Saratoga
Human resource services

The Saratoga Review

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PricewaterhouseCoopers

What's happening at PwC Saratoga

Key activities coming up at PwC Saratoga include:

- November and December: Membership renewals and outreach continue for PwC Saratoga's 2010 US Human Capital Effectiveness Survey.
- December 10: Webcast will review PwC Saratoga's Executive Summary Results for our 2009/2010 US Human Capital Effectiveness Report. To register for this event, please go to: http://www.meetpwc.com/saratogaHCE0910.
- December 8: The CHRO networking session will discuss plans for 2010 measurement.
- PwC Saratoga's next Metrics 101 course will be held in Minneapolis on December 1. To register or learn more, please copy and paste the following URL into your Web browser: http://www.meetpwc.com/saratogametric101. The final Metrics 101 session of 2009 will be held in Los Angeles on December 10.
- PwC Saratoga's next annual US Human Capital Effectiveness Survey will launch in January 2010. Data collection for organizations that will be included in the 2010/2011 US Human Capital Effectiveness Report will conclude in March, and data validation will occur throughout April and into early May. The 2010/2011 US Human Capital Effectiveness Report will be released in June of 2010.

To learn more about any of these activities, please see page 9 of this newsletter for the contact information of your local Saratoga representative, or call 1-866-727-2864.

Executive summary of results from 2009/2010 US Human Capital Effectiveness Report part two of four

Last month, we began our review of key trends noted in Saratoga's 2009/2010 US Human Capital Effectiveness Report by discussing workforce productivity and turnover. This month, we discuss generational issues impacting organizations. To view the executive summary in full, please click here.

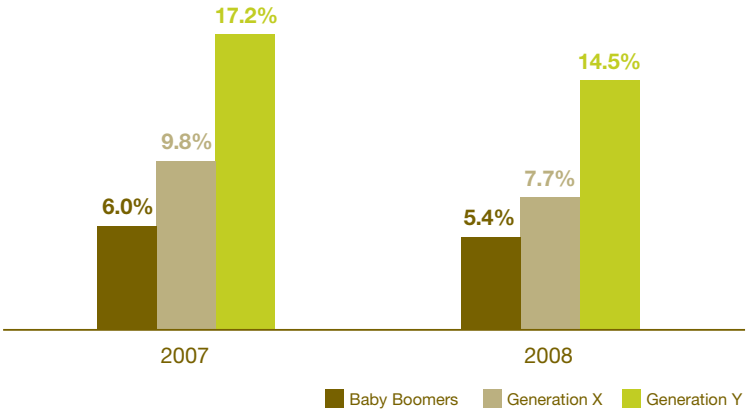
Voluntary turnover dropped across the board along with the economy

The recession has resulted in voluntary turnover decreasing across the board. But with increasing numbers of economic prognosticators saying the recession may be winding down, these rates are not expected to last.

The percentage of workers leaving by each generational category revealed some interesting insights. Older workers voluntarily left in lower proportions (5.4 percent) compared with Gen-Xers (7.7 percent) and Gen-Y (14.5 percent). As in 2007, the youngest workers outpaced Gen-X and boomers in voluntary separations. But even Generation Y decreased its voluntary turnover rate, from 17.2 percent in 2007 to 14.5 percent in 2008.

Organizations seeking competitive advantage should focus on the reasons that underlie turnover of their top talent by examining what drives key employees to depart in the midst of an economic downturn. Although PwC Saratoga data shows that two in five survey participants report that their organizations are unable to make effective changes based on exit interview results, a well-designed and -executed exit survey program must yield actionable information on the drivers of turnover (and, equally important, key drivers to engage current employees).

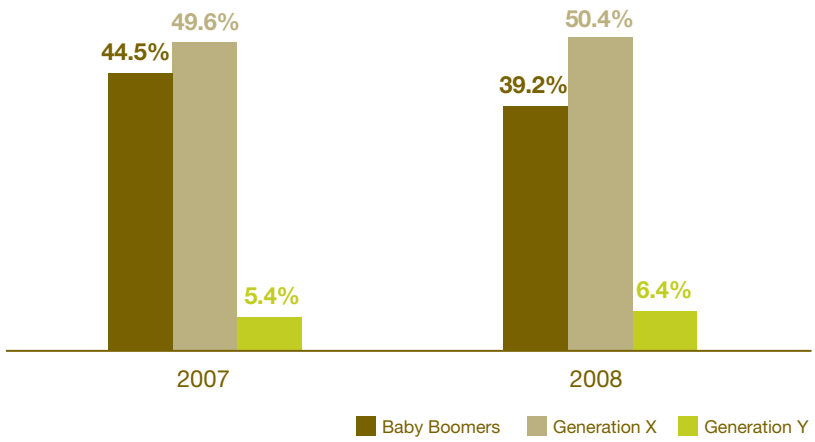
Generational voluntary separation rate



Younger workers edge baby boomers

Generation X moved to more than half of workforce in 2008

Generation X head count rose above the 50 percent mark, increasing from 49.6 percent in 2007 to 50.4 percent in 2008.

