch new operations overseas or grow existing concerns while giving the leaders of tomorrow vital experience in working as part of a genuinely global enterprise.

The reality, though, is often very different. Jon Terry, HR Consulting Market Leader for global financial services at PwC, says most organisations tend to take a short-term view towards secondments; they're looking to fill holes in specific skillsets rather than using them as strategic opportunities to develop top talent. "Things have improved somewhat," he says. "In recent years companies have realised that for people to develop and grow their own individual skills, secondments and new experiences in new environments with new responsibilities are an important aspect. But the main driver in most organisations is still around filling gaps." In emerging markets, this can be counterproductive, he says, as it removes the immediate need to build up teams of local talent.

Just as worrying, though, is the potential impact a poorly planned or managed secondment process

"If they're being offered a country manager assignment where they're managing that country completely that would be very different to a headquarters or regional move, which will be much more political and relational and slightly less autonomous in its focus. So it's really about taking into account the business environment as well as the skills and competencies, and then appreciating what those factors were and how to use them when moving on to the next assignment."

"Rather than looking at who's top of the pile of those wanting to go on secondment, HR should look at the needs of the organisation and what competencies are required, along with those of the individual," adds Terry. "HR has a really important role to play in asking whether they are sure that's the right person, the right place and the right timescale, at the right time in that person's career. That does happen in a number of organisations but not enough." Where it does, though, it's often actively welcomed by the wider business, he adds.

A lack of contact with individuals while they're away is another common failing, running the risk of employees feeling isolated while on secondment and completely out of the loop once they return. "This is often where HR and the organisation fail," says Peter Reilly, Director, HR research and consultancy at the Institute for Employment Studies (IES) and author of *Global HR: Challenges Facing the Function*. "They don't give the expats sufficient support in terms of what's going on in

the rest of their organisational world and how they're connected to it," he says.

"The important thing is that the individual continues to be owned by their home country, not the host," says Terry. "It's really important that they always see a connection so the concern of what they're going to do next disappears. They should have appraisals and objective discussions with people in the same way as they would at home and it shouldn't only be about how well they're doing in China but what the objectives are moving forward, which will link back to the home country."

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**'HR has a really important role to play in asking whether they are sure that's the right person, the right place and the right timescale, at the right time in that person's career. That does happen in a number of organisations but not enough.'**

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Nigel Sellens, Managing Director of Harbour HR, has previously worked in various roles with financial services organisations including responsibility for expatriate management. "If people leave a headquarters to go out into the regions they can get forgotten about," he says. "HR doesn't track them enough. In an ideal world there should be a home country HR person responsible for the people who are on assignment."

An all-too-predictable consequence of this out-of-sight, out-of-mind approach to assignments is that once individuals do return home the business has no clearly defined role for them; let alone one that will actively make use of the new skills that they've picked up. The UK telecoms giant BT, for instance, sends people all over the world – Africa is an increasingly common destination. But Ellen Shipley, Head of International Assignments and Global Immigration in the UK, admits it loses a large number of people who've been abroad to direct competitors within a short time period after their return.

"We work with the business and start telling them about a year before people come back that this is happening and remind them what the purpose of the assignment was and what skills that person was meant to be gaining while they were out there, but there's not a lot else that we can do," she says. "It's extremely frustrating. We spend a lot of money on people and they have an extremely good experience and then no one seems to really know what to do with them. We tend to extend assignments anyway, usually because no one knows what to do with them, but we do lose an awful lot of people when they do eventually come home."

Michael Dickmann is Professor of International Human Resources Management (HRM) at Cranfield University School of Management and director of the school's MSc in International HRM, as well as author of *Global Careers*. His research suggests there are a number of reasons why individuals leave after they've completed stints abroad. These range from feeling like a big fish at a local level to a smaller fish back at headquarters, to frustration at the lack of a defined career plan along with a greater appreciation of their worth to competitors.

Sometimes secondees return home to be faced with an HR director telling them to find a role, and end up on project-based work. "We coined the phrase 'career wobble' while they're searching around looking for a job that actually suits them. And during that first year labour turnover of repatriates is twice as high as it is with their comparative peers," he says. By contrast, those organisations which can keep individuals engaged during this period are likely to see a much lower turnover rate in the second and third years.

"Before they come back there needs to be a conversation about what they're coming back to, finding out what they want and what the possibilities are internally and making sure that the manager at the receiving end is attuned to that," adds Reilly. "Then when they're back they need some kind of debrief and induction. The signals that you send in the re-entry and immediate post-entry period will tell the employee how much the organisation values them. If the employer doesn't do that, then they are really at risk. The bolster between the employee and employer can be fractured."



## Case study

Having undertaken an international assignment herself, Sarah Mills – now European Sales HR Business Partner at Japanese company Denso – has seen the issue from both perspectives. Having initially joined the company as HR manager, she spent two years working at the global HR department in Kariya, Aichi, with the specific aim of implementing programmes that would then be rolled out in Europe.

“It’s quite an eye-opener to be completely immersed in a very different culture, so I learned

a lot about my own company from a completely different perspective,” she says. She admits, though, that such a planned approach to assignments is rare. She was also fortunate in that her then boss flew out to see her three months before her return to talk about her role when she came back.

“I have spoken to people in our organisation who either go back to exactly the same role they had when they left or where there isn’t really a job for them,” she says. “I think I was quite lucky.”

# 90%

**of chief executives in the financial services sector are looking to significantly expand their operations in emerging markets.**



As well as a trend for more secondees from established organisations moving to emerging markets from developed economies, there’s also been a shift in the number of people coming to Europe from places such as China and India. This, though, isn’t without its potential hazards either. Reilly at IES suggests those moving from emerging markets to larger headquarters may feel they have outgrown their original location, although he adds that this is not necessarily a problem if they can be posted elsewhere in their wider regional area.

“The other issue is that they become very marketable; a Chinese man or woman with international experience could very easily walk to another job in another part of Asia and command a very good salary,” he says. “There’s also an issue about whether they’re going to be seen as too powerful or experienced for their boss.”

Just like the global business landscape in general, the market in expat assignments is constantly changing, with new destinations of choice emerging all the time. One thing, though, is blindingly obvious: investing vast sums of money for top talent to acquire new leadership skills only to walk into the arms of a competitor makes no sense at all.

“The crucial reason why this is so important today, even more so than it was five or ten years ago, is that in today’s market there’s an even greater shortage of people with those skillsets,” says Terry. “If someone has gone out and helped to develop a business or taken it to the next stage, that’s a really short supply skill. These people are highly marketable.”

*Complex reward schemes for senior executives make HR directors invaluable for remuneration committees. But they have to play a careful balancing act.*


# Balancing the pay scales

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**Written by**

Philip Smith





Over the past decade, life has changed for HR directors when it comes to the rewarding of senior executives. It used to be that remuneration was structured in a relatively straightforward way – there were share options and annual bonuses, and the remuneration committees met infrequently. But things have become much more complicated. Not only does the remuneration committee need to understand the very complex nature of executive reward packages – which now include annual long-term incentive plans (LTIP) based on numerous key performance indicators – but it also needs to be aware of the impact its decisions will have on internal and external stakeholders. Executive pay is in the spotlight like never before: it will be analysed and criticised, and if senior pay is not set in a clear and transparent fashion, then the organisation's reputation will suffer.

According to the UK's Department of Business, Innovation and Skills in its recent discussion paper on executive pay, base salary in 1998 made up over 40% of total remuneration for FTSE 100 CEOs. By 2010 it accounted for less than 20%, with the remainder made up of a combination of bonus, LTIPs, share options, pensions and other benefits. This trend can be attributed partly to regulatory changes that have made different types of remuneration more favourable or cost-effective than others. But the trend also reflects attempts to incentivise directors more effectively over the longer term. The prevalence of LTIPs has grown significantly and this type of pay now represents around 30% of median total remuneration for FTSE 100 CEOs. So, it's in this context that the HR director has to operate alongside the remuneration committee. It's a key role, and it's not an easy one.

"The HR director is now in attendance at every remuneration committee meeting," explains Sean O'Hare, Reward Partner at PwC, "and they're expected to do two things: first, is to provide input as part of the management team about what they think will motivate their executives and top management and the organisation. Secondly, they are there to act as an expert witness for the chair of the remuneration committee. This is broadly in terms of how those arrangements compare with the rest of the organisation and whether, as an HR professional, they really think they're appropriate or whether there are any potential unintended consequences."

This means that the HR director has to wear two hats; one as part of the whole management team reporting into the remuneration committee, and another by playing the internal consultant to the remunerations committee, just as there are

external consultants to the committee. According to O'Hare, this requires HR directors to be very clear about which hat they're wearing during the meeting, and it also requires a degree of independence of mind so they can put forward a genuinely independent view. They also need plenty of facilitation skills to make sure that they don't get on the wrong side of their CEO when their views may not totally coincide. "It requires a special kind of person to pull it off," O'Hare says.

