

Saratoga
Human resource services

The Saratoga Review

Newsletter Issue: July 2009

In this issue

What's happening at PwC Saratoga	1
What are millennials looking for at work? <i>A survey of PwC employees</i>	2
Talent strategies for tough times: Reduction in force <small>(part 2 of 2)</small>	4
Metric of the month: Average benefits per employee	6

What's happening at PwC Saratoga

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

- July 8, 2009: Members of PwC Saratoga's Federal Contractor Consortium will conduct a mid year workforce survey requested and designed by consortium members focused on key staffing and turnover metrics. Results will be delivered in late August.
- July 15: Members of PwC Saratoga's Health Insurer Consortium will submit results for PwC's Health and Wellness Survey. Results will be delivered in late August.
- July 15: Launch of South American human capital effectiveness survey. This survey will include 30 metrics focused on workforce productivity and profitability, attracting talent, turnover, HR cost and structure, workforce cost and structure, and innovation. The survey will not include South American country-specific measurement or benchmarks. Rather, we will focus on the South American region as a whole. Results will be available in mid September and are expected to include more than 50 organizations. To learn more, please contact Jon Burton at 408.817.7440; jon.burton@saratoga.pwc.com.
- PwC Saratoga recently added a scorecard tool as part of the reports we provide our clients. We will be hosting a client training session in August on use of this tool.
- PwC Saratoga's next Metrics 101 course will be held August 11 in San Francisco, California. To register or learn more, please visit www.meetpwc.com/saratogametric101.

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

Southeast

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

Midwest

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

West

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

What are millennials looking for at work? *A survey of PwC employees*

CEOs are concerned about managing younger employees. According to PricewaterhouseCoopers 12th Annual Global CEO survey, 61% of CEOs experience difficulty recruiting and integrating younger employees, making the ‘millennials’ who are currently entering the workforce the second biggest talent challenge identified by CEOs—behind the limited supply of candidates with the right skills.

Clearly, there is a need for CEOs to better understand the professional priorities of younger workers. PricewaterhouseCoopers decided to try to fill this information gap by surveying its incoming millennials—more than 4,000 graduates from 44 countries who had been offered jobs with the firm. Although the results give us a good insight into the views of new graduates from around the world, they are clearly not a proxy for the entire millennial group. However, we were struck by the similarity of many responses across the globe, which suggests that executives should take notice.

Some responses matched CEOs’ expectations. Training and development, particularly through mentoring, was the top benefit most respondents wanted in addition to salary. CEOs seem to understand this need. Sixty-one percent of CEOs said that they were working with universities to tailor education programs and 77% said that they were redeploying employees within their organizations.

In some cases, though, CEOs reserve mentoring and redeployments for senior staff. With the proper tools and guidance, immediate managers of junior staff can provide one-on-one coaching to build a lasting mentoring culture throughout the organization.

We also found that the expectations of millennials and CEOs differ. The most popular people strategy among CEOs is creating a more flexible working environment. Yet, flexible working hours are not the top priority for PricewaterhouseCoopers’ millennials. There seems to be an even greater disconnect between tactics and expectations over corporate social responsibility. Sixty-two percent of CEOs say that providing opportunities for employees to get involved in socially responsible activities is key to attracting talent. But only 7% of the graduates we surveyed wanted time off for doing social or charity work as one of their top three benefits.

Does this show a lack of commitment, or are millennials the first generation to believe that social responsibility is inseparable from business? Despite their unwillingness to take time off, 86% of our survey group would consider leaving an employer whose corporate behavior no longer met their expectations. These disconnects suggest that better people profiling of diverse workforces is essential to understand what drives employee loyalty and behavior. Businesses should segment their workforces more carefully, just as they do with their customers, to ensure that they offer the most appropriate benefits to employees at different stages of their career.

Millennials value training more than flexibility			
	1st choice	2nd choice	3rd choice
All respondents	Training and development (53%)	Cash bonuses (41%)	Flexible working hours (41%)
Asia	Training and development (64%)	Financial assistance with housing (46%)	Cash bonuses (39%)
Australia and Pacific Islands	Training and development (58%)	Flexible working hours (45%)	Cash bonuses (42%)
Central and Eastern Europe	Training and development (61%)	Cash bonuses (40%)	Flexible working hours (32%)
Western Europe	Training and development (57%)	Flexible working hours (38%)	Cash bonuses (36%)
Middle East and Africa	Flexible working hours (55%)	Training and development (46%)	Cash bonuses (42%)
North America and the Caribbean	Flexible working hours (53%)	Cash bonuses (43%)	Free private healthcare (38%)
South and Central America	Training and development (73%)	Cash bonuses (45%)	Flexible working hours (41%)

Q: Please select the benefits you would value most over the next 5 years other than salary?

Base: 3,953 global respondents

Source: PricewaterhouseCoopers Global Graduate Survey 2008

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

The summary below is the second part of a two-part series based on PwC's People and Change's What's your workforce reduction IQ? To view that article in its entirety, please click [here](#).