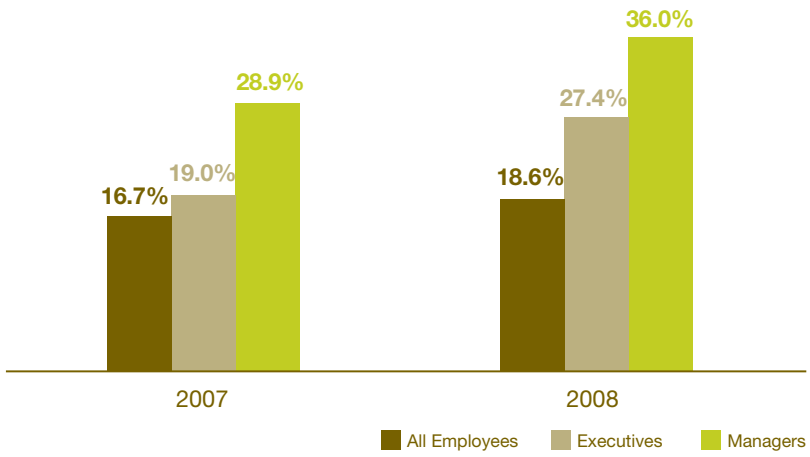


At the same time, the baby-boomer head count shrank from 44.5 percent to 39.2 percent, an 11.9 percent decrease from 2007. Although retirements are clearly impacting the decrease in baby-boomer head count percentage, the low voluntary turnover results may suggest that the economic crisis has had a disproportionate impact on this group through involuntary turnover.

In 2007, baby boomers and Gen-Xers comprised 94.1 percent of the surveyed workforce; however, that representation fell nearly 5 percent in 2008 to 89.6 percent. Generation Y, still a relatively small workforce population segment at 6.4 percent, increased its representation by 18.5 percent from 2007 to 2008.

Retirement eligibility pool will continue to increase

The pool of workers eligible for retirement in the next five years grew by 11.4 percent, to 18.6 percent, from 2007 to 2008. Managers and executives form a large segment of this population: Where nearly one-half of managers and executives were eligible for retirement in 2007, that representation topped 63 percent in 2008, an increase of 32.4 percent.



PwC Saratoga benchmarks suggest that organizations are taking steps to offset anticipated changes in the top talent pool. Those entities that have formal succession planning programs reported an average of 1.6 succession planning candidates for each key role—an improvement of nearly 50 percent over 2007.

Although cost containment is a focal point today, employers should remain attuned to future trends and business needs and the critical role that human capital plays in business success. Despite today's job market, critical global labor shortages are widely anticipated, along with a knowledge drain, indicating that businesses will need to find ways to fill the right positions with the right talent in coming years—talent that will be in short supply.[1]

1. "Managing tomorrow's people, Millennials at work perspectives from a new generation," PwC, 2009.

Flexible work arrangements

The summary below is based on an article written by PwC's People and Change practice titled *Meeting tomorrow's workforce needs: Flexible work arrangements.* To view that article in its entirety, please click http://www.pwc.com/us/en/people-management/publications/flexible-workforce-arrangements.jhtml

Eight out of 10 workers reported wanting more flexible work arrangement (FWA) options and would use them if there were no negative consequences at work. However, nearly 40 percent of workers surveyed believe they would be less likely to advance in their career if they were to use flexible scheduling options.[2] Among full-time employees, nearly 20 percent would prefer to be working part time. When asked why they don't work part time, 70 percent indicated they could not afford to do so, and 44 percent said they would not be allowed to by their employers.[3]

The benefits of FWAs can go far beyond work-life balance improvements. These arrangements, when properly planned, implemented, and measured, give companies the ability to fundamentally change the way work gets done. They also offer organizations a number of key benefits including:

- Greater innovation, quality, productivity, and growth[4]
- Reduced carbon footprint
- Real estate cost savings

A study on telecommuting found that for each percentage point increase in employees working from home, a company's profit rate increased by an additional six-tenths of one percent.[5]

