Saratoga
Human resource services

The Saratoga Review

Newsletter Issue: August–September 2010

In this issue

PricewaterhouseCoopers

What's happening at PwC Saratoga

The following key activities at PwC Saratoga include:

- **September 15, 2010:** PwC Saratoga's Canadian Human Capital Effectiveness Reports made available. This year's report contains more than 110 benchmark results from 130 Canadian organizations in various industries including healthcare, banking, energy, real estate, communications, and retail. To learn more about this effort, please contact Philip Hunter at philip.e.hunter@ca.pwc.com; send e-mail to jon.burton@saratoga.pwc.com; call (416) 869-2861; or go to www.pwc.com/ca/en/people-change/saratoga.jhtml.
- **September 21, 2010:** PwC Saratoga's Latin American Human Capital Effectiveness report is released. This year's report contains nearly 50 benchmark results from more than 150 organizations throughout Latin America. To learn more about this effort, please contact Jon Burton at jon.burton@saratoga.pwc.com; (312) 298-5259.
- PwC Saratoga has established an Asia-Pacific measurement effort and will collect data at both the regional and country-specific levels. The program will focus on workforce productivity and profitability, workforce costs and structure, turnover, learning and development, and human resources costs and structure. Data collection will soon be under way, and benchmarks are expected in 2011. To learn more about this effort, please contact Jon Burton at jon.burton@saratoga.pwc.com; (312) 298-5259.
- PwC Saratoga is preparing for the 2011 US Human Capital Effectiveness survey, which will launch in January 2011. The survey will contain hundreds of metrics focused on workforce productivity and profitability, succession planning, HR costs and structure, learning and development, quality of hire, turnover, and workforce costs and structure. To learn more, please contact Jon Burton at jon.burton@saratoga.pwc.com; (312) 298-5259.
- **October 19-20, 2010:** PwC Saratoga Metrics 101 course will be held October 19, 2010, in San Francisco; on October 20, PwC Saratoga will host its Metrics 200 course. The Metrics 200 course will still be part of our foundational metrics series but will have a deeper focus on dashboard development, data analysis, and use of metrics to build business cases. To register for either course, please copy and paste the following URL into your Web browser: www.meetpwc.com/saratogametric101.
- PwC Saratoga will host its final Metrics 101 and 200 courses for 2010 in Atlanta in November. A schedule of courses for 2011 will be available shortly.

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

Assessing the financial wellness of the workforce

Employees distracted by personal stress are less productive than those who come to work feeling secure and content. Financial problems and the anxiety they spawn are a major element of the personal stress many employees bring to the office.

One in five employees report significant financial problems that negatively affect their productivity, according to a recent survey conducted by PricewaterhouseCoopers (PwC). The same survey found that concern related to personal debt has reached an all-time high, with a strong correlation between job performance and money-related issues.

Only 32 percent of workers surveyed said they could meet basic expenses if someone in their household lost work for an extended time; 43 percent said they are having difficulty meeting monthly household expenses now; and nearly 60 percent said their financial stress level has increased over the past 12 months.

Although employers cannot simply solve their employees' financial problems, research shows the benefits of treating financial wellness—along with health—as a significant component of overall wellness. Employers can take simple, cost-effective steps to help employees increase financial security and ease worry.

Financial planning support

Sixty-five percent of American households have no financial plan, and 55 percent of American workers say they've never tried to determine what they need to save for retirement. The reasons vary: apathy, lack of knowledge or trust, reliance on employers or other family members.

Whatever the causes, this lack of personal financial planning often contributes to employee financial struggles.

Thus, few areas hold more promise for reducing overall employee stress than providing employees with education they can use to improve their personal financial situation. Among the benefits:

- As you compete for top talent, providing a comprehensive benefits program that includes personalized financial education is distinctive.
- Teaching your workforce how to make better choices and financial decisions is consistent with an overall wellness strategy.
- Increasing the fiscal awareness of employees and prodding them to act in their own best interests are good for them, for companies, and society.

Many leading companies try to provide these services for their employees in a number of ways. However, these efforts are usually no more than a collection of one-off events, such as broker/vendor-sponsored seminars or presentations by employee assistance program providers.

This uncoordinated, scattershot approach typically inhibits employee participation and limits behavioral change. Feedback from these types of programs often calls for greater depth and personalization. One solution is to provide a financial fitness assessment—a personalized assessment and action plan—for each employee.