Once an organization has explored all cost cutting options, it can successfully implement a reduction in force (RIF) by:

1. Obtaining an overview of talent strategy
2. Identifying and exempting pivotal talent from an RIF
3. Dealing with the aftermath

Obtain an overview of talent strategy

An organization must first have a data-based view of the “big picture” before it can strategically target workforce reductions. Talent assessment can typically be split into structural and productivity measures. Below are PwC Saratoga's suggested metrics to measure both:

Structural	Productivity
<ul style="list-style-type: none">▪ Executive span of control▪ Management span of control▪ Management layers▪ Revenue per FTE▪ Voluntary separation rate▪ First year voluntary separation rate▪ Average tenure	<ul style="list-style-type: none">▪ Profit per FTE▪ Compensation cost per FTE▪ Benefits cost per FTE▪ Labor cost per FTE▪ Contract labor cost▪ Labor cost as a percent of revenue

Identify and exempt pivotal talent from an RIF

Once an organization has successfully obtained a talent strategy overview it can begin to strategically assess specific talent, including “pivotal” employees, who are critical to retain during an RIF because they are often largely responsible for organizational wealth creation.

Pivotal employees can vary across business units and may change as a company evolves, but they always play a disproportionate role in creating value. Therefore, pivotal employees also have a disproportionate impact when they are terminated.

It is important to recognize the differences between high performing and pivotal talent:

Pivotal talent	High performers
<ul style="list-style-type: none"> ▪ Individuals, roles or segments of the workforce that can create a major impact on business performance with a relatively small performance variation ▪ May change as a company evolves, but always plays a disproportionate role in creating company value and success ▪ Has a direct tie to delivering distinctive, unique and strategy-based value to the organization ▪ Should be retained, motivated and engaged at all costs 	<ul style="list-style-type: none"> ▪ Rising stars with outstanding potential ▪ Important to a company and warrant attention, but are not critical to company value and success ▪ May be classified as pivotal, but this is not necessarily the case ▪ Candidates for ‘upscaling’ you workforce by filling in the gaps, especially open pivotal roles ▪ Should be retained and acquired when circumstances

While pivotal talent is the most critical group to retain, the second most valuable group is high performers. (Please note that these groups are not orthogonal.) Additionally, it is important to further segment your workforce by length of service, performance and job family. Data-based workforce segmentation provides a comprehensive understanding of employees and identifies where businesses might be damaged by losing pivotal talent.

Deal with the aftermath

Once an RIF is complete, it is important to assess its impact on “survivors.” It is critical to ensure survivors understand the value the organization gives them to keep them motivated and trusting. Pay attention to all survivors to keep them engaged.

A few tips for dealing with survivors:

- Exit survey terminated employees to ensure they feel your organization has treated them fairly; this will build trust and reassure survivors that they will be taken care of in a similar situation.
- Communicate in a timely and accurate manner throughout the RIF process. Communicating too soon before and RIF can leave all employees in a state of fear, while communicating too late may cause pivotal employees to leave or lose trust in the organization.

It is important to remember that there are usually many options in the effort to reduce workforce-related costs. Before committing to a particular solution or combination of solutions, it pays to gather the facts and look at the variety of alternatives and cost reduction enhancements that are available. To have a deeper conversation on talent strategies for tough times, please contact us at saratoga@us.pwc.com.

Metric of the month: Average benefits per employee

The global recession has led the majority of organizations to focus on their cost structure. Workforce compensation and benefit costs are the single largest expense for most organizations. PwC Saratoga's 2009/2010 US Human Capital Effectiveness Report reveals on average, organizations invest nearly one third of their operating costs into workforce compensation and benefit costs.

Given the increased focus of cutting cost, this month we focus on employee benefit costs. PwC Saratoga offers a number of benefit-related metrics including healthcare and retirement and savings plan costs per employee. We also offer a high-level total cost of benefits per employee. PwC Saratoga's standard for calculating Average Benefits per Employee is:

$$\text{Total Benefits Costs} / \text{Regular Headcount}$$

PwC Saratoga's definition of total benefit costs includes the total employer paid expenses for health and welfare costs, legally required payments (e.g., Social Security, FICA, FUTA, etc.), retirement & savings plan payments, life insurance premiums, tuition reimbursement, and automobile allowance expenses. PwC Saratoga's Average Benefits per Employee offers a unique approach to measuring benefits as we:

1. Measure total benefit costs—rather than specific program costs such as healthcare or retirement
2. Focus on costs rather than benefit program design

Organizations with relatively high (or low) benefit costs are encouraged to further dissect these costs to identify what is driving the costs (e.g., health care vs. retirement costs). This data should then be tied to employee engagement/exit survey data to understand how benefit costs impact engagement and retention.



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.

The Saratoga Review is copyrighted and protected by federal law. The re-use of its content is restricted (see copyright statement below), but we allow sharing it in part or whole so long as proper attribution and our copyright are included. However, you are permitted, in fact encouraged, to forward this newsletter, in its entirety, to as many of your associates and colleagues as you wish. Or, have them sign up for their own copy at saratoga@us.pwc.com.

To unsubscribe from the Saratoga Review, please send an email to saratoga@us.pwc.com. Make sure to include the word UNSUBSCRIBE in the subject field.

For more information, call 866-727-2864 or visit us on the web at <http://www.pwc.com/saratoga>

© 2009 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP (a Delaware limited liability partnership) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity. PM-09-0806 07/09 PH