Remuneration committees can call on a number of different sources of advice and information as they deliberate their reward strategies. External consultants can give a view on whether the pay of board members is in line with the market and whether or not it may cause friction with institutional shareholders. But they will look to the HR director to give them a view on how the pay strategy will be seen within the organisation and whether it's in line with the views of its employees.

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The HR director can also play a critical role when analysing peer groups that are used as benchmarks for executive remuneration. "Usually, you need to look outside your current sector, and look at whether the companies have a similar profile, such as the number of countries they're in, the number of employees and so on," advises O'Hare. There will be input from the HR director and compensation and benefit team, and there will be dialogue with remuneration consultants to come up with an appropriate and fair peer group. "This is a critical step in the whole process because once you've agreed the peer group you're then going to extract data around what the



chief executives in that peer group get paid,” O’Hare says, adding that the HR director will usually understand the sector much better than the consultant.

Of course, lessons can be learnt from other models, but often what works in one system may not be appropriate elsewhere. The Department of Business discussion paper looked at the German example of employee representation (see page 11), but there are other models as well. For instance, in Sweden, shareholder representatives sit on the nominations committee, which appoints the board directors and sets their pay. The system has been in place for about five years and is generally perceived to work well. But one of the issues is that many shareholders don’t put themselves forward to be on the nominations committee because there’s a risk that they’ll become insiders (in that they can be exposed to market-sensitive information) and won’t be able to trade their shares.

Whatever model is in use, the HR director will have a central advisory role. They’ll always be an ‘insider’, but they can act as a powerful sanity check and help avoid unintended consequences. But it won’t be simple.

‘Having someone in the room with a different perspective is, on many levels, a good idea in that they can contribute to the debate.’

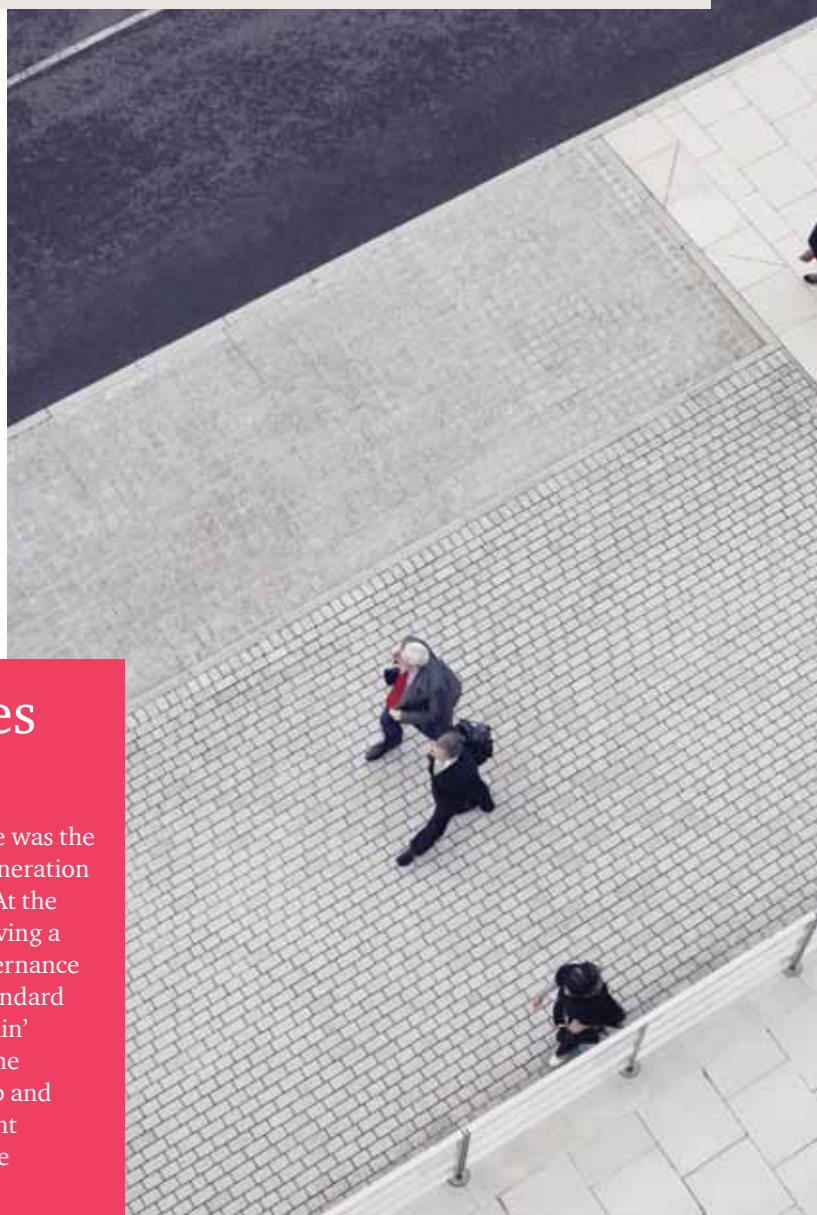
## Remuneration committees in the UK—a brief history

Back in 1992, the *Cadbury Report* on corporate governance was the first to recommend that all companies should have a remuneration committee, comprised mainly of non-executive directors. At the time, around one third of large UK companies reported having a remuneration committee. By 1998, the UK Corporate Governance Code (then the Combined Code) incorporated this as a standard requirement for all listed companies, on a ‘comply or explain’ basis. The current version of the code sets out the role of the remuneration committee and best practice on membership and ways of working. Although there’s no statutory requirement to establish a remuneration committee, all of the UK’s large companies covered by the code have done so.

## SEC proposes changes in US

The US Securities & Exchange Commission (SEC) recently voted to propose rules on certain listing standards related to the compensation committee of a company’s board of directors as well as its compensation advisers, as required under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In particular, the proposal requires the ‘listing standards’ to address the independence of the members on a compensation committee, the committee’s authority to retain compensation advisers, and the committee’s responsibility for the appointment, payment and work of any compensation adviser. Results of the consultation period over the proposals are expected by the end of the year.





## The German system: What about the workers?

One of the central proposals from the Department of Business centred around the closer involvement of employees when setting the remuneration of senior executives. This has met with a mixed reaction, which has highlighted some issues that would need to be overcome if a similar proposal were to be adopted in the UK.

The German system, which includes a supervisory board, has been held up as an example of how worker involvement can work in practice.

As Katherine Turner, CIPD Vice President recently observed: “We should be cautious about rushing to adopt wholesale a concept that seems like a good idea in a country where the structures of industrial relations, corporate governance and boards are very different.”

There can also be practical issues around such models that may make it not possible. For instance, a global business could have

thousands of employees all around the world – how would you select a representative from among this group? And how would they be able to provide feedback to this group? Indeed, given that some of the discussions that take place during a remuneration committee meeting are confidential or at the very least sensitive, what information would a workers’ representative be able to divulge to his or her colleagues? And many employees may not have a strong connection with the head office in any case.

“Having someone in the room with a different perspective is, on many levels, a good idea in that they can contribute to the debate, but the practical steps to make that happen are probably too onerous for a large company in terms of cost and time,” says PwC Reward Partner Sean O’Hare. “There may be a different way of doing this, such as extending the employee attitude survey.”

## What makes an effective remuneration committee?

So, what are most important factors to consider if you want your remuneration committee to be as effective as possible? Here’s advice from Philippa O’Connor of PwC’s Reward Practice:

- Broad diversity of skills and experience across the remuneration committee members.
- A culture which supports rigorous debate and effective challenge.
- A positive and engaged relationship between the remuneration committee chair and company chair.
- Clear remits and roles between the HR function, remuneration committee and executives around the development, oversight and sign-off of proposals.
- Regular and honest remuneration committee effectiveness reviews.
- Supportive advisers who understand and support the company’s strategic goals and who tailor advice to the specific requirements of the company.



*Ann Pickering, Human Resources Director at Telefónica UK, owner of the mobile network provider O2, explains how she juggles the challenges of managing people in a huge UK employer with a Madrid-based parent.*

# Staying connected



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Written by  
James Ashton

## Ann Pickering

Human Resources Director at  
Telefónica UK



Ann Pickering believes that happy staff makes for happy customers. So, as Human Resources Director at Telefónica UK, owner of mobile phone provider O2, she tries to use the very things that lure in subscribers to keep her 11,500-strong workforce motivated too.