The assessment aims to survey how employees approach financial subjects, such as:

- Investment basics
- Preretirement planning
- Cash and debt management
- Estate planning

Employees take a 15-minute, Web- or paper-based assessment. They receive a customized report that includes a financial wellness score and identifies key issues affecting the score, as well as actions that could improve their overall financial fitness. The assessment process provides companies with an organizational map outlining where employees need help, segmented by demographics.

Customized workshops and personal coaching follow. This assessment and action plan, combined with personal financial coaching, provide the greatest level of awareness and behavioral change.

Financial assessment in action

Recently, PwC Saratoga helped WorldatWork, a major nonprofit human resources organization, establish and execute a financial wellness assessment and follow-up education plan.

The company had found that its previous efforts to provide financial management support were fragmented and generally ineffective. To provide its employees with a better financial education, WorldatWork sought to more clearly understand:

- Each employee's true financial situation and how the specific financial problems might vary by demographic
- How to most effectively design and deliver a financial education program for employees
- How to measure the effectiveness of financial education programs

To achieve this, PwC Saratoga administered a four-week program. It kicked off with a week of financial fitness workshops designed to help employees learn about the key areas of financial planning that would likely contribute the most to their financial well-being.

In the second week, the employees took their financial fitness assessment and received their financial wellness score and report.

Over the remainder of the program, employees discussed their financial fitness assessment results with a PwC personal coach, who provided each employee with one-on-one attention. The PwC coach walked employees through their reports, providing guidance to help develop a plan for moving forward and motivating them to take steps to improve their financial wellness. The coaches encouraged employees to commit to completing the action steps identified in their report as well as other suggested financial fitness activities.

While the employees learned valuable lessons about managing their personal finances, the company gained a better understanding of its employees' issues and needs, along with valuable insight into differences among various employee demographics.

The process allowed the company to communicate and educate employees in a more proactive and individualized fashion, and the employees viewed the financial fitness assessment and related services as an additional benefit from a trusted source.

At a time when employee financial concerns are at historic highs, these aggressive efforts provide a cost-effective means of enhancing worker productivity and loyalty.

Keeping your top talent (part two of two)

In the July issue of *The Saratoga Review*, we discussed how employees are more likely than ever to view themselves as free agents who can easily switch teams. When the economy recovers more fully, we expect to see increased employee turnover stemming from pay freezes, benefit cuts, and increased workloads that all leave a bad taste in the mouths of employees. In this next article, we will discuss steps that companies can take to keep your key people engaged and can mean the difference between a few departures and a tidal wave.

1. **The financial crisis and ensuing recession have quickened the pace of structural changes already under way in many industries. As companies rethink the way they operate, they should assess the talent pool and look for opportunities to add new skills while keeping their existing employees motivated and engaged.** Forty-four percent of US CEOs who responded to PwC's 13th Annual Global CEO Survey indicated that they are redefining roles in their organizations as a result of the crisis. To retain top talent, companies may need to engage them with new, rewarding challenges. Failing to do this could mean losing ground to a more agile competitor.

2. **With budgets expected to remain tight, it makes sense to focus on nonfinancial incentives such as training and mentoring programs, challenging assignments, and other opportunities for growth and flexible work schedules.** Providing these incentives requires more effort on the part of managers, but studies suggest that over time, the opportunities can be more effective than bigger bonuses.1 A 2008 PwC survey found that lack of career development was a more important factor in turnover among pivotal employees than compensation.

3. **This may be obvious, but determine whether your top talent feels well compensated.** By freezing pay across the board or cutting bonuses and benefits during the recession, you may have unintentionally given key employees a reason to leave. Companies should assess the marketplace and consider making adjustments if the gap between what they pay top and average performers has shrunk. In 2007, before the recession, salary increases for high performers were 45 percent larger than for average performers; by 2008, the differential had shrunk to 26 percent, according to PwC Saratoga data.

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1 PricewaterhouseCoopers, *Managing Tomorrow's People, Millennials at work – perspectives from a new generation,* http://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/millennials-survey.jhtml

4. **To figure out the right mix of incentives, executives first need to determine what motivates their top performers and other key employees.** A good place to start is demographics. Technology, entertainment, and media companies, for example, typically have a high percentage of pivotal talent from the millennial generation, who tend to look for flexible work arrangements, challenging assignments, and a sense of belonging. At aerospace, energy, and healthcare companies, on the other hand, pivotal employees are often baby boomers, who are also interested in flexibility but are more concerned about healthcare and retirement benefits.
5. **Well-designed employee engagement surveys can help companies figure out how to motivate and engage their key people.** The results might even surprise some executives. In a survey last year of human resources managers and employees, Spherion Corp. found a divergence of opinion about what factors most influence an employee's decision to stay. The managers cited management climate, supervisor relationship, and company culture, but the employees said the top factors were benefits and compensation.
6. **Employee engagement surveys also can give companies an indication of their top people's intent to stay.** Another metric is the high-performer separation rate. This number should be very low. The average was 4.8 percent in 2007 as the economy was weakening, down from 5.6 percent in 2006, according to PwC Saratoga data.[2]

To address looming concerns over the pending loss of top talent, we also provided a list of steps that companies should take to help keep key people engaged. As a follow-up to that article, we would like to share the following Q&A.

