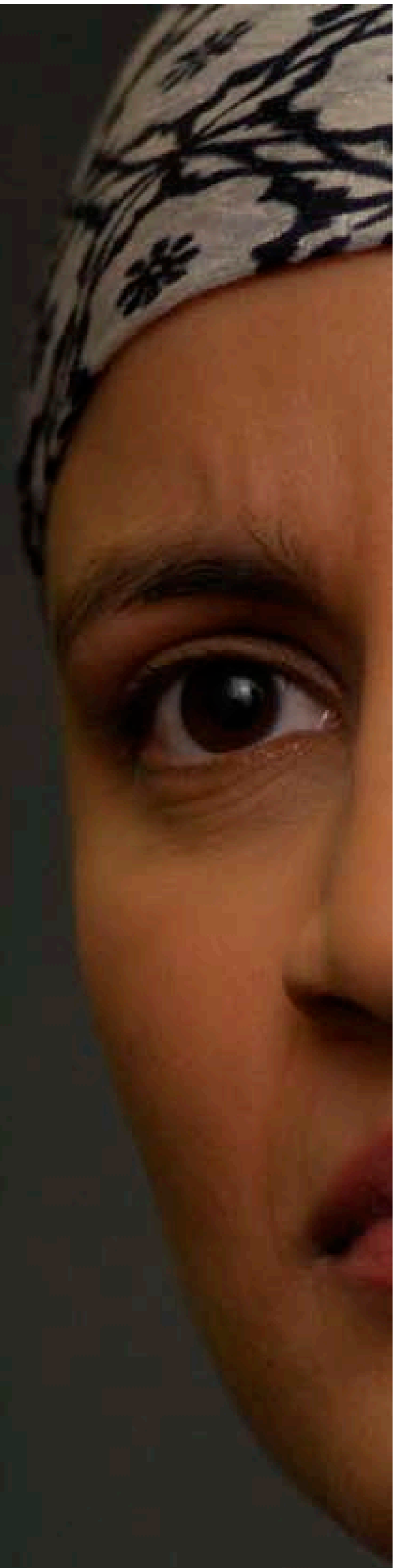
Saratoga
Human resource services

The Saratoga Review

Newsletter Issue: June 2009



In this issue

PricewaterhouseCoopers

What's happening at PwC Saratoga

Some of the key activities coming up at PwC Saratoga include:

- June 5, 2009: PwC Saratoga releases its US Human Capital Effectiveness Report.
- June 9, 2009: PwC Saratoga Metrics 101 course held in Dallas, Texas. The next session will be held August 11 in San Francisco, California. To register or learn more, please copy and paste the following URL into your web browser: www.meetpwc.com/saratogametric101.
- June 11, 18, and 23, 2009: Workforce and HR benchmark results delivered to members of PwC Saratoga's Health Insurance, Utilities, and Hospital Consortium members, respectively.
- June 24, 2009: Results review of health and wellness survey conducted for Federal Contractors Consortium members.
- June 28-July 1: PwC hosts a booth at the 61st Annual SHRM Conference & Exposition in New Orleans, Louisiana.

To learn more about any of these activities, please contact your local Saratoga representative, or call (866) 727-2864.

Northeast
Michael Tindall
michael.tindall@us.pwc.com
(646) 471-1296

Midwest
Patrick Meyer
patrick.meyer@us.pwc.com
(312) 298-6229

Southeast
Nik Shah
nik.shah@us.pwc.com
(703) 918-1208

West
Scott Pollak
scott.pollak@us.pwc.com
(408) 817-7446

PwC Saratoga's *2009/2010 US Human Capital Effectiveness Report* is now available

PwC Saratoga is releasing its *US 2009/2010 Human Capital Effectiveness Report* on June 5. This year's report contains 345 metrics from 304 organizations throughout the United States. All organizations submitted data based on PwC Saratoga's proprietary data entry standards, and all data submitted by participants was validated by Saratoga.

The thousands of unique benchmarks within the report provide organizations with the information needed to enable evidence-based decision making. Our five surveys and reports measure:

- Productivity of the workforce
- Return on investment of human capital
- Span of control
- Quality of succession plans
- Quality of hire
- High- and low-performer employee turnover
- Cost of turnover
- HR structure and costs for 18 distinct HR functions

This year's report also includes more than 15 new metrics, focused on union turnover and workforce diversity.

To learn more about Saratoga's latest report, contact us at saratoga@us.pwc.com or (866) 727-2864.

Talent strategies for tough times: Reduction in force (part 1 of 2)

The following summary is the first in a two-part series based on an article written by PwC's People and Change practice titled What's your workforce reduction IQ? *To view the article in its entirety, please click* here.

In response to one of the worst economic downturns since the Great Depression, many organizations are turning to a reduction in force (RIF) to alleviate cost concerns. To successfully execute such a delicate transition in this volatile financial climate, organizations need to adhere to a few key principles:

1. Explore alternative cost-cutting options
2. Recognize RIFs are "different" this time around
3. Obtain an overview of talent strategy
4. Identify and exempt pivotal talent from a RIF
5. Deal with the aftermath

An overview of each of these principles follows.