Since it was born nearly a decade ago, O2 has become known for its smart marketing and reliable customer service. The marketing has seen the mobile phone group sponsor everything from Arsenal, the UK premiership football club, to England rugby. By far the riskiest decision was to put its name to the Millennium Dome in South East London at a cost of £6m a year. Rebranded as The O2 Arena, it was a risk that paid off. The O2 overtook Madison Square Garden in New York to become the world's most popular concert venue – as well as becoming a smash hit with staff.

“As a director I get tickets for various matches or gigs and I use them very much for the person on my team who’s gone the extra mile,” Pickering says. “So if I know someone on the team loves Rihanna very much, I use tickets to her show as reward recognition. It goes down a storm, as you can imagine.”

O2 was once the mobile arm of BT, but was demerged in 2001 when the former state telecoms monopoly was forced to slim down to cut its debt pile. Industry analysts didn’t give it much of a chance of prospering, but it turned out to be a prize that Telefónica, the Spanish phone giant, was prepared to pay handsomely for only four years later. That £17.7bn takeover means that the company is ultimately controlled from Madrid these days, although Pickering insists O2 has benefited from a number of best practice initiatives.

It’s a giant employer. The Telefónica workforce is also extremely diverse, including engineers, executives, call centre operators and staff in O2’s 450 shops. As far as possible, Pickering believes the key is treating them all the same. “A consistent message with one voice – that’s really important because of the diversity of our workforce,” she says. “For me, communicating appropriately at the same time with the same message is absolutely essential, whether it’s someone in one of the call centres or one of our lawyers sat in head office.”

Because it has such a strong consumer brand, recruitment has never really been a problem for O2. But Pickering isn’t just looking for mobile workers these days. Broader skills are required as O2 attempts to extend itself beyond simply being a phone company. “My biggest challenge is ensuring we’ve really got the people who’ve got the skills for the future,” adds Pickering, who under her ‘People for the Future’ banner has recently recruited people from the worlds of financial services, media and healthcare. “We’re moving from a traditional mobile world into a world that’s dramatically different. I’ve got to try and be one step ahead of the curve and identify the people that we need.”

With 22m mobile customers, for a long time the company was the UK’s largest mobile supplier – until two of its rivals, Orange and T-Mobile, merged to create Everything Everywhere. Its journey to the top was aided by winning a deal to bring Apple’s iPhone to the UK in 2007. That two-year window of exclusivity enabled O2 to pile on plenty of smartphone customers who use their phone like a mini-computer. And, crucially for the business, these customers spend more than someone who just places calls and sends text messages.

Despite consumers tightening their purse strings, demand for smartphones is still strong. They accounted for 87% of sales and upgrades in the second quarter, meaning that 35% of its customer base now has one, compared to 29% at the end of last year. Such a high penetration means that O2 has the opportunity to sell more than just handsets and airtime to them. For example, more than 6m people have signed up to O2 More, a marketing platform that sends targeted advertising to its customers. The company has also dipped a toe into financial services and is keen for mobile payments to take off. Then there’s a corporate telecoms arm selling mobile and data services to clients including Deutsche Post. It has more than 700,000 fixed broadband customers.





‘A consistent message with one voice – that’s really important because of the diversity of our workforce. For me, communicating appropriately at the same time with the same message is absolutely essential, whether it’s someone in one of the call centres or one of our lawyers sat in head office.’

It’s a lot to keep on top of for O2’s call centre army, who are located at sites such as Preston Brook on Merseyside and Glasgow. Not surprisingly, one of Pickering’s innovations since she arrived at the company in 2004 was a training academy. “The amount of effort and time we have to take to train our employees in all these new products is absolutely massive,” she says. “The good news is we still manage to retain our number one spot for customer service, which is the acid test for us. So it means we must be getting it right.”

The online portal now covers different segments of the business, such as customer service and retail, giving staff the chance to work through modules themselves or in tandem with their managers. “One of the things people said to me is: give me access to some development tools that I can use in my own time,” Pickering says. “We try and make some of it the individual’s responsibility and some of it the company’s responsibility. The customer wants an adviser who knows what they are talking about so it’s very important that we skill our people in that. But they also might want to develop certain skills, so it’s about giving variety and choice.”

Pickering favours a blend of promoting from within and sourcing new blood externally. Telefonica took on 40 graduates across Europe last year. “We deliberately started small because we want to get it right. Last year we handpicked the graduates, they were bilingual and all very tech-savvy.”

Pickering promised the programme would grow, along with another for apprentices, which brings in 18-year olds for a structured training plan. On top of that is the Talent Development Programme, which operates across Europe to spot bright people and fast track their careers if they show good potential. More than one language is becoming a must as opportunities open up for the best staff to travel within the group, possibly even as far afield as Latin America.

Pickering has an HR team of 120 and sits on the UK board reporting into Ronan Dunne, Telefónica’s UK boss. “Ronan’s a great, visible leader of people. He loves to get out there to the call centres and stores to hear from our people at the front end about what’s going on,” she says. She also sits within the Telefónica Europe HR team – covering Germany, Ireland, Slovakia and the Czech Republic – with a dotted line to Sally Ashford, the region’s HR chief. Plenty of ideas are pooled across countries to give staff a consistent experience. As if to emphasise the point, there’s a shared services centre in Dublin that works for all markets.

Pickering praises some of Telefónica’s personnel initiatives that O2 has been able to tap into, including a management university based on a campus outside Barcelona. The company is currently undergoing a restructuring that sees a new business division, Telefónica Digital, created and run from the UK. Meshing the two companies together has taken time, but now there’s a flow of staff, at least at the senior level. “I would argue it was a slow start and now it’s quite significant,” she says. “Actually, some quite senior people have moved across who are running other parts of Europe. Of the people I’ve recruited, one is the chief executive of Slovakia, one is the marketing director in Germany and another is the chief executive of Ireland.”

Living in Sheffield, Pickering is handier for reaching most of the group’s staff, but not its headquarters at Slough in Berkshire. That said, she spends much of a typical week on the move. “I am pretty peripatetic. I’m passionate about the fact that the majority of O2’s staff are not based in Slough. So living in the North, for me, is an asset.” She can drive to three of the group’s call centres within 90 minutes. It’s there that much of Think Big, Telefónica’s corporate social responsibility programme that helps staff to support schemes in their local community, takes effect. A typical week might involve Pickering spending two days in Slough, two days in one of the call centres and one day in London, or maybe one day at home depending on her schedule.







Her department heads assemble for a face-to-face meeting once a month. There are plenty of one-on-one meetings in between times. On top of that, there's a weekly call for her team at 12 noon every Monday, lasting 90 minutes. "We use the technology we have so people don't have to travel," she says. "My mantra is keeping my HR team as business people first, HR people second. That's really important."

Whatever, she does, Pickering's work comes back to enhancing the workforce for the benefit of O2's brand – crucial in an industry where competition is cut-throat. "It sounds corny but our people are our brand, so it's really important they find that great experience within the business," she says. "The onus is on us to equip them with the skills to do that. I'm the luckiest woman in the world: I've got a board who absolutely support the whole concept of engagement and that really does help to drive that customer experience. Long may that continue."

**"We're moving from a traditional mobile world into a world that's dramatically different. I've got to try and be one step ahead of the curve and identify the people that we need."**

## CV: Ann Pickering

Ann Pickering joined O2 UK to lead human resources for customer service in 2004, becoming HR director for Telefónica UK in 2008.

The mother of two started her career as a graduate trainee at Marks & Spencer, giving her some early retail knowledge to draw on.

"In retail, you get a whole load of experience at an early age," she says. "I was running a store on a Saturday at the age of 23. To get that responsibility so soon does prepare you for most things. You're dealing with the public, and the public are completely unpredictable."

From M&S, she moved to Fidelity, the US fund manager, before joining Xansa, the outsourcing specialist now known as Steria. She worked closely with the Chief Executive, Hilary Cropper, on several big projects, including the purchase of an Indian software house.

**Qualifications:** BA (Hons) degree in English from the University of London. Chartered fellow of the Institute of Personnel Development.

**Specialisms:** "Talent, leadership, and engagement are the three things I feel most passionate about."

*Happy workers are more productive, have more energy and are more likely to stay in their jobs than unhappy employees. But what makes us happy at work?*

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# *In a happy place*

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**Written by**

Liz Fisher



Are your employees happy at work? And are you? If you are, the chances are that you work harder and better than your less happy counterparts. Jessica Pryce-Jones, founder of the iOpener Institute of People and Performance, argues that “people who are happy at work put in far more effort, work longer hours, and are more productive than those who aren’t”. She adds that happy people “remain at their jobs twice as long and they work 25% more time than an unhappy employee works”.

The financial cost of unhappy workers is difficult to estimate, but by taking into account the direct costs of ‘wasted’ wages and recruitment costs, the iOpener Institute calculates that unhappiness costs an organisation of 100 employees over £360,000 a year and an organisation of over 1,000 employees £3.6m a year. An organisation of happy workers, on the other hand, will tend to see less absenteeism, better teamwork and higher performance.

