

Key Results from PwC Saratoga's 2009/2010 US Human Capital Effectiveness Report

PwC Saratoga – December 9, 2009



Administrative Issues

- One-hour webcast
- Audio with slides, no video for this program
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Administrative Issues

- In order to receive CPE credit for this program, you must:
 - stay on for the entire program and participate by responding to all interactive questions asked during the program
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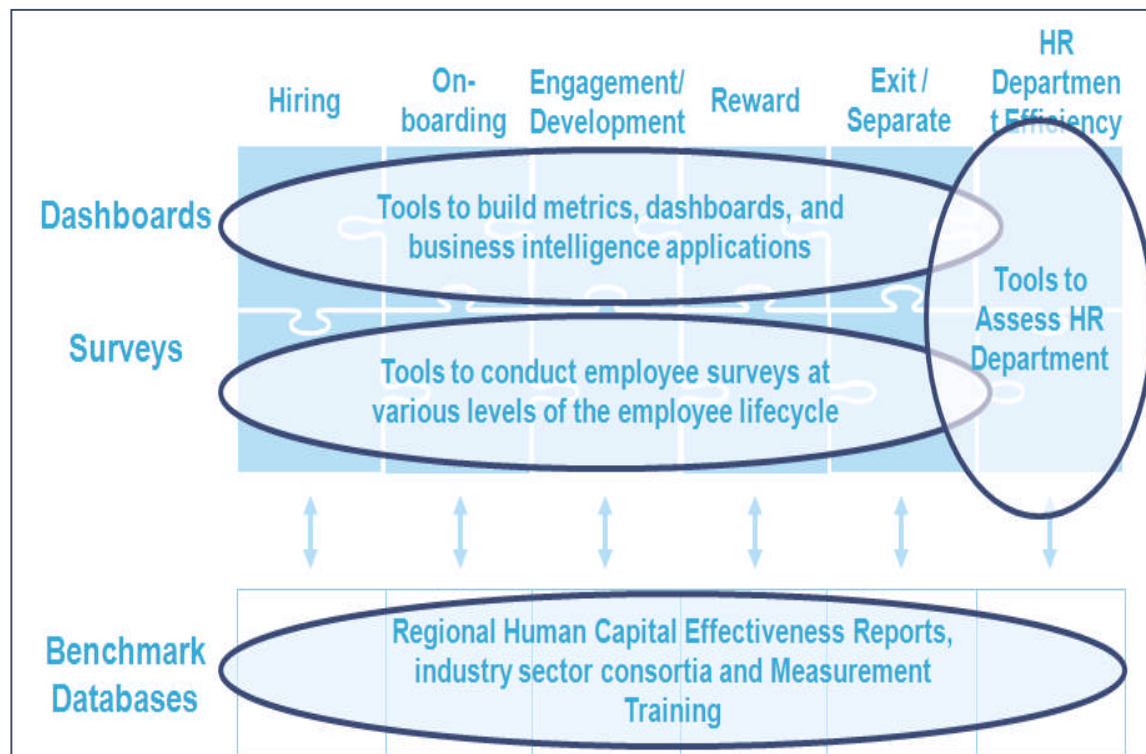
PwC Saratoga Workforce Metrics

Point of View

PwC Saratoga Overview

PwC Saratoga teams with executives and HR Departments that wish to maximize the value of their workforce and make a significant impact to corporate value. We help clients apply a more rigorous, evidence-based approach to decision making. PwC Saratoga provides:

- **Dedicated team of workforce research consultants**
- **Series of tools and methodologies for assessing workforce and HR effectiveness**
- **Unique Intellectual Property and databases to support metrics and employee surveys, and to take action on it**
- **Stand-alone services and bundled services with PwC People- and HR-related service offerings**



Overview of 2009/2010 US Human Capital Effectiveness Report

When time period does the report cover?	Client data submissions are based on the 2008 calendar year
How many metrics does the report contain?	The report contains 350 metrics featuring a wide variety of topics including: <i>workforce productivity, succession planning, quality of hire, turnover, HR function effectiveness, compensation and benefits, span of control</i>
What types of companies are represented in the report?	There are over 300 participants represented in this year's Human Capital Effectiveness Report across 12 industry sectors. The average company in the report has revenue of \$5.1 billion and roughly 16,000 employees.
What is the geographic scope of the study?	While many of our participating clients are global companies, results represented today are for US operations only. We also have a European, Canadian, and South American Human Capital Effectiveness reports available.
How do organizations obtain the results?	Organizations obtain access to the benchmarking report by becoming members of Saratoga and participating. Our website contains additional information on Human Capital Management and sign up to receive our free monthly newsletter, the Saratoga Review.

