

The Saratoga Review

Newsletter Issue: December 2009

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What's happening at PwC Saratoga

On Wednesday, December 9, more than 630 registrants joined a live webcast hosted by PwC Saratoga featuring key findings from its 2009/2010 US Human Capital Effectiveness report. An archived version of this webcast is available until March 9, 2010 by clicking [here](#).

Key activities coming up at PwC Saratoga include:

- [December/January](#): Membership renewals and outreach continue for PwC Saratoga's 2010 US Human Capital Effectiveness Survey.
- [December 24–January 4](#): PwC Saratoga will be closed for the holidays.
- [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. Data validation will occur throughout April and into early May. Results from the 2010/2011 US Human Capital Effectiveness Report will be released in June 2010.
- [February 10, 2010](#): PwC Saratoga will host a webcast on exit surveys. To register for the event, please go to www.meetpwc.com/saratogaexitsurveys
- [February 2010](#): PwC Saratoga will launch our 2010 South American Human Capital Effectiveness Survey. To learn more or participate in this effort, please contact Jon Burton jon.burton@saratoga.pwc.com; (408) 817-7440

PwC Saratoga will continue to conduct Metrics 101 training sessions throughout the US in 2010. Additionally, we will be rolling out a metrics 200 training 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 utilizing metrics to build business cases. More information will be included about these sessions in future newsletters. Please see the following page for current dates and locations for 2010.

February 11, Columbus Ohio (Metrics 101)

March 18, Chicago, Illinois (Metrics 101)

April 27, McLean, Virginia (Metrics 101)

April 28, McLean, Virginia (Metrics 200)

September 14, New York City, New York (Metrics 101)

September 15, New York City, New York (Metrics 200)

October 19, San Francisco, California (Metrics 101)

October 20, San Francisco, California (Metrics 200)

November 2, Atlanta, Georgia (Metrics 101)

November 3, Atlanta, Georgia (Metrics 200)

For more information about the training courses or to register, please contact Shebani Patel (shebani.patel@saratoga.pwc.com; 408-817-7445).

To learn more about any of these activities, please see page 10 of this newsletter for the contact information of your local Saratoga representative or call (866) 727-2864.

Executive summary of results from 2009/2010 US Human Capital Effectiveness Report: Part three of four

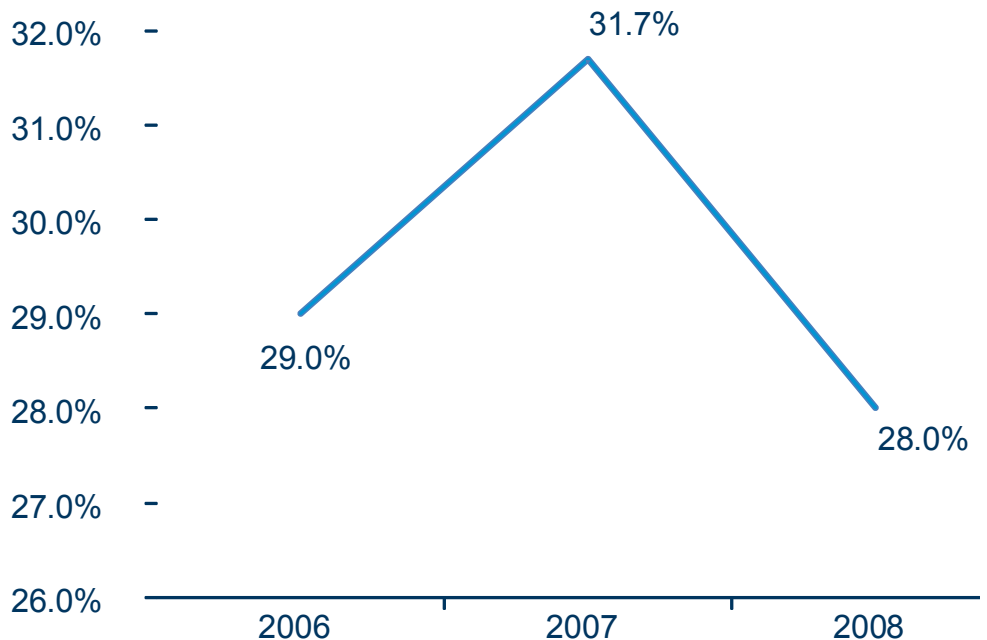
Last month, we continued our review of the key trends noted in Saratoga's 2009/2010 US Human Capital Effectiveness Report by discussing generational issues that impact organizations. This month, we discuss talent acquisition and employee costs. To view the executive summary in full, please click [here](#).

