

The Saratoga Review

Newsletter Issue: January 2010

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What's happening at PwC Saratoga

The key activities coming up at PwC Saratoga include:

- **February 1, 2010:** PwC Saratoga will launch a pulse survey on merit budget increases and policies for flexible schedules/comp time.
- **February 10, 2010:** PwC Saratoga will host a webcast on exit surveys. To register for the event, please go to <http://www.meetpwc.com/saratogaexitsurveys>.
- **February 11, 2010:** PwC Saratoga Metrics 101 course will be held in Columbus Ohio.

PwC Saratoga is pleased to extend its series of HR metrics training sessions into 2010. PwC Saratoga hosted several successful Metrics 101 sessions across the US in 2009, and will be adding a Metrics 200 course offering this year in addition to extending the original Metrics 101 series.

Metrics 101: Getting Started with HR and Workforce Metrics has been designed for individuals that are interested in increasing their knowledge of this important topic.

Metrics 200: Driving Value out of your HR Dashboard is a continuation course to Metrics 101 and has been designed for individuals that have some basic experience with HR and workforce measures and have a dashboard in place. This advanced course will be offered in the New York, San Francisco, Atlanta and Washington DC/Virginia areas.

For more information and to register, visit <http://www.meetpwc.com/saratogaworkshops>, or contact Shebani Patel at shebani.patel@us.pwc.com, 408-817-7440.

- **March 31, 2010:** Data entry deadline for the health insurer, hospital, insurance and utility benchmarking consortiums and US Human Capital Effectiveness Surveys.

To learn more about any of these activities, please see page 7 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 four of four

Last month, we continued by discussing generational issues that impact organizations. This month, we conclude our review of the key trends noted in Saratoga's 2009/2010 US Human Capital Effectiveness Report with an analysis of the economic downturn and its effect on the HR function. To view the executive summary in full, please click [here](#).

Many, but not all, HR functions feel the impact of the economic strain

Compensation and Talent Management functional costs rose amid overall HR functional declines.

Most HR functions showed the strain of operating under economic pressure, though as the economy recovers, we anticipate a renewal of increased investment in certain functions such as Recruiting and Staffing. The per employee investment in the Recruiting and Staffing and Workforce Mobility¹ functions were impacted the most, falling by 32 percent and 44 percent respectively.

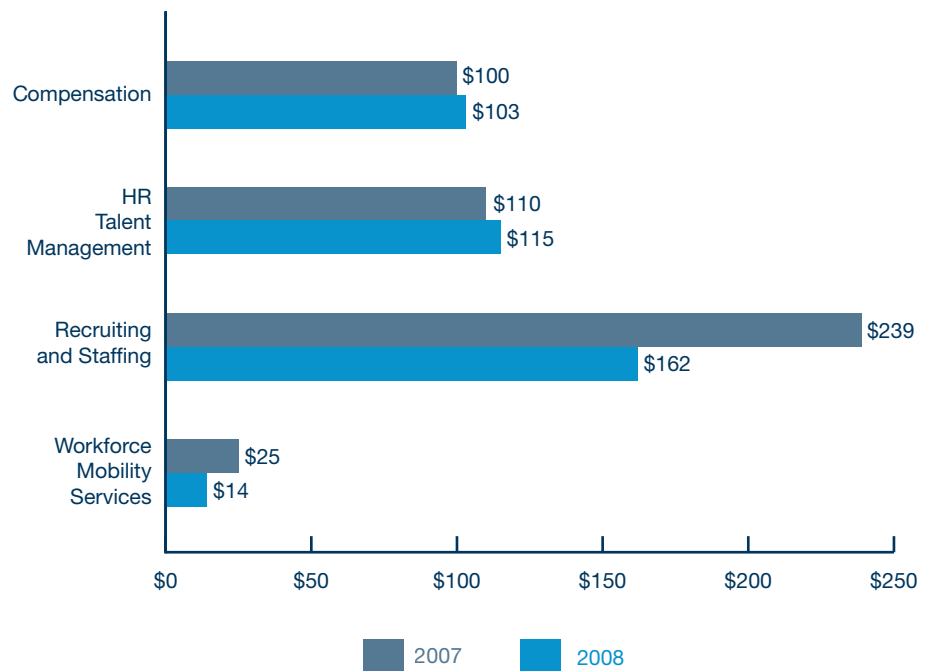
Per-employee investment in HR decreased 9.2 percent to \$1,462 in 2008. HR workers, like their contemporaries and the entities they support, are operating with more limited resources. While the average HR employee supported 85 employees in 2007, that number increased to 95 employees in 2008. PwC Saratoga's Recruiting and Staffing FTE Ratio² excludes contingent contractors. A flat Recruiting and Staffing FTE Ratio between 2007 and 2008 suggests that non-staff contract recruiters were the first to depart organizations when the job market weakened.

Companies in 2008 invested slightly more than they did the previous year in the Compensation and HR Talent Management functions,³ indicating that they are keeping an eye on long-term planning, even as they trim costs in deference to financial constraints.

1 PwC Saratoga defines Workforce Mobility Services costs as those associated with employee transfer processing, relocation services, severance plan administration, outplacement services, expatriate administration, service award administration, and performance management administration.

2 Recruiting and Staffing FTE Ratio measures the average number of employees supported by recruiters and support staff.

3 PwC Saratoga defines HR Talent Management costs as those associated with workforce strategy and program design, succession strategy and program design, performance management design, and organizational development.



An analysis of HR cost breakouts shows that cuts in the HR function between 2007 and 2008 focused on systems and labor costs, with increases going toward consultant and contractor costs and outsourcing.

Decreases

- HR systems cost per employee served declined 32 percent to \$62.
- HR labor cost per employee served declined 16 percent to \$920.