Partial list of participating companies

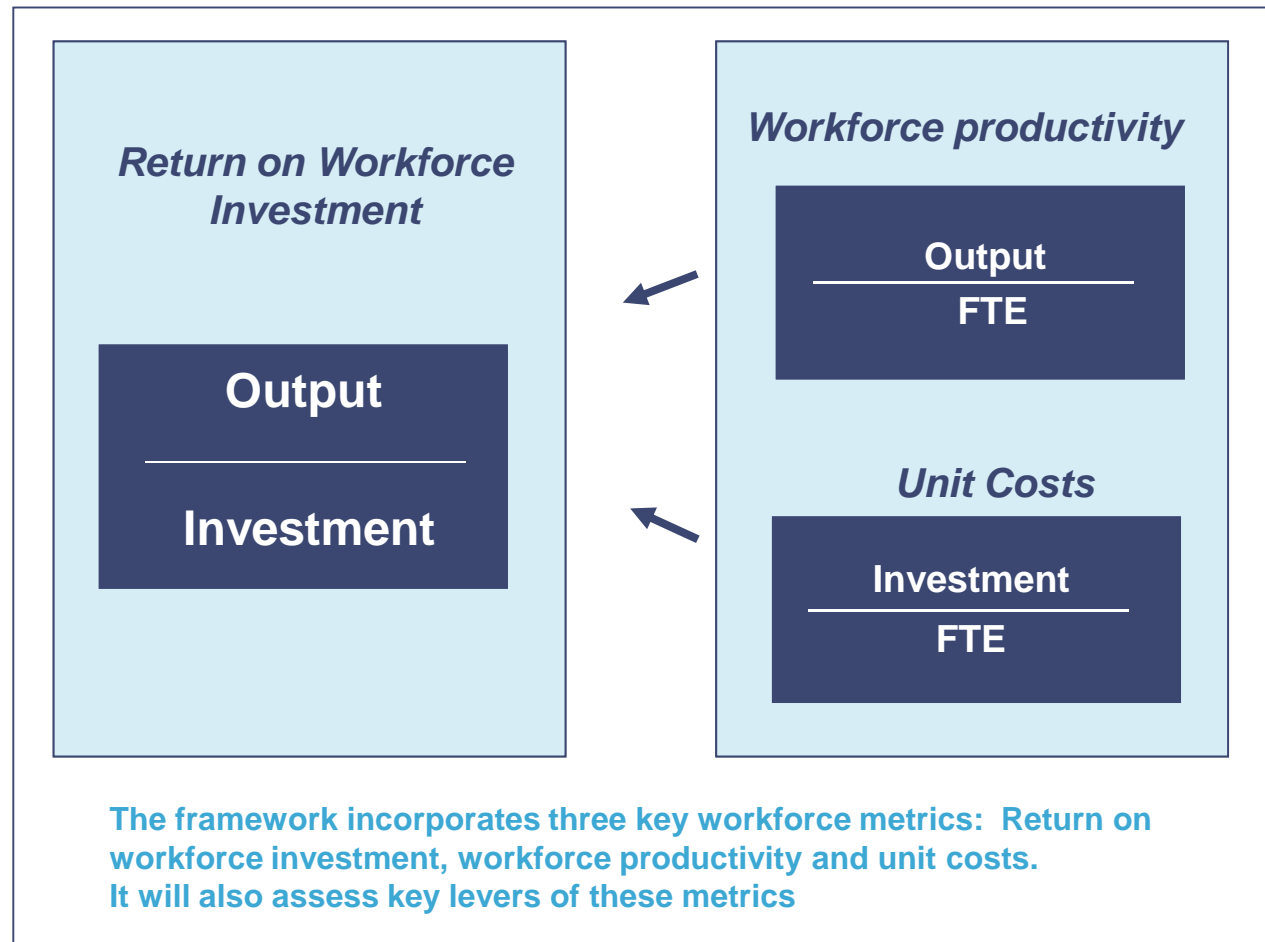
3M	FPL Group, Inc
Adventist Health System	General Dynamics
American Electric Power (AEP)	Henry Ford Health System
Ameriprise Financial Inc	Hewlett -Packard Company
Avaya Inc.	Highmark Inc.
AXA Equitable Life Insurance	Honeywell, Inc.
Axcan Pharma US, Inc.	Humana, Inc.
BAE Systems	International Paper
Baylor Health Care System	Los Alamos National Laboratory
Boeing	ManTech
Booz Allen Hamilton Civil Government	Mayo Clinic
Bose Corp.	Medtronic, Inc.
CACI	Microsoft
California State Automobile Association	Nemours Foundation
Centerpoint Energy Inc.	NXP Semiconductors - San Jose
Children's Hospital of Philadelphia	Pacific Gas and Electric
Chubb Corporation	Philips Electronics
Cleveland Clinic	PSEG Services Corporation
Computer Science Corporation	Scripps Health
DaVita	Siemens Corporation
Dominion Resources	Southern Company
E&J Gallo Winery	Texas Health Resources
El Paso Corporation	The PMI Group, Inc.
Embarq	Union Bank of California
Energys Corporation	UnitedHealth Group
Exelon Corporation	Verizon Telecom
Expedia, Inc.	Weyerhaeuser Company
	Xcel Energy