Talent acquisition is stabilizing—for now

The recession has resulted in lower new hire turnover and higher offer acceptance rates

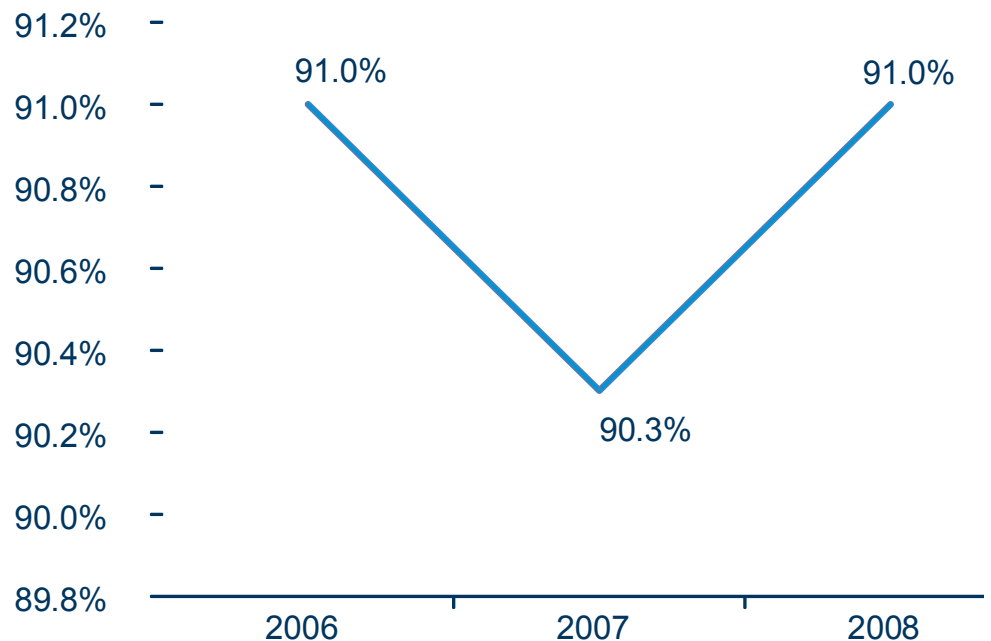
As the economy softened in 2008, metrics looking at the impact of the talent acquisition process improved and PwC Saratoga anticipates these improvements will continue through 2009. To begin, first year of service turnover decreased to 28%, an 11.9 % drop from 2007 and below the 2006 result of 29%. Nevertheless, PwC Saratoga believes controlling first year turnover continues to be a key issue since more than one in four new hires depart during their first year of service.

First year of service turnover rate



Offer Acceptance Rate returned to its 2006 level of 91%, after falling to just over 90% in 2007. These results show that organizations are finding it easier to sell their value proposition to talent. This finding represents the first rise in the Offer Acceptance Rate metric since it began to slide following 2003 high of more than 94%.

Offer acceptance rate



Still, many organizations spent 2008 with recruiting and talent retention challenges. Time to Accept climbed to 49 days (compared with 48 days in 2007 and 46 days in 2006), while at \$2,675 Cost per Hire remained fairly consistent with the 2007 median of \$2,658.

While talent acquisition results have improved as the economy fell into recession, the demographic changes present a long-term challenge to organizations as they recruit, manage, and retain Generation Y.