Increases

- HR consultant and contractor per employee costs rose 17 percent to \$124.
- HR outsourcing cost per employee served rose 7 percent to \$97.

To comprehensively assess HR efficiency, PwC Saratoga recommends that organizations benchmark their HR costs and structure, understand the strategic value of tasks being performed by HR staff, look to outsource, automate or create centers of excellence for administrative tasks and survey HR customers (including leadership and line employees) to gain a better understanding of the function's strengths and weaknesses within their enterprise.

New features for 2010 for PwC Saratoga's US human capital effectiveness survey

PwC Saratoga's annual US human capital effectiveness survey launched in early January to participating organizations. This year's survey contains 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. In addition to the nearly 100 new metrics added to this year's survey, a number of key features have been added to PwC Saratoga's annual US human capital effectiveness survey including:

- Ability to create a customized survey based on chosen metrics
- Assessment of HR structure

An overview of each of these features appears below.

Customized surveys

When PwC Saratoga members submit data, they provide aggregate data. For instance, members provide us with their aggregate headcount and voluntary separations data. PwC Saratoga compiles all of the data elements provided by our members and calculates metric results from each client's submission. With more than 400 possible data entry elements, and no expectation that members complete the entire survey, PwC Saratoga recognized the need to streamline the data entry process.

PwC Saratoga has added a new feature to our Workforce Diagnostic System that enables members to select metrics they wish to submit and create a customized survey that includes the data elements and instructions needed to calculate each selected metric. The following images note the process for selecting metrics. Once a member has selected their metrics, they will publish their customized survey.

Selecting metrics for a customized survey

Select Survey

Select Surveys to customize: Compensation and Benefits Refresh

Metric Name	Formula
<input checked="" type="checkbox"/> Compensation Revenue Percent <small>(Employee compensation costs as a percent of revenue.)</small>	Regular Compensation Cost / Revenue
<input checked="" type="checkbox"/> Labor Cost Revenue Percent <small>(Employee compensation and benefit costs as a percent of revenue.)</small>	(Regular Compensation Cost + Total Benefit Costs) / Revenue
<input type="checkbox"/> Total Labor Cost Revenue Percent <small>(New metric for 2010. Employee compensation and benefit costs (including contingent staff) as a percent of revenue.)</small>	(Regular Compensation Cost + Total Benefit Costs + Contingent Labor Cost) / Revenue
<input checked="" type="checkbox"/> Compensation Expense Percent <small>(Percent of operating costs devoted to employee compensation costs.)</small>	Regular Compensation Cost / Operating Cost

Close Without Saving Save Custom Survey

The customized survey is accessible to the data collection team for each PwC Saratoga member. As noted in the image below, the customized survey includes data entry fields and standardized instructions for each data element required to capture the desired metrics.

Sample customized survey

- Download User Guide
- Metric List
- Company Data
- HR Structure
- My Survey
- My Organization and Operations
- My Compensation and Benefits
- Qualitative Questions
- Quantitative Questions
- My Retention and Separations
- My HR Staff and Structure
- My Staffing and Hiring
- Organization and Operations
- Compensation and Benefits

Annual Data Entry

Regular Compensation Cost	<input type="text"/>	<i>Instructions...</i>
Executive Compensation Cost	<input type="text"/>	<i>Instructions...</i>
Manager Compensation Cost	<input type="text"/>	<i>Instructions...</i>
Professional Compensation Cost	<input type="text"/>	<i>Instructions...</i>
Sales Compensation Cost	<input type="text"/>	<i>Instructions...</i>
Office & Clerical Compensation Cost	<input type="text"/>	<i>Instructions...</i>
Operative Compensation Cost	<input type="text"/>	<i>Instructions...</i>

Assessment of HR structure

PwC added a series of twelve questions to better understand the structure and delivery model of our members. The questions assess operating model, primary directive, level of outsourcing, tasks being outsourced and level of automation. PwC Saratoga's 2010/2011 US Human Capital Effectiveness Report will include summary results for each of these structural questions.

To learn more about PwC Saratoga's US, Canadian, European, or South American human capital effectiveness surveys or any of our industry consortiums, please contact us at 1-866-727-2864.

Metric of the month: contingent FTE ratio

A recent cover story in *Business Week* entitled “The Disposable Worker” focused on the increased reliance on just in time labor forces among organizations. As organizations struggle to contain costs, more organizations are turning to contingent labor to handle increased demands for products and services before hiring full time staff. After all, contingent staff are, by design, easier to let go than full time staff (and were typically first to go for most organizations during the recent recession). Additionally, the cost of contingent staff is typically lower than full time staff as contingent employees typically do not receive health or retirement benefits. The article also notes that stock prices for the largest temporary staffing firms have doubled since March 2009 and analysts surveyed by Bloomberg expect profits to double in 2010.

PwC Saratoga includes a number of metrics to help assess the size, investment and impact of the contingent workforce. This month, we review Contingent FTE Ratio which assess the size of the contingent workforce relative to the number of full time equivalent employees on the organizations payroll. PwC Saratoga’s formula for this metric is:

$$\frac{\text{Regular FTE}}{\text{Contingent FTE}}$$

PwC Saratoga defines Contingent employees as those who are employed by the organization on a temporary basis, and who are either paid directly by the organization receiving a W-2 or 1099, or are employed and paid by an outside agency.

Other key metrics PwC Saratoga offers to help assess the impact of the contingent workforce include the costs of contingent employees as well as breakouts of traditional Saratoga metrics which combine contingent and non contingent employees, including:

- Revenue per FTE
- Operating Cost per FTE
- Profit per FTE
- Executive Span of Control
- Manager Span of Control
- Management Span of Control
- HR Costs per Employee
- HR Headcount Ratio

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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