The central question that we believe HR should ask of itself is: Are we driving the Return on Workforce Investment?

Correctly established, these metrics should allow executives and management to monitor and control:

- If the collective workforce is becoming more productive
- If processes and systems investments are sufficiently driving efficiency and effectiveness
- How workforce investments are impacting unit costs
- Whether the investment in labor is consistent with the output it is producing

The measurement effort should provide a framework for accountability around workforce-related activities for executives, line management and HR



Determining Return on Workforce Investment and key levers

Measuring the ROI of the workforce

Revenue

Labor Cost

Components of the metric

Worker productivity

Revenue

FTE

Unit costs

Labor Cost

FTE

Potential Workforce “levers” that impact workforce productivity

- Turnover
- Training and development
- Quality of hires
- Leadership
- Vacancy
- Efficient and effective HR group

Potential Workforce “levers” that impact Unit costs

- Benefit investments
- Overtime costs
- Workforce structure/leverage model
- Overhead
- Non-employee labor

When “revenue” doesn’t appropriately measure productivity

Revenue does not work as an optimal measure of workforce output when:

- Price of end products is set by a third party – e.g. Electric Utilities
- Price of end products is dramatically influenced by dramatic and frequent fluctuations in raw materials – e.g. Oil and Gas industry or Banking
- Revenue is not is made up in part by non-operational activities – e.g. Life Insurance

The matrix below identifies sample industries where alternatives to revenue should be considered:

Industry	Issue	Option
Banking/ consumer finance	Revenue varies with interest rates	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 PUC based on costs	Evaluate Megawatt hours produced
Food processors	Cost of food can vary dramatically	Net cost of food from revenue
Health Insurance	Cost of claims is embedded in revenue	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
Oil and Gas	Price of oil varies dramatically	Evaluate MBOE produced