The cost of doing business remains high

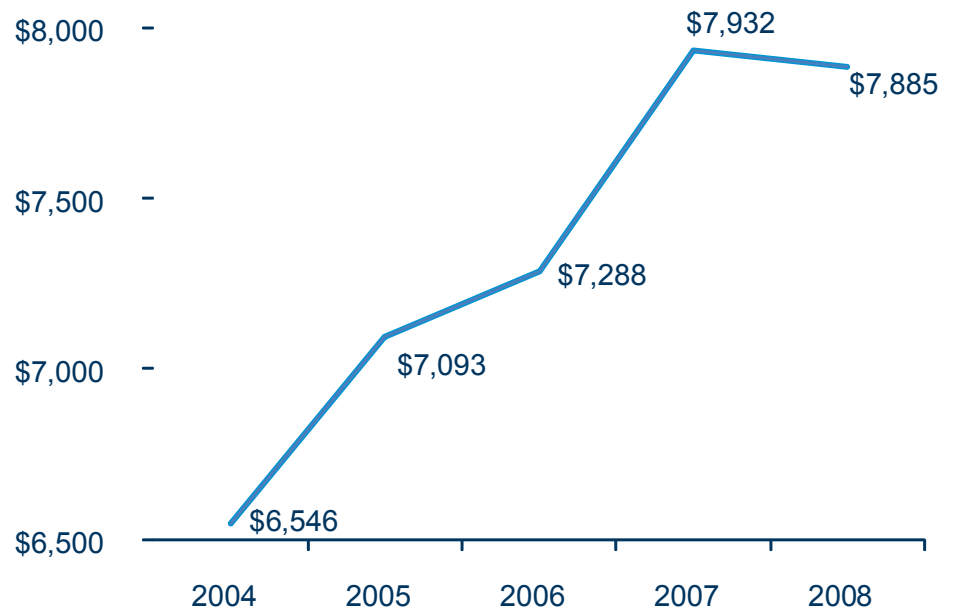
Bonus pay dropped, but labor, healthcare costs remained high

At \$89,778, labor cost per FTE were consistent with 2007 results. Yet, the structure of the labor package has changed.

The percentage of compensation costs devoted to performance bonus pay dropped from 8.8% to 7.2%, an 18.2% decrease.

For the first time since PwC Saratoga began tracking Healthcare Costs per Active Employee, results decreased.

Healthcare costs per active employee



PwC Saratoga sees two potential factors influencing this decrease.

- Baby Boomers who are heavy users of health care costs are leaving the workforce.
- PwC Saratoga participants may have reached a tipping point on the amount of healthcare costs they are willing to absorb.

Each year, PwC conducts a survey which focuses on medical and prescription drug plan designs and costs, wellness and disease management programs and future healthcare strategies. This year's survey contains detailed benefits information provided by 694 participating companies. Results from this survey suggest that while one in five expects healthcare costs to decrease or remain the same, most organizations expect healthcare costs to continue to grow between 2008 and 2009 at an average of 6.1%.

Is PR for HR?

Recent media reports have noted encouraging economic news in the United States including economic growth in the third quarter, stabilizing unemployment, and an increasing number of financial institutions repaying government loans sooner than expected. Nevertheless, the recent reductions in force at many organizations have resulted in a workforce that is doing more with less and is unsure of its future within the organization. The following summarizes an article that appeared in PwC's Hourglass HR magazine, Issue 11, in September 2008, © Wolters Kluwer UK Ltd. You can access the full Hourglass magazine by clicking [here](#).

Morale, job security, and employee communications are considered to be "people" issues at most organizations, and as a result, the human resources function is often in the firing line when events take a turn for the worse.

HR functions as the eyes and ears of the senior leadership team, through formal engagement and exit surveys and anecdotal stories from disgruntled employees. HR is the first port of call for many employees, so is it any wonder, then, that human resources functions get such bad press when crises are mishandled?