This is not a new idea – the concept of happiness and its links with productivity, performance and effective leadership have been the subject of extensive research for the past few years. One of the problems connected with the theory, though, is that it’s difficult to define happiness, and the things that make us happy at work and elsewhere.

The work carried out by the iOpener Institute has produced one of the most accessible explanations of the components of happiness at work, and the impact that happiness has on productivity and performance. The Institute argues that there are three types of happiness:

- Emotional happiness – a short-term burst of positive emotion, which is what most people mean when they talk about happiness.
- State happiness – a medium-term mindset, which is generally relatively stable over the course of weeks to months. State happiness can be actively built by individuals and we can control our state happiness by being mindful of how we see and deal with events, but it’s sensitive to change.
- Trait happiness – a long-term personality attribute, which is usually set early in life. If you are generally an optimistic person with a positive outlook on life, you have trait happiness.

The iOpener Institute focuses its work on state happiness, on the basis that it can be nurtured at work, that individuals have control over their own levels of happiness, and that its positive effects can be relatively long-lasting. By applying a systematic research-based approach, based on extensive

interviews and focus groups, the Institute has identified five key components to state happiness at work, which it calls the five Cs:

- Contribution – the effort you feel you make.
- Conviction – your short-term motivation.
- Culture – the extent to which you feel you fit at work.
- Commitment – your long-term engagement.
- Confidence – your belief in your own abilities at work.

**The study found only small differences between the happiness at work of 21 to 30-year olds and 31 to 40-year olds. But past the age of 40, happiness at work increased steadily and consistently right through to the 60+ age group.**

Dr Simon Lutterbie, Director of Research at the iOpener Institute, explains that these components, and happiness at work in general, are not the same as employee engagement, but that one feeds into the other. “It’s accepted that there are two inputs into engagement, which are usually referred to as ‘job demands’ and ‘job and personal resources’. In order to meet your job demands you have to display engagement. But if you don’t have sufficient resources to enable you to meet your job demands, engagement will be temporary at best. Happiness at work is based on the feeling that you have and can gain the personal and job resources you need to carry out your job. It allows engaged behaviour to be sustainable over time.”

The latest research from the Institute is the *Global Survey of Happiness at Work*, carried out in conjunction with *The Wall Street Journal Europe*. Participants in the survey completed a questionnaire based on the five Cs and their answers were measured on a standardised range in each category from zero, the lowest possible score, to ten, the highest. The questionnaires also measured ‘trust’ in the organisation, ‘recognition’ from the organisation of the worker, and the participants’ pride in their organisation, which were all seen as important environmental variables.

The higher the overall score from the exercise, the happier (and therefore more high performing) is the worker.

The survey, which questioned more than 2,000 individuals working in 80 different countries, revealed several key findings about the happiness of workers in various sectors, countries and at different levels of management.

In terms of sectors, it's hardly surprising in the current political and economic climate that finance and accounting saw some of the lowest scores in all five areas. Workers from these two sectors scored below four out of ten for conviction and commitment, which suggests that they don't believe that their work has a positive impact on the world, or that they were doing something worthwhile. Accountants also felt that their jobs were not secure in the current climate and, along with other workers in the financial sector, felt that they weren't able to raise issues at work as freely as employees in other sectors.

The survey analysed the responses of 18 nationalities and found only insignificant differences. The report's authors argue that this indicates that nationality has only an isolated impact on happiness at work, and that happiness is more dependent on an individual's circumstances and mindset.

Overall, the survey found that Germans scored highest in terms of commitment, culture and pride in their organisation. Germans rated the fairness of workplace cultures particularly highly and were more likely to score highly in terms of liking their jobs and their work colleagues. British workers were not far behind, also scoring highly in terms of commitment, culture and pride, but scored slightly below average for feelings of 'doing something worthwhile'. The unhappiest were Irish workers, who were far less likely to like their jobs or appreciate their organisation's values. Irish workers scored below average on every item that measured commitment, particularly on the feeling of doing something worthwhile, which is most likely an indication of the national mood as the Irish economy continues to struggle.

Management, and in particular the HR professionals who hold overall responsibility for engagement and performance, are understandably wary of the impact of macro-economic and environmental events on the behaviour of their employees. But Dr Lutterbie argues that while environmental factors that are outside the control of organisations play a role in happiness at work,



concentrating on improving the state happiness of workers can help act as a buffer against them. "It makes focusing on happiness at work all the more important," he says. "We've looked at the connection between the recession timeline and happiness and performance, and it's clear that the least happy employees remained the least happy, while the most happy employees maintained their happiness and their performance. It's those in the middle, though, that were hardest hit by the recession." In other words, the content-but-not-happy are the most likely to suffer a dip in engagement and performance when the economic situation gets tough.

The survey found that some of the happiest workers, perhaps unexpectedly, were consultants who, along with educators and healthcare providers, consistently scored more than six out of ten on short-term conviction and long-term commitment. Consultants scored particularly highly on feelings of contribution, usually because they said that they were able to raise issues at work and felt that they were respected by the bosses.



Fig 1. Happiness at work by nationality

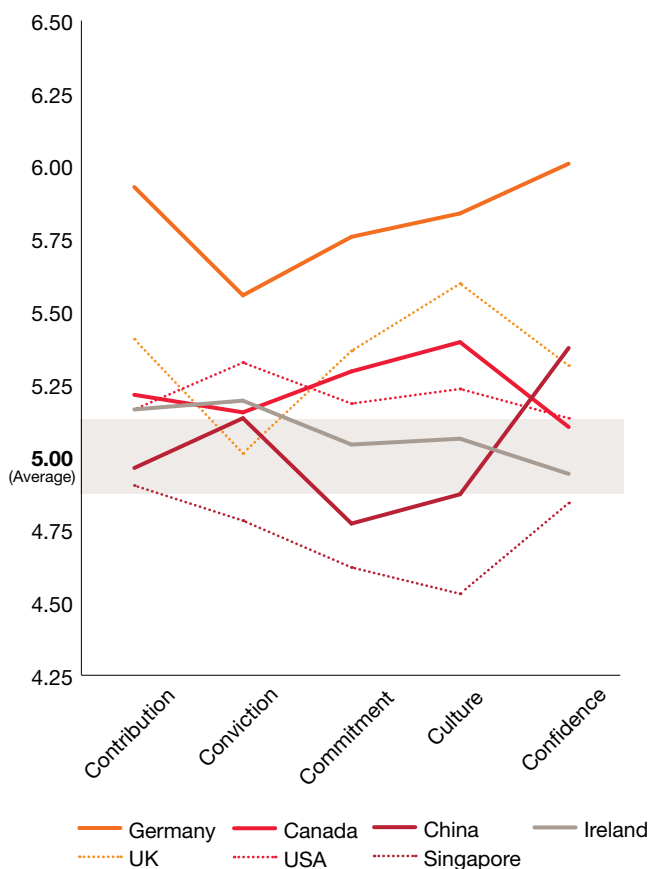
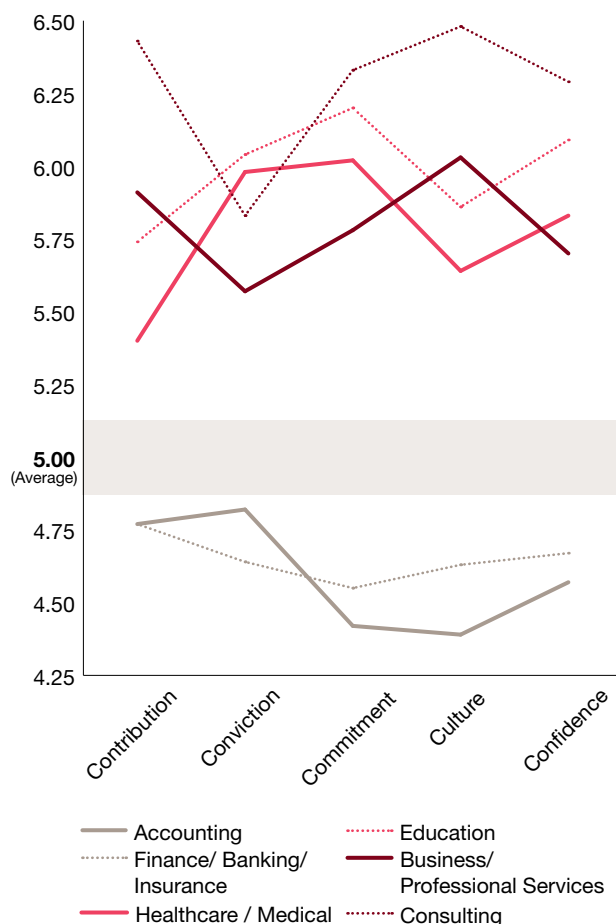


Fig 2. Happiness at work by sector



Source: iOpener Institute for People and Performance

In geographical terms, The Netherlands is the happiest place to work, where employees scored highest of the 16 countries analysed in terms of conviction, culture, commitment and confidence. In particular, they said that they had a strong sense of liking their work colleagues, felt they enjoyed a fair culture and appreciated the values of their organisation. Italy's workers, by contrast, were the least happy and scored relatively low in terms of motivation and resilience. The country's workers recorded the lowest score in the survey (just 3.18) when asked if they trusted the vision of their organisation's leaders, and were far less likely than other nationalities to recommend their company to a friend.