Explore alternative cost-cutting options

To ensure they are perceived as agile, decisive, and willing to confront the economic crisis head-on, organizations need to explore all available workforce cost reductions before reducing headcount. Recognizing the reality of the economic climate resonates positively with employees, shareholders, and analysts alike.

Some creative cost-reduction strategies include:

- Calculate the impact of current attrition trends on required headcount reduction
- Terminate noncritical contractors
- Hire contractors instead of full-time employees for business-critical short-term work
- Freeze pay based on market conditions
- Offer select employees with critical skills the option of taking time off and renewing employment later
- Offer early retirement to transition employees
- Shorten workweeks or provide fewer holidays

Recognize RIFs are "different" this time around

RIFs have happened before and will happen again, so why can't organizations use the same strategies that they've used in the past? Previously employed RIF strategies are not applicable in the current financial climate because:

- The environment is different:
- Capital markets are volatile.
- The downturn is global.
- The government is more heavily involved.
- There is uncertainty about when markets will "rebound."
- The characteristics of the workforce are different:
- Staff and middle management are better networked, more mobile, and smarter about their value and options in the market, increasing competitiveness.
- Top talent has a plan B, and they will not wait for the ax to fall.
- Employees are willing and able to change jobs, and the market no longer sees that as a negative. In fact, changing jobs is often seen as increasing one's "brand."
- The supply of labor is different:
- PwC Saratoga's research reveals that Baby Boomers (born between 1943 and 1960) accounted for 44.5 percent of the median US organization's headcount in 2007. While the Baby Boomer retirement threat is currently not a primary concern due to market conditions, it still looms large.
- The unemployment rate for individuals with four-year college degrees is less than half that for the general labor market, and is even lower for highly experienced workers with advanced degrees.

Only when an organization first fully explores alternative cost-cutting measures and recognizes the uniqueness of the current economic climate is it ready to implement a RIF.

In part 2 of Talent strategies for tough times: Reduction in force, we will discuss how to successfully obtain a data-based overview of your talent strategy, identify pivotal talent, and deal with the aftermath of a RIF.

Metric of the month: HR Labor Costs per Employee Served

PwC Saratoga is increasingly hearing from HR leaders who want to better understand how their HR department costs compare to those of other companies. Not surprisingly, the single-largest expense for most HR departments is labor costs. And according to PwC Saratoga's 2009/2010 US Human Capital Effectiveness Report, the average organization invests approximately two-thirds of the HR department budget (or $920 per employee) on HR department compensation and benefit costs.

As HR departments continue to explore how to best control costs while also preserving value, it is critical to understand how organizational investment in HR labor costs compares to others. PwC Saratoga's key metric for analyzing HR labor costs is HR Labor Cost per Employee Served. The formula for this metric is:

Direct HR Labor Costs / Regular Headcount

PwC Saratoga defines HR labor costs as: base compensation, overtime pay, pay premiums, commissions, performance-related bonuses, sign-on and referral bonuses, profit sharing, payments for time not worked (e.g., vacation, sick, and holiday pay), severance pay, health and welfare costs, legally required payments (e.g., Social Security, FICA, FUTA), retirement and savings plan payments, and life insurance premiums.

To learn more about PwC Saratoga's measurement programs, visit www.pwc.com/saratoga or call (866) 727-2864.

Key contacts:

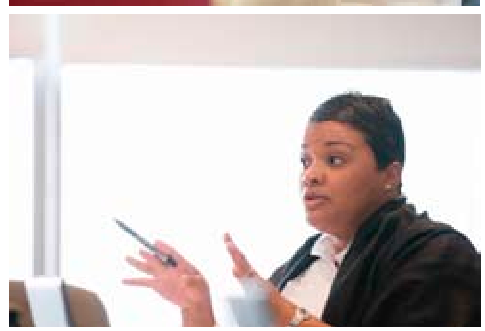
Northeast
Michael Tindall
michael.tindall@us.pwc.com
(646) 471-1296

Midwest
Patrick Meyer
patrick.meyer@us.pwc.com
(312) 298-6229

Southeast
Nik Shah
nik.shah@us.pwc.com
(703) 918-1208

West
Scott Pollak
scott.pollak@us.pwc.com
(408) 817-7446

Have an idea or topic that you would like Saratoga to write about? If so, we would love to hear from you! Please send your ideas and/or topics to saratoga@us.pwc.com.



We're often asked about how metrics are impacting organizations and want to hear your experiences. How is your organization using metrics/measurement to influence change/reduce costs in your organization?

We'd love to hear your stories and feature your experience in one of our upcoming newsletters, which is read monthly by thousands of HR practitioners. If you have a story to share, please contact saratoga@us.pwc.com.