"HR has a key role in helping to coordinate communications during a crisis, particularly a public relations crisis," says Angela Mohtashemi, a communications specialist at PricewaterhouseCoopers. "It is essential to have a communications team throughout a crisis that represents all the company's stakeholders to ensure consistent planning across them. And the number one stakeholders are the employees, although sometimes they are not considered to be number one."

Mohtashemi suggests that an organization should have:

- HR representing the employees
- Media relations managing the press
- Investor relations representing the financial investors
- Marketing representing customers

This cross-functional team should meet on a regular basis—daily during a crisis, because events can move very quickly.

Ideally, such a group should exist already rather than being pulled together in an ad hoc fashion once a crisis has taken hold. Mohtashemi notes the irony that more often than not, such a team will be created at times of adversity, but then the members realize that the group could serve an important role in the good times as well as the bad.

Such a team is vital for communication during any period of change, good or bad. As Mohtashemi says: “The important thing, often forgotten by managers, is that it is about the relationship with the staff. Even if you have no news, you can still recognize how difficult it is for staff. Praise them, reassure them, and tell them why it is that you can’t tell them what they want to know, and tell them when you might be able to.”

A key group of employees in this process is the line managers. They are the linchpins directly reaching the bulk of a workforce. Any attempt to circumnavigate them by HR or the senior leadership could be disastrous.

“Keep managers informed and make sure they really know what is going on, because they are the ones who will be talking to people on a day-to-day basis. Keep communicating even when you do not know anything,” Mohtashemi says. She adds that it is important to establish consistent channels during a crisis for getting messages out, rather than a series of random e-mails. Talking and listening face to face is really powerful and reassuring, and managers are best placed to be able to do this.

Throughout the situation, the senior leadership, whether the chief executive or another board member, will need to be visible, not seen to be delegating his or her responsibility. However, confusion can arise when, as is the case in many organizations, there isn’t a single, clearly defined head of internal communications and the task of keeping employees informed can sit uncomfortably between the head of HR and the head of corporate communications.

Although communication from HR is important to the organization, the HR function should ensure it is part of a wider communications team if it is to play an effective role in shaping the key messages of the senior leadership. Ultimately, it is the honest, clear, and authentic tone from the senior leadership that will engage employees and ensure that morale stays high at times of crisis.

Metrics of the month: new metrics for 2010

PwC Saratoga's 2010 annual US Human Capital Effectiveness Survey launches on January 4, 2010. The 2010 survey consists of more than 450 metrics focused on workforce productivity, span of control, succession planning, recruiting costs and efficiency, quality of hire, labor costs, turnover, and human resources cost and structure.

As part of the creation of our survey, PwC Saratoga reviews our list of metrics each year to ensure our continued thought leadership in the workforce measurement arena. Our metric list is compared with the suggestions we receive from our clients, partners, and our internal team.

We compile these suggestions and review them internally to assess:

- Relevance to the marketplace
- Ability to standardize definitions
- Overlap with existing metrics

Nearly 100 new metrics have been added to this year's survey. The additional metrics can be broken into the following categories:

- Contingent employee ratios and costs
- Workforce productivity and structure metrics including contingent employees
- Percent of workforce and management currently eligible for retirement
- Compa ratios for high-performing professionals, managers, and executives
- Equity pay
- Leave-of-absence frequency and costs
- Functional labor costs (for example, sales, finance, information technology, etc.)
- Industry-specific functional ratios and labor costs (such as fund management and reporting and compliance for the asset management industry; claims and underwriters for the insurance industry; and testing, regulatory approval, and manufacturing for the pharmaceutical industry)
- Global metrics focused on workforce productivity, turnover, labor costs, span of control, and HR costs and span of control

PwC Saratoga also conducts surveys based on European and South American operations and will be launching a survey that focuses on the Asian marketplace in 2010. To learn more about any of Saratoga's upcoming data collection efforts or to participate in one or more of our surveys or industry consortiums, please contact us at (866) 727-2864.

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.

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