Another key finding to emerge from the study was that employees tend to become happier as they get older. Generally, the study found only

small differences between the happiness at work of 21 to 30-year-olds and 31 to 40-year olds. But past the age of 40, happiness at work increased steadily and consistently right through to the 60+ age group. Older employees scored significantly higher on all of the five Cs, and on trust, recognition and pride in their organisation than their younger counterparts.

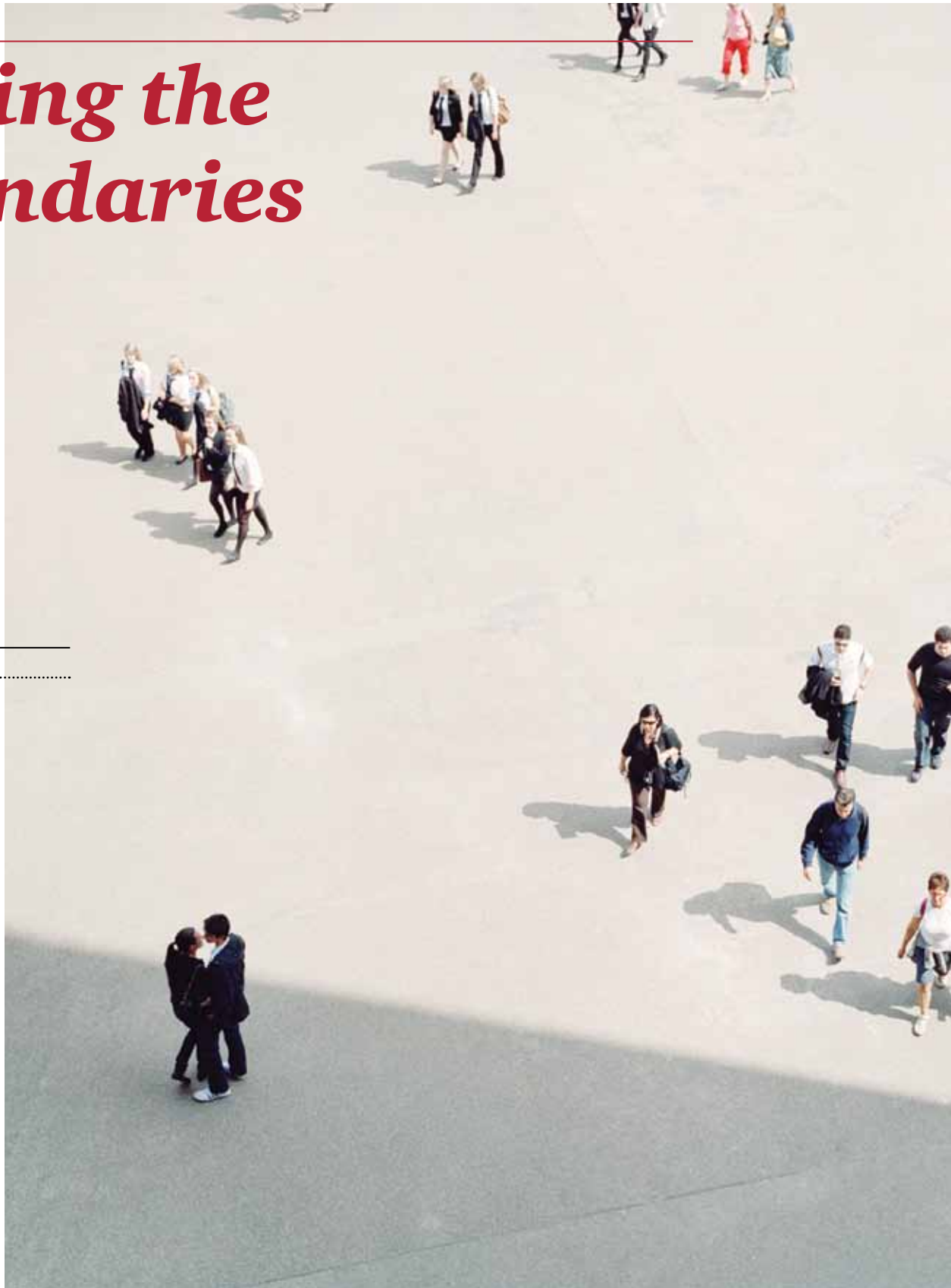
Whether we're happy at work is a question that tends to be asked of us by family and friends, but rarely by the company we work for. And yet it's the company that has by far the most to gain from happy workers. "If you really believe the saying that people are an organisation's greatest asset, it makes it all the most important to focus on happiness," says Dr Lutterbie. "It's particularly true in difficult conditions because if people are happy at work, they'll continue to perform well despite the headwinds."

*Workplace romances have been going on for as long as we have had desks.  
But is it HR's job to write the policy for employee relationships?*

# *Setting the boundaries*

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**Written by**  
Beth Holmes





There was a blink-and-you-missed-it headline in the UK press a few weeks ago that will have sent shivers down the spine of any HR professional who saw it. The national press picked up a story about a Metropolitan police officer who was signed off sick for four months. No real news there. But the reason for the ‘sickness’, according to reports, was a broken heart. The officer had been left distraught after being dumped by a married colleague. The unnamed pair are said to have set up home together after meeting at work when the male officer’s marriage had broken down, but after three months he went back to his wife. The spurned lover was then signed off with stress.

HR departments across the world are having to deal with increasing numbers of employees being absent due to stress, and it’s a balancing act to make sure both the causes are addressed as well as the symptoms and manifestation. When the reason is a personal relationship in the workplace there’s a whole new raft of issues to consider.

But how involved should HR be with the personal lives of employees? Does HR have a duty to set the boundaries in an official relationship policy or should common sense prevail? Should employees who enter into personal relationships with colleagues disclose them and, if so, at what point? And does it make a difference if a relationship is between colleagues of different seniority?

## Does HR have a duty to set the boundaries in an official relationship policy or should common sense prevail?

Amanda Willis was the HR Manager for a US publishers when she fell in love with Henry Campbell (both names have been changed), who happened to be the Managing Director. “We kept our relationship under wraps for about six months,” she says, “but when it became obvious that it was getting serious we both decided that the best thing to do would be for me to leave the company.”

Willis says she didn’t feel ousted, or that her career suffered as a result. “It wouldn’t have been right if I’d stayed on, even if we’d disclosed the relationship to the board and everyone had been ok with it. I felt, as an HR professional, that I shouldn’t work in the same company as my partner, and it wouldn’t have mattered whether he worked in the post room or as MD.”



**‘The business needs to be clear about why it feels a relationship between two employees could cause problems. It could argue that it’s abusive or disruptive, or that it has an impact on the business at an operational level.’**

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In this case, the decision was taken by the couple themselves. But where couples are not prepared to sacrifice their roles so easily, should HR have a say?

“As in any large organisation, from time to time employees may form close personal relationships. Our policy is not to prohibit such relationships, but to ensure employees recognise that they could create actual or perceived conflicts of interest or favouritism,” says PwC HR Leader, Sally Mitton.

Charles Cotton, Advisor at the Chartered Institute of Personnel & Development, says that any involvement from an employer in the personal relationships of its employees should arise from risk assessment. “An organisation should look at how a workplace relationship may have a detrimental effect,” he says, “and ask: Does it lead to risk? If one is signing off the other’s expenses, for instance.”

“If an employee starts a relationship with someone they report to or when one is responsible for rating or deciding the other’s salary, then one of the couple has to be prepared to move or change roles,” adds Mitton. “In most cases, additional responsibility is on the more senior person to inform their line manager or HR.”

“As an audit firm, employees are expected to comply with the fundamental principles of independence and objectivity. This imposes an obligation on them not to compromise their professional judgement because of a conflict of interest. So if a member of an audit engagement team was to get involved in a close personal relationship with someone from an audit client they should speak to their audit engagement partner, who would then evaluate the significance of the threat to independence. Depending on the facts and circumstances, the audit partner would apply appropriate safeguards such as removing the individual from the audit team.”