Q: Who are the people companies should focus on?

A: Top performers matter a lot. So do people with the potential to become top performers. A third, less obvious category is what we call pivotal talent, meaning the people who add disproportionate value to a company but aren't necessarily high-profile employees. For example, in a pharmaceutical company, they may be research scientists. At a restaurant, they're likely to be cooks and servers. At a bank, they could be tellers.

2 *PwC Saratoga US Human Capital Effectiveness Report, 2009/2010,* http://www.pwc.com/en_US/us/hr-saratoga/assets/human_capital_effectiveness_report_0809.pdf

Q: How can companies prevent recruiters and competitors from figuring out who their best people are and trying to lure them away?

A: They can't. There's simply too much information floating around about employees and their accomplishments including what they post on websites such as LinkedIn. What's more, trying to block contact with recruiters and competitors can backfire, making key employees more likely to leap if they think Big Brother is watching. A company's time and money are better spent on efforts to engage the top talent.

Q: What can companies learn from employee engagement surveys?

A: Well-designed surveys can pinpoint challenges to productivity and assess key indicators, such as employees' commitment to stay put. Executives can use the information to decide how to adjust incentives to motivate key groups of pivotal people. In times like these, companies should conduct employee surveys more frequently.

Q: What can companies do to ensure that they have the right people in place?

A: Agility is crucial. As the economy recovers, companies will need to continually assess whether their people have the skills needed to operate the evolving businesses. Companies will need to identify talent gaps and figure out how to fill them. This challenge will be especially difficult for companies that cut headcount sharply during the recession and need to staff up quickly to meet rising demand. Exit surveys can help companies identify candidates for rehiring.

Q: How do I know whether my company is at risk of losing key employees or whether we'll be able to attract top talent?

A: You can get an idea by taking stock of what we call your Employee Value Proposition. By that, we mean the perception that people have of what it's like to work for the company, including the financial and nonfinancial incentives you offer, the corporate culture, and even policies on corporate responsibility. If your employees would rather work for the competition, you're in trouble.

Metric of the Month: Revenue per FTE

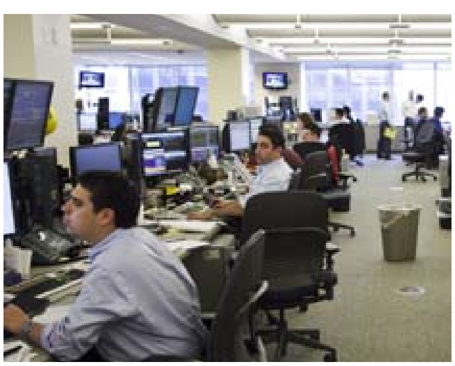
The economic downturn has resulted in an increased focus on workforce productivity. PwC Saratoga offers many metrics that assess the productivity of the workforce, and one of our key measures is Revenue per FTE. PwC Saratoga's formula for calculating this metric is as follows:

Revenue/FTE

PwC Saratoga calculates this metric with and without the contingent workforce to help organizations assess the impact of the flexible workforce. It is important to note that PwC Saratoga sees large variation in Revenue per FTE results by industry. For instance, median Revenue per FTE for hospitals is $187,168 while median Revenue per FTE for the technology industry is $465,639.

Using Revenue per FTE as a measure of workforce output is not appropriate for all industries. The chart below notes some of the specific challenges various industries will face in using revenue as a metric and suggests alternative options to assess workforce productivity.

Industry	Issue	Option
Banking/ consumer finance	Revenue varies with interest rates	Subtract net cost of capital from revenue
Education	Revenue is supplemented by public and other sources	Evaluate number of students served
Electric utilities	Price of electricity is set by the Public Utilities Commission (PUC) based on costs	Evaluate megawatt hours produced
Food processors	Cost of food can vary dramatically	Subtract net cost of food from revenue
Health insurance	Cost of claims is embedded in revenue	Subtract net cost of claims from revenue
Life insurance	Investment income is not controlled by standard operations and has a significant impact to the top line	Evaluate only revenue from operations



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

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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