Results Highlights From the 2009/2010 US Human Capital Effectiveness Report

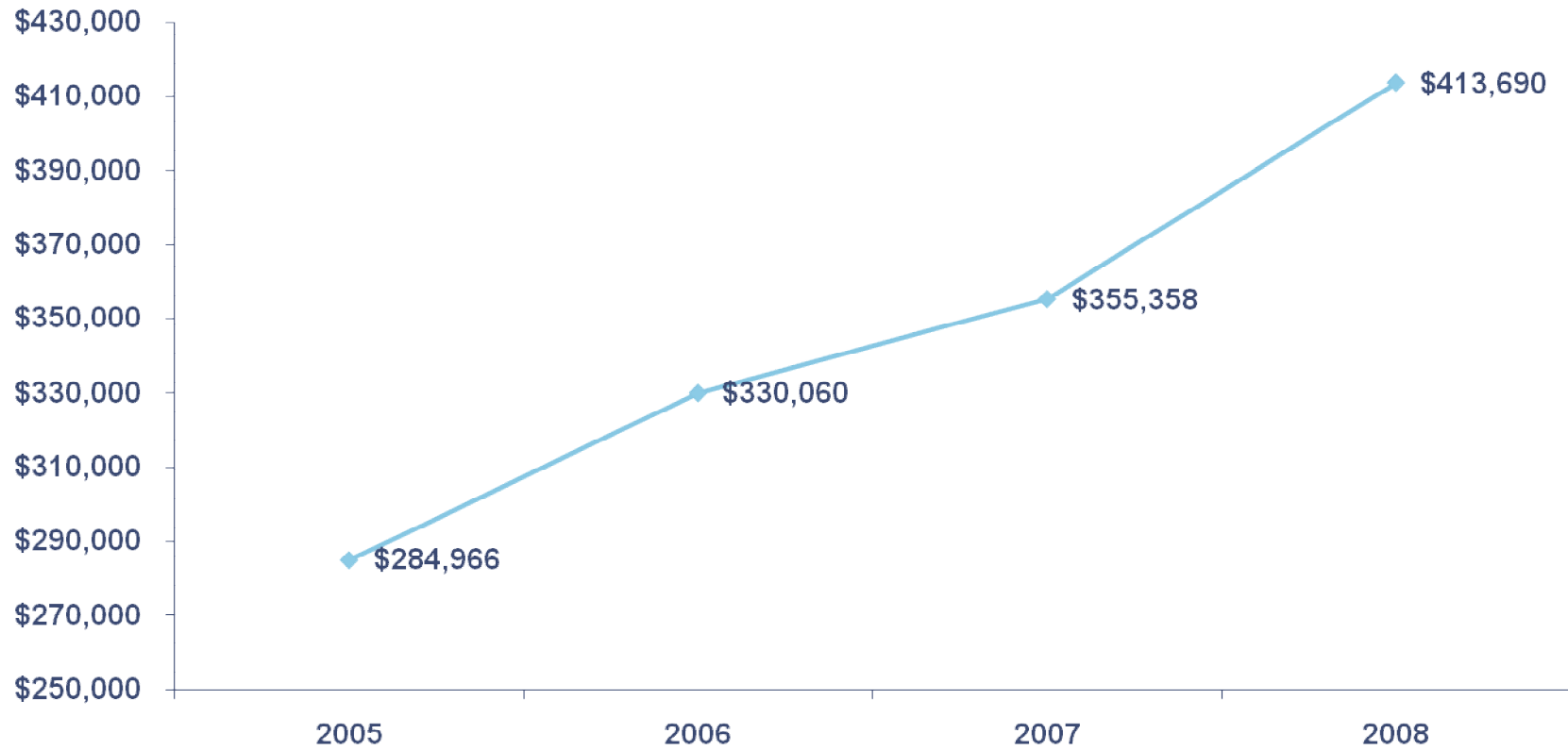
*Key Measures for Monitoring and Controlling the
Return on Workforce Investment*

PwC Saratoga's US Human Capital Effectiveness Report Key Trends

Facing economic stress, employers, workers do more with less	Workforce productivity improved as the recession set in.
Turnover decreased amid recession concerns	Voluntary and high performer turnover dropped more than ten percent between 2007 and 2008.
Younger workers edge Baby Boomers	Generation X moved from just under one-half of workforce headcount up from 49.6% in 2007 to 50.4% in 2008.
Talent acquisition is stabilizing—for now	The recession has resulted in lower new hire turnover and higher offer acceptance rates.
The cost of doing business remains high	Bonus pay dropped, but labor, healthcare costs remained high.
Many, but not all, HR functions feel the impact of the economic strain	Compensation and talent management functional cost rose amid overall HR functional declines.