Forward-thinking HR professionals not only have guidelines in place but also embrace the benefits that workplace relationships can bring to an organisation. Angela Kelly, Manager EMEA/Asia Pacific Human Resources for the US commercial insurance company FM Global, says:

“Relationships developing between employees is an inevitability which shouldn’t take any employer by surprise. Over the years we have had many examples of this happening, even across geographical boundaries. This can often result in increasing the cultural diversity within offices as well as in some cases, for those high-performing couples, an increased chance of them accepting an international assignment. If both in the partnership work for the same company, the inevitable barrier facing most dual career couples is removed.”

She agrees, though, that there are some circumstances where intervention may be required. “Where things could get difficult is when a manager may accept a role which would result in them having a direct line management relationship over his or her partner. In those circumstances, where there’s such an obvious conflict for the manager, we do have clear guidelines and would resolve the situation by providing alternative employment for their partner.”

Lawyer, Louise Coyne, Manager in the Employment and Pensions team at PwC Legal LLP says it’s quite common for professional services organisations to have explicit policies covering personal relationships in place. But even if there’s not such a policy, employees, she says, have a duty of disclosure: “It doesn’t have to be an express duty, but an implied legal duty to act in the best interests of the company. So they should disclose if it is relevant – do they work together, does one manage the other?”

One of the key concerns for HR is not what impact a relationship has while it’s going well but, as the police officer at the start of this article found out, what can happen when relationships go wrong. Is there an argument for ‘no dating’ policies after all? “They are less common than they were,” believes Skinner, “and I think employers recognise that there’s a practical issue.”

“No dating is a nonsense policy,” says Chris Syder, Employment Lawyer at DAC Beachcroft LLP. “For starters, how do you define ‘dating’? But if an employer feels the need to address it, they must have a written policy to provide consistency.







## Setting up a relationship policy

1. Be clear about why you are setting it up. Make everyone in the organisation aware that it's to make sure employees are neither responsible for, nor subjected to, inappropriate behaviour, favouritism, abuse of authority or conflict of interest.
2. Decide what type of policy you want; no dating, disclosure or notification policy.
3. Define relationships clearly. Use straightforward language such as 'intimate relationships' or 'close personal or family relationships'. Your policy should not refer to straightforward friendship between colleagues.
4. Consider what issues your policy should cover, such as any potential conflict of interest, any risks that the relationship might cause and what steps could be taken to address these matters. The policy should include a way to report relationships that have turned hostile.
5. Communicate the policy throughout the organisation effectively through line managers.
6. Make sure the policy is applied consistently and set out clearly how decisions will be made.

HR has an awful lot on its agenda. There isn't a right or wrong answer but things need to be dealt with on a case-by-case basis. The business needs to be clear about why it feels a relationship between two employees could cause problems. It could argue that it's abusive or disruptive, or that it has an impact on the business at an operational level."

When it comes to relationships breaking down, he adds, of greater concern is the threat of a sexual harassment claim. "When things go wrong it's dangerous," agrees Skinner. "Sexual harassment cases have a very low threshold. It can be anything that someone finds hostile or intimidating and, of course, that's completely subjective. So we feel this should be covered in an anti-harassment or bullying policy rather than a relationship policy."

## No dating – is it fair?

Most common in the US, no-dating policies are generally aimed at banning managers from dating their subordinates. In the 2008 case of *Ellis v. United Parcel Services*, the court upheld a no-dating policy that forbade managers from a romantic relationship with any hourly employee, as long as it was consistently enforced. But in its opinion, the court also stated that the policy may have gone too far.

*Redundancy programmes should be treated as a hugely important part of a business's people strategy. They need to be delivered flawlessly, which can be a major challenge both for HR and the business.*

# ***Delivering bad news***

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**Written by**

Liz Loxton



In 2009's recession satire, *Up in the Air*, George Clooney played an HR consultant hired to travel the US, firing employees of his consultancy's corporate clients. The character, Ryan Bingham, is an outplacement specialist, but in reality he is simply there to take the task of delivering bad news off the hands of his faceless clients.

It's a tempting solution to an unpleasant task that companies are facing only too often at present. But HR experts warn that passing the job on to others, even making the business of delivering news of redundancy the sole preserve of the HR department, is a mistake. The short-term fall-out is a botched redundancy process with many employees – leavers and stayers – left resentful and fearful. Longer term, it can cause great harm to the company's employer brand.

Cautionary tales are legion in this part of HR. There's the case of a seemingly sane – if over-anxious – piece of advice which told line managers to watch out for individuals with conditions like diabetes and to have sweet snacks available should the news cause anyone's blood sugar to plummet dangerously. The result? Inexperienced line managers offering Mars bars to each and every person on the receiving end of redundancy news.

Then there are cases of mass redundancies being announced to large groups. Look for your name on one of these lists, members of one massed company division were told. If you find your name listed on the wall to your left, you are staying. If it's on the right, you're toast. One employee, a PA, got as far as finding her boss's name on the list of those being made redundant and realised that she needn't look any further. Sackings by text, sackings by voicemail, all of these possibilities will rightly worry any right-thinking board and yet we all remember the headlines.

Michael Rendell, Global Head of PwC's HR consulting practice, says problems most commonly arise through error: information may be leaked so that individuals hear about their position from a colleague in the lift; employees have been known to find themselves locked out of their desktop by an IT department that has been notified before they have; and lists of people being made redundant have been inexplicably distributed to security before notification meetings have taken place. "The logistics piece is probably where this falls down most often," says Rendell. "Somehow the sequencing of events is not right and people hear from the wrong person or become aware that all's not right when they are locked out of the system."

The critical thing, he says, is to remember how significant a redundancy notice will be, both to the person whose position is being made redundant and the employees left in the business. News has to be delivered properly and respectfully. Redundancy notifications which are delivered inappropriately can be demeaning and cause lasting reputational damage to the company among remaining employees, competitors, suppliers and other stakeholders.

Redundancy programmes should be treated as a hugely important part of a business's people strategy, he believes. "Imagine you were acquiring a company. You would make sure you marshalled all the necessary resources, called in external managers or consultants, and executed the meetings efficiently and in a properly business-like way." Redundancy programmes should be treated with the same level of exactness, he believes.

## Coaching managers in how to deliver the news is important. The news needs to be delivered swiftly and rationally.

Organisations generally fall into three groups, says Rendell. The first group approach it in a careful, strategic way. They plan conversations and think about the people who will be going as well as the people staying. They conduct meetings in a compassionate way, knowing that the people about to leave them may end up with competitors or with other stakeholders. It should matter that those people carry a good opinion of their former organisation into their next role. The second group stumbles into redundancy exercises and while they may convey straightforward messages, they perhaps don't spend a great deal of time helping those people who are leaving with their CVs or job search. The third group don't think through the impact of redundancies on the people who are staying. Nor do they consider how those leaving will react and behave in the marketplace. Down the line, when they start hiring again, they often find it difficult to fill vacancies because of their damaged employer brand. And of course, this is a scenario that can be avoided. Emma Blaney, Group HR Director at publishing company Informa, says redundancies need to be handled tactfully and respectfully. And while this might be seen as the preserve of HR, business managers need to play their part. Blaney says that she would expect to



see junior HR staff shadow more experienced managers in redundancy meetings to begin with. As they progress to the point where they take a more active role, they themselves are shadowed by more experienced members of the HR team.