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2. Galinsky, E., Bond, J.T. and Hill, E.J. (2004), "When work works: A status report on workplace flexibility. Who has it? Who wants it? What difference does it make?"
3. University of Connecticut and Rutgers University, Center for Survey Research and Analysis and John J. Heldrich Center for Workforce Development (1999), "Work and Family: How employers and workers can strike the balance," New Brunswick, NJ: Author.
4. Corporate Voices; Baltes, B.B., Briggs, T.E., Huff, J.W., Wright, J.A., and Neuman, G.A. (1999), "Flexible and compressed workweek schedules: A metaanalysis of their effects on work-related criteria," *Journal of Applied Psychology*.
5. Meyer, C.S., Mukerjee, S., and Sestero, A. (2001), "Work-family benefits; Which ones maximize profits?" *Journal of Managerial Issues*.

The most common FWA programs include:

- **Compressed workweek**—a standard workweek of 40 hours that is compressed into fewer than the normal five workdays. Employee salary is not impacted.
- **Flextime**—allows staff to start the workday earlier or later than the usual hours of the office and end the workday earlier or later than the normal close of business. Employee salary is not impacted.
- **Job sharing**—allows two people to jointly fulfill the responsibilities of one full-time position. Since this option includes a reduction in full-time hours, adjustments will be made in salary and benefits commensurate with the joint schedule that has been approved.
- **Reduced hours**—involve reducing hours to less than a normal full-time workweek and reducing salary and applicable benefits commensurate with the reduced-hours schedule that individuals pursue.
- **Seasonal employment**—allows staff to work only a portion of the year on a special project or to fulfill a specific need of the organization. Since this is a reduced-hours option, this arrangement also involves a reduction in salary and applicable benefits.
- **Phased retirements**—provide a gradual transition toward full retirement, however defined in the particular circumstances.
- **Phased returns**—involve a gradual return to full-time work responsibilities from either a leave of absence or suspension of employment. The phasing can be done in terms of hours or job responsibilities or both.
- **On ramp-off ramp**—allow people who have decided to separate from a company for an extended period (beyond any leave of absence or sabbatical policies) to stay formally connected with the company for a specified time (often up to five years). While away, employees can take advantage of select company resources such as learning and development programs, coaching and mentoring, fees for license and other credentials, subscriptions, and connectivity.

A successful FWA program includes the establishment of key performance indicators and the development of systems to monitor and manage them. The size and scope of the transformation dictate the level of sophistication needed and the particular methodologies and tools to be employed. Typically, measurement and tracking in three sequenced areas will be key enablers for success.

- **Employee engagement profiling** identifies what is working for the organization, what the employees see as critical interfaces (points of contact, face-to-face discussions, etc.), and what needs to stay versus what can ultimately go away. The results of this effort allow an organization to identify where in the work-flow processes the impacts of the FWAs will occur. In this way, the organization can develop mitigation strategies to minimize or avoid disruption to business operations.
- **Strategic workforce planning and tracking** enable an organization to identify and respond to internal and external talent constraints to more effectively achieve business objectives.
- **Quantitative analysis** uses workforce metrics such as revenue per FTE, average time to promotion, and voluntary separation rate by generation. Organizations should establish a baseline of results and track trends as the FWA program develops.

When scoping and designing the future workplace, key questions to address include:

- Will the programs be voluntary or involuntary?
- Will programs be framed as a “benefit” or “job assignment”?
- What types of technology and/or equipment will be made available to employees?
- Will there be a minimum performance requirement or tenure requirement?
- How will real estate need to be reconfigured to accommodate workplace transformation?
- What legal, regulatory, and compliance areas need to be addressed (tax compliance, OSHA, ADA, EEOC, ADEA, insurance, etc.)?

Metric of the month: Cost per payment processed

As organizations continue to tighten their belts to withstand the current economic conditions, they have an increasing desire to measure and compare the costs of general and administrative functions. PwC Saratoga is well-known for our ability to help organizations assess their human resources function, but we also can help quantify the cost, size, efficiency, and effectiveness of other back-office functions including finance, information technology, and payroll.

This month, we will focus on one of the key metrics to compare the cost of the payroll function. Cost per payment processed assesses organizational costs for processing both automated and manual payments.

PwC Saratoga's formula for this metric is:

Payroll and time and attendance function costs / number of payments processed

PwC Saratoga defines payroll and time and attendance function costs as all labor, outsourcing, consulting, contractor, and systems costs.

Other key metrics that PwC Saratoga offers to help assess the payroll and time and attendance function include FTE ratio; labor cost per FTE; percent of workforce on direct deposit; and percent of payments that were manual, adjusted, or resulted in an overpayment.

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

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