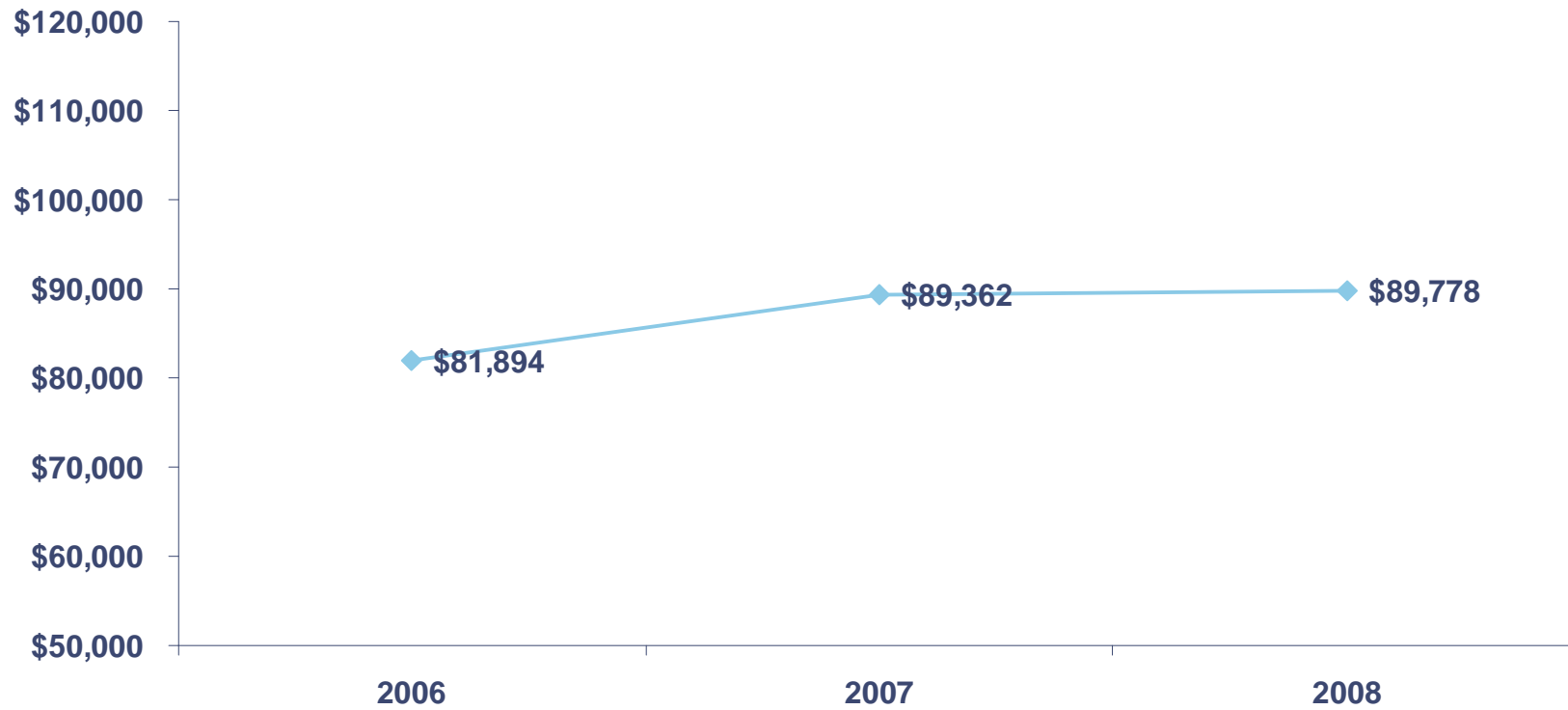
Facing economic stress, employers, workers do more with less