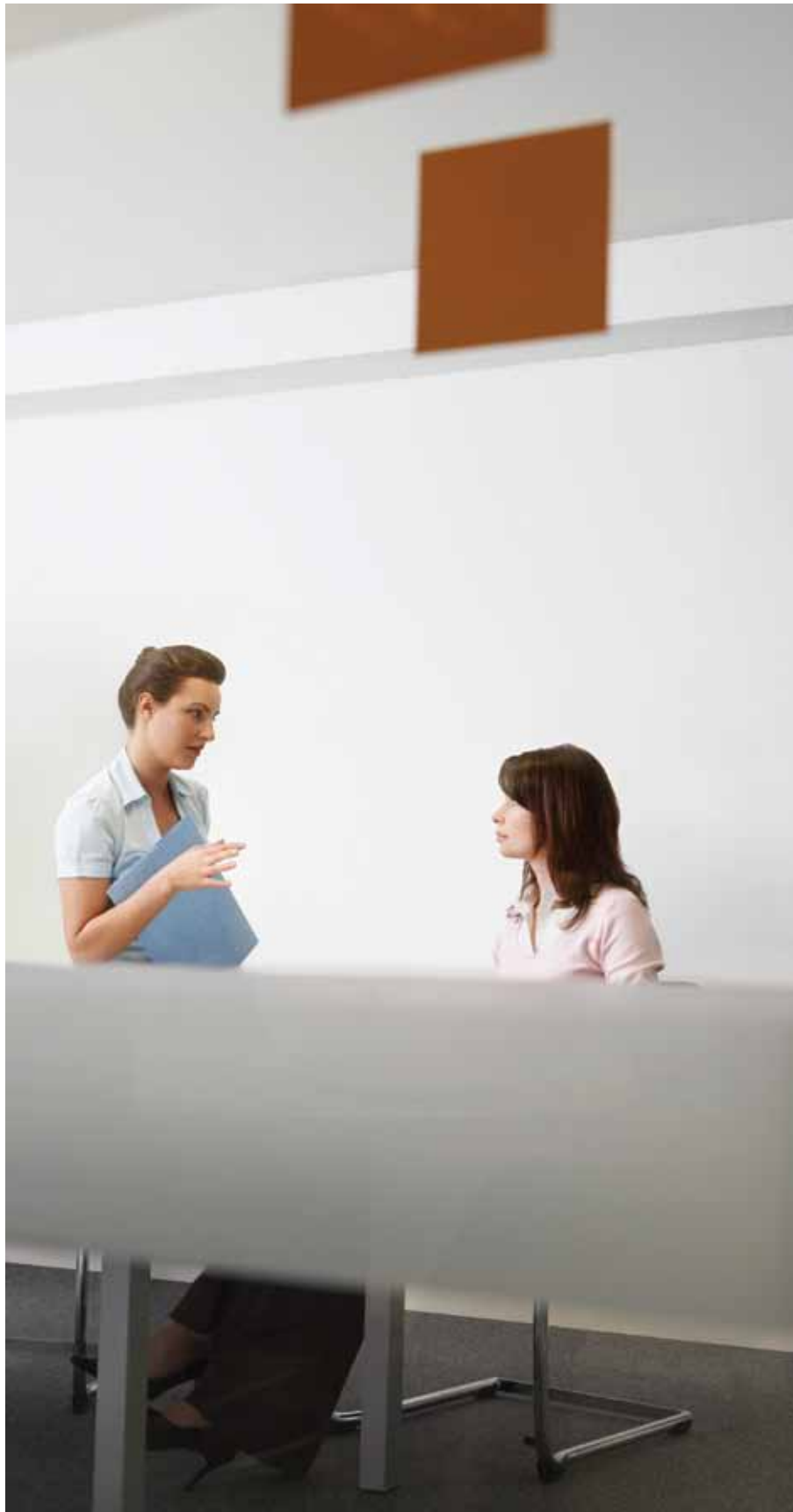
The HR director's primary task is to insist that business managers are not only present at redundancy meetings, but that they lead the conversation. The issue is one of accountability. Quite simply, it's the right thing to do, Blaney points out. Often it's the line manager who hired the individual in the first place and had responsibility for their day-to-day management. Blaney says she knows of one managing director who confessed that she had never taken recruitment seriously until she had to make someone redundant. The experience made her re-assess her management skills.


A second and equally important reason for having the business manager lead the meeting, Blaney says, is that you have to let people know the business case for letting them go. There may also be business questions that HR on their own won't be able to answer. That's not to say that HR's role is a back seat one – anything but. HR plays an important role in helping the business managers to prepare. "You need to end up with an objective conversation. HR managers will practice the conversation with line managers and often play devil's advocate. There are two reasons for that. The first is that we want to manage the governance of the meeting. The second is this is our opportunity to scrutinise the business rationale so that we can be confident that this is an appropriate decision. We need to make sure the decision is secure." Coaching your managers in how to deliver the news is important. The news needs to be delivered swiftly and rationally. "Getting straight to the point and letting employees know why they are there is critically important. I've sat through some excruciating conversations where employees don't actually know what has been said," says Blaney. Managers need to understand

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**Redundancy programmes should be treated as a hugely important part of a business's people strategy.**

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in advance the importance of avoiding a 'state of the union' address about the company's situation. And they must also avoid the pitfall of talking about the person who's being made redundant as a great employee. "If they're losing their job it's confusing for the individual and not fair," she says, "and it tends to make them far more upset." Employees' likely reactions are a sensitive part of the redundancy process, says Stuart Duff, Partner at business psychologists Pearn Kandola. His consultancy plays a role in helping HR professionals understand that, regardless of the business case and the objective way in which most organisations will deliver the news, ultimately the company is doing something quite personal in all this. HR professionals need to be equipped with an understanding of how people adapt to bad news and how they handle change. "When you take someone's job away, it does fundamentally change how they feel about themselves," he says.

Essentially, individuals go through a change cycle when they are made redundant, not unlike bereavement. There's often a rejection of the new reality, followed by a lowered sense of self esteem as individuals realise that nothing is going to change. Before being able to embrace their new situation, people may go through a process of testing new ways of living with the realities.

## The HR director's primary task is to insist that business managers are not only present at redundancy meetings, but that they lead the conversation.

HR professionals need to watch out for those people who react in a neutral way, says Duff, as this can be a rejection of the new reality. Life without work can bring a reduced sense of competence, he says, because self esteem has taken a knock.

HR can't alter the new reality or stop the change process that individuals go through, says Duff, but they can help people move from one stage to the next. Mixed messages must be avoided, as they can hinder people absorbing the news. An overload of information and advice should also be avoided. "Too much information and you simply further reduce people's ability to take on the bad news." If individuals are struggling to take the news on board, HR's role is to meet them again and reiterate the message until it sinks in. Once it has, there will be greater opportunity to offer more practical forms of support.

## Around the globe – differing attitudes to redundancy

The hire and fire culture in the US is still very prevalent and the corporate culture there can present brutal situations. The most common question aimed at HR from individuals being made redundant tends to be: 'Do you have a box, so I can clear my desk?' says Emma Blaney. On the whole, US employees don't tend to suffer denial for long. The need to secure health insurance drives people out of the office and on with their job search.

In Europe, the situation is much more employee friendly. European Union directives for mass redundancy, for instance, insist on consultation processes and employee engagement. There are differences between member states, though, with France and Italy reckoned to be the most expensive in terms of lengthy consultations and severance rights.



*How can HR help to get the important messages on pensions auto-enrolment across, particularly to migrant and low-paid workers?*

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# Engaging the disinterested

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Written by

Liz Fisher

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The experience of Australia and New Zealand suggests that the greatest benefits come from focusing much of the communications effort on the initial enrolment phase.

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There's a large percentage of us who take little or no interest in pensions planning until we reach the age of 40, or thereabouts. This fact alone makes pensions a serious headache for companies, as it means that one of their potentially most valuable employee benefits is inevitably underappreciated. In those countries where some form of compulsory employer pensions has been introduced, though, the problem becomes far more pronounced. Because if financially literate and engaged employees have trouble in accepting the importance of their pension plan, what hope is there of explaining auto-enrolment or compulsory pension contributions to the seriously disinterested, such as transient, low-

paid or migrant workers? For most, compulsory contributions will only mean a smaller pay packet – with little or no understanding of the reasons behind it.

In the next year or so, the UK will follow Australia in introducing a form of compulsory retirement planning. Auto-enrolment, which is due to be rolled out from October 2012, beginning with the largest employers, will mean that companies will be required to enrol their eligible employees (those between 22 and the state retirement age and earning more than the income tax personal allowance threshold) in an approved retirement plan. All the signs so far suggest that many UK companies are seriously under-prepared for auto-





enrolment, and any business with large numbers of low-paid or transient workers, in particular, will be walking into a potential minefield.

These companies are facing an uphill struggle to explain to their employees what will happen, and why. According to the UK's Department for Work and Pensions, around 5m people in the UK are currently eligible for an occupational pension scheme, but haven't joined. The most common reason given is that they simply don't understand it. Auto-enrolment may only increase the problem – according to a study carried out for the Chartered Institute of Personnel and Development (CIPD), over half of the UK's workforce is unaware that auto-enrolment is about to be introduced, with awareness rates particularly low among the 18 to 24-year old age group.

Clearly, some serious planning in terms of employee communication needs to be done, and HR should be playing a key role both in forming and fulfilling the strategy. But the good news for those countries planning to introduce compulsory contributions is that it's already been proven that good pension communications can make a difference.

Australia holds the blueprint for much of the work. Compulsory enrolment was introduced in the country from 1986 onwards and was extended to all employees by 1992. The rate of employer contributions has increased steadily and will reach 12% by 2019, if all goes to plan. While the road has been rocky at times, one of the encouraging lessons from Australia's experience is the level of awareness of the superannuation scheme (or 'super', as it's colloquially known) among every sector of the population. Employees take an interest in, and know how to track, their supers, and while companies still make great efforts to communicate the detail of their individual plans, the nuts and bolts of how an average super works is taken as a given.