Revenue per FTE



Facing economic stress, employers, workers do more with less

Labor Cost per FTE



Labor Cost Revenue Percent

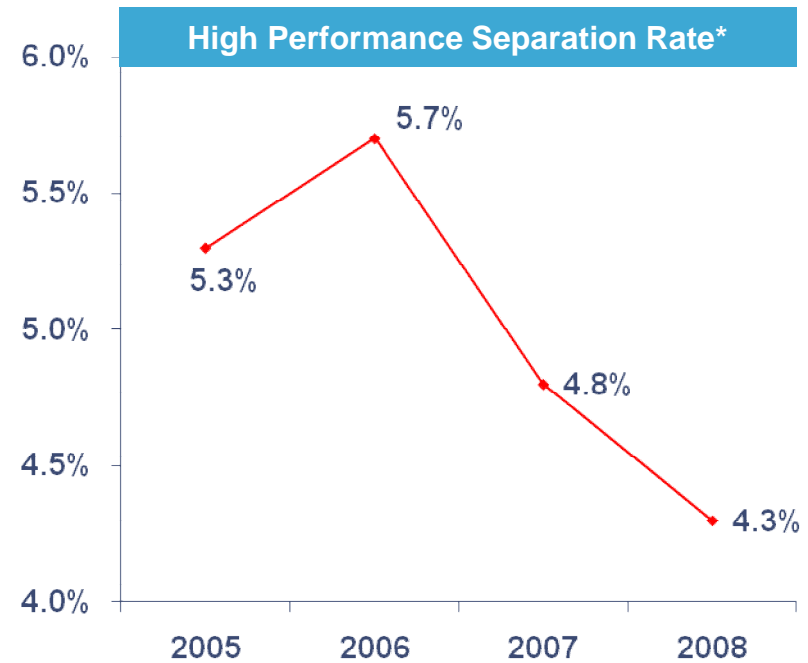
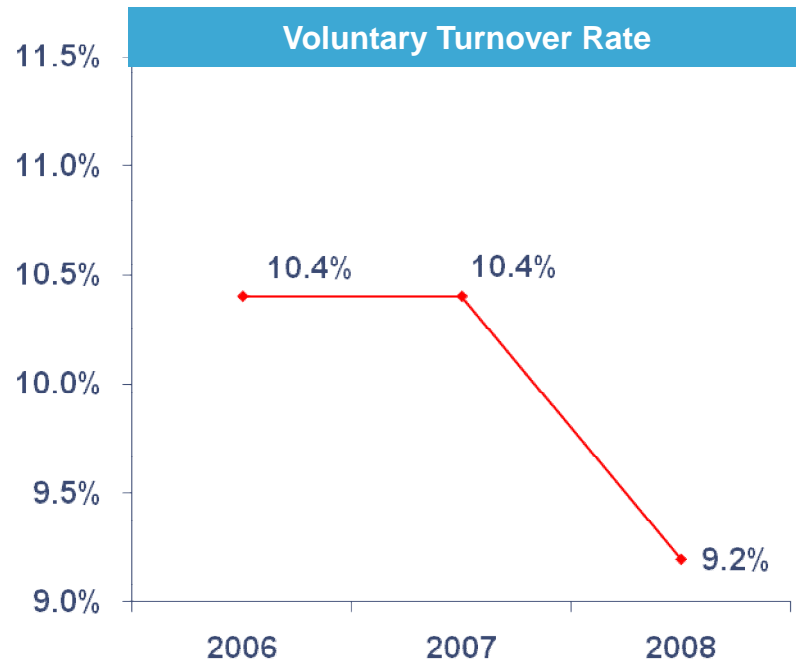
Industry	2006	2007	2008
Healthcare	45.6%	47.3%	45.5%
Engineering/Manufacturing	29.1%	21.1%	22.8%
Insurance	9.5%	9.3%	9.2%

What is the current state of financial results within your organization?

1. Financial results are improving
2. Financial results are stabilizing
3. Financial results are deteriorating

Turnover decreased amid recession concerns

Turnover



* Separation rate includes voluntary and involuntary turnover of high performers

Within the next year, what is the expected trend of your voluntary turnover rates?

1. Increase by less than five percent
2. Increase by five to ten percent
3. Increase by more than ten percent
4. Decrease
5. No change