The experience of Australia and New Zealand, which introduced its own superannuation scheme in 2001, suggests that the greatest benefits come from focusing much of the communications effort on the initial enrolment phase. The concept of superannuation schemes is widely accepted and understood in Australia, and needs little communications effort from individual companies in terms of the basics. That represents, though, almost 20 years' work.

So, what makes for an effective pensions communications plan? The general consensus is that any good communications plan will have three elements:

- Impact – it will grab the attention of staff.
- Clarity – everyone is able to understand the message.
- Accuracy – it provides reliable information, covering all of the important points.

The most important point to make is that the communications of pensions, particularly in the case of something like auto-enrolment, is not something that can or should be done on an ad hoc basis. At the very least, it requires the appointment of dedicated and knowledgeable internal project leaders. External communications professionals have been heavily involved in developing communications best practice around compulsory pensions in Australia and New Zealand, to significant effect.

There should also be a clear plan with transparent objectives that everyone involved understands. And a communications strategy should be measurable and measured – or how can you be sure that it's working? And worth the investment?

Communicating the details of pensions is rather more problematic as it's a highly technical and jargon-laden area, and pensions are well-regulated (meaning that companies have to meet certain obligations in terms of the information they provide to staff). Much work has already been done, though, in working out the most effective methods and communications channels.

The consultancy Spence Johnson carried out a study in 2010 of 90 defined contributions communications campaigns across nine countries. The results of its studies, contained in *The Pension Communications Project 2010*, shows how the approach to pensions communications is changing, and provides valuable information on the best campaigns conducted around the world.

The study found that companies are beginning to focus on providing brief, simple messages in their pension communications plans. Companies had found that by keeping messages short, simple and to the point, employees were more likely to remain engaged with the message, irrespective of its format. Plain language is highly valued, but there's a conscious effort not to dumb down the subject. One company told the researchers that they had reduced the size of their pensions information

pack for employees from 80 pages to 30, by including only the important messages and referring staff to its website for the specialised information.

As an extension of this approach, the study also found an increasing use of graphics and catchy design as a way of getting the message across. Again, this is a delicate line to tread as overdone graphics can seem patronising. But the underlying argument is that the younger generation, in particular, favour visual communication over reading and are used to receiving information in bite-sized chunks.

The study also found that the emphasis in pension communication is shifting away from general educational messages towards a ‘call for action’. One participant in the study argued that people are susceptible to making decisions and taking action on pensions at certain times, such as birthdays, reaching a certain age, or when they move jobs. The best pension communications plans specifically target and seize these moments, sometimes couching the language in terms of financial planning rather than retirement or planning for old age.

Effectively, this is personalising the message – what does it mean for me? In a field where communications have typically been unfathomable and technical, targeted and personalised messages have been found to be particularly successful. Many Australian companies took this approach, personalising the member statements for each scheme members to include targeted messages and tips as well as the usual statement details. Another form of this is to provide online investment tools that allow a scheme member to see what their estimated monthly income will be on retirement – although this can be an expensive option that has, so far, been used only by the largest employers.

Any company facing the prospect of auto-enrolment in any form has a lot of work ahead of it. It’s clear from the experiences of those countries that have already introduced compulsory retirement schemes that communication is a long-term project, but one that will form a solid foundation if performed well.

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## Tips for better pension communications

Angela Mohtashemi in our consulting practice gives us some top tips for successful pensions communications:

- Keep your communications brief. Only tell employees what they really need to know.
  - Write in plain language and steer away from using overly complex abbreviations and jargon.
  - Be bold with your design. Use engaging graphics that help grab people’s attention. Using humour can also lighten the tone and remove some of the anxiety that’s linked to planning for retirement.
  - Make it personal. If you target the information specifically to each employee, you’ll get much better buy-in from your people. Showing examples of their benefit statements will make the end benefits much clearer.
  - Be honest and truthful. Your employees need to trust you, even if the news you’re delivering isn’t that positive.
  - Use champions to communicate the message. Some organisations have used champions from within the business to great effect.
  - Make the most of your brand. Use your brand identity to make the communications familiar and welcoming to your employees.
  - Try to promote the benefits of the pension scheme, rather than listing the features. People are more interested in the long-term benefits for themselves.
  - Use a variety of different communication channels. But make sure your message is absolutely consistent across all these channels.
  - Make sure you communicate to your employees frequently and consistently throughout the year. People like to be kept up-to-date.
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# Letter from Sweden

Sweden, the third largest country in the European Union by area but with a population of just under 10m, has enjoyed one of the stronger economies in Europe over the past two or three years.

While the country did suffer during the recession of the early 1990s, compared with many other countries Sweden managed to get through the latest economic downturn relatively unharmed. Some uncertainty remains in the market but, as yet, there has been little real impact. But it remains to be seen how things will develop.

Sweden's economy relies heavily on exports and the performance of its privately-owned companies, which include Volvo and Sony Ericsson, have formed a strong foundation for the economy for a number of years.

As in many other countries the role of HR in Sweden has changed over recent years from a purely administrative function to a strategic partner. These days, most heads of HR in the large international companies sit on the board and steering committee, and are generally involved in major business decisions. But this isn't always the case in smaller companies. In common with many other countries, we have still some way to go before HR is accepted as playing a key role in the success of the company. HR has to become even more proactive and take a greater responsibility for the company's performance.

HR professionals in Sweden face their own particular challenges. Labour unions are very strong in Sweden and collective agreements set many of the rules around employment. As a rule, almost all large companies are bound by collective agreements and as a result most decisions around any changes in terms of, for example, employment conditions or redundancy, are negotiated with union representatives. Smaller companies might not have collective agreements but generally still follow the rules set down by collective agreements as these often have become market practice.

In Sweden, employment law is also fairly strongly in favour of the employee, and there are strict rules about, among other things, when and how

you are allowed to fire an employee. An interesting aspect of the Swedish system is that because of its tradition of collective agreements, Sweden doesn't have a minimum wage regulated by law, as is the case in many other countries. The culture isn't top-down but is based on consensus – aside from the fairly strong employment laws, the Government doesn't intervene to a significant extent on HR issues.

The issues concerning the HR profession in Sweden at the moment have much in common with other countries. There's been an extensive debate over the last couple of years around executive pay, and particularly the pros and cons of short and long-term incentives and whether they have the effect they're intended to have. Other hot topics include leadership development, talent management, recruitment and change management. Some sectors, particularly those needing technical skills and IT engineers and specialist skills at senior level, are finding it increasingly difficult to recruit suitable talent. The IT sector makes good use of Indian resources, both to recruit into Swedish companies and employed in Indian subsidiaries, but we feel the country could make even greater use of specialist skills employed from abroad.

Generally, Sweden's employment market has become more global and many companies are thinking about how they need to prepare for a new, mobile generation of employees. As a result, talent management is at the top of many an HR professional's list, in terms of creating new processes and system support as well as cultural changes. Employer branding has become more important to many companies, and the use of social media in HR and recruitment is on the rise. It's encouraging to see HR taking more responsibility for cultural transformation and organisational design, and demonstrating the valuable role it can play.

**Anna Bucht-Clarke, HR Management (HRS) and Angelica Jakobsson, People & Change, PwC Sweden.**



# *Understanding the next generation*



We talked to new graduates across 75 countries to find out what motivates them in the workplace. They told us they're not motivated by pay alone. They also put opportunities for progression and training at the top of their agenda.

To find out more of the insights from our survey, you can call Michael Rendell on +44 (0) 20 7212 4945 or email him at [michael.g.rendell@uk.pwc.com](mailto:michael.g.rendell@uk.pwc.com)

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## References and further reading

### **Martindale (pages 04-07)**

PwC's report into talent mobility can be found at:

[www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/pdf/talent-mobility-2020.pdf](http://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/pdf/talent-mobility-2020.pdf)

### **Smith (pages 08-11)**

The Department for Business, Innovation and Skill's discussion paper on executive pay can be seen at:

[www.bis.gov.uk/Consultations/executive-remuneration-discussion-paper](http://www.bis.gov.uk/Consultations/executive-remuneration-discussion-paper)

### **Fisher (pages 16-19)**

More details on the work of the iOpener Institute can be found at: [www.iopenerinstitute.com](http://www.iopenerinstitute.com)

### **Fisher (pages 28-30)**

Guidance from the Pensions Regulator on communicating pensions plans to employees can be seen at:

[www.thepensionsregulator.gov.uk/guidance/guidance-member-communications.aspx](http://www.thepensionsregulator.gov.uk/guidance/guidance-member-communications.aspx)

More information on Spence Johnson's Pension Communications Project 2010 can be found at:

[www.napf.co.uk](http://www.napf.co.uk)

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Design & Media – The Studio 20959 (01/12)

# *Being a CEO in 2012*

**pwc**

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