Succession Planning Efforts



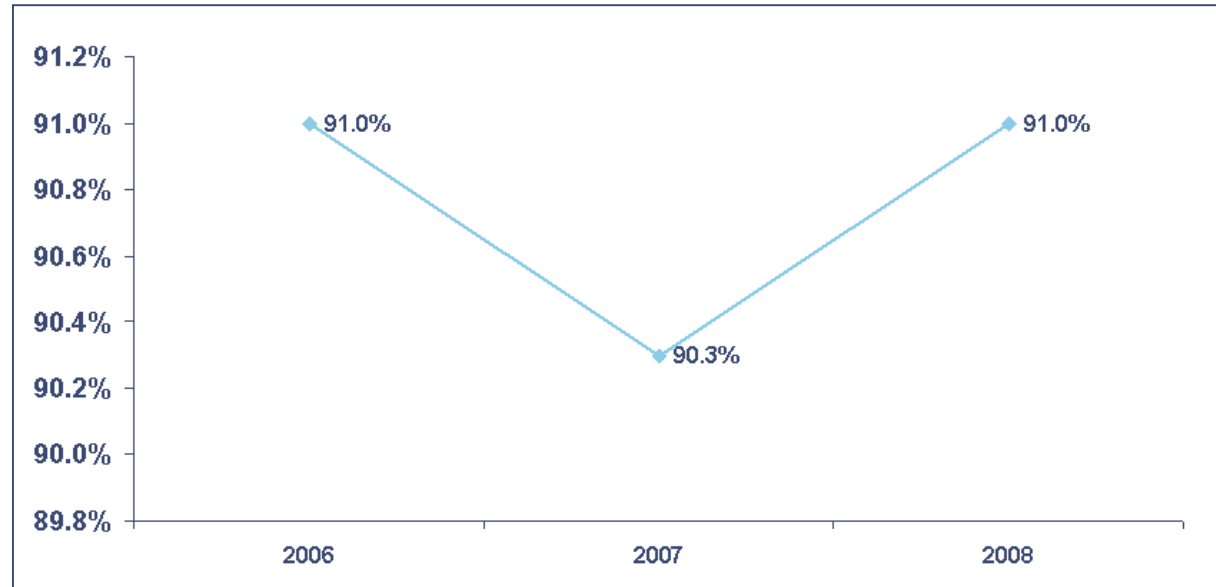
What is the state of your organization's succession planning program?

1. Established program in place
2. Expect to launch formal program within the next year
3. Expect to launch formal program within the next three years
4. Expect to launch formal program after the next three years
5. No plans to launch program

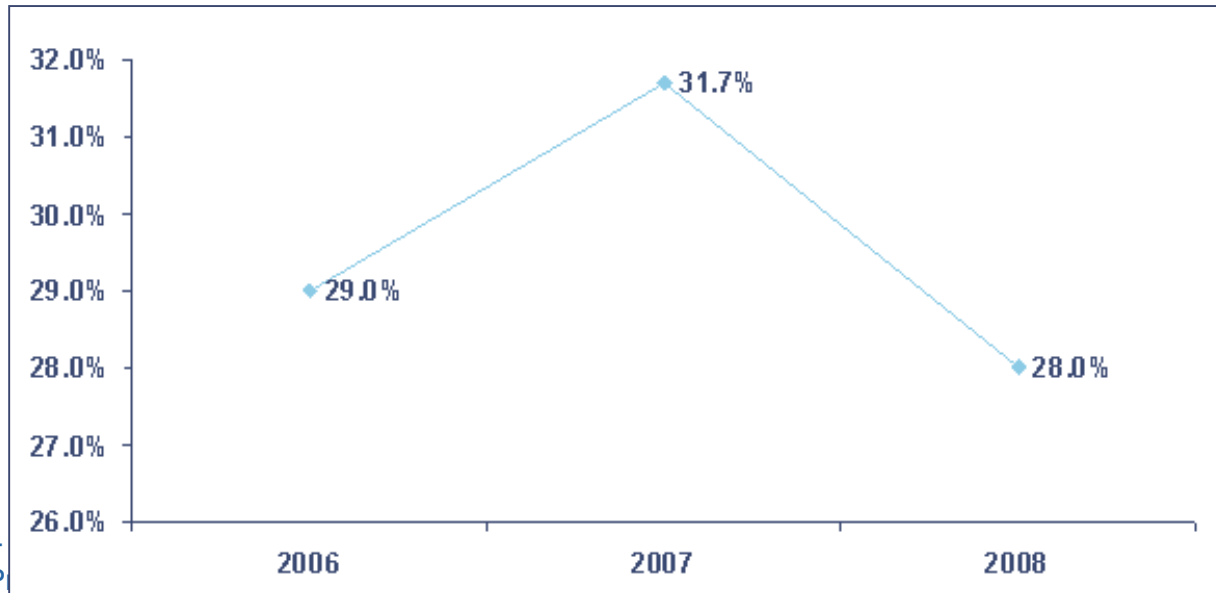
Talent acquisition is stabilizing—for now

Talent Acquisition

Offer Acceptance Rate



First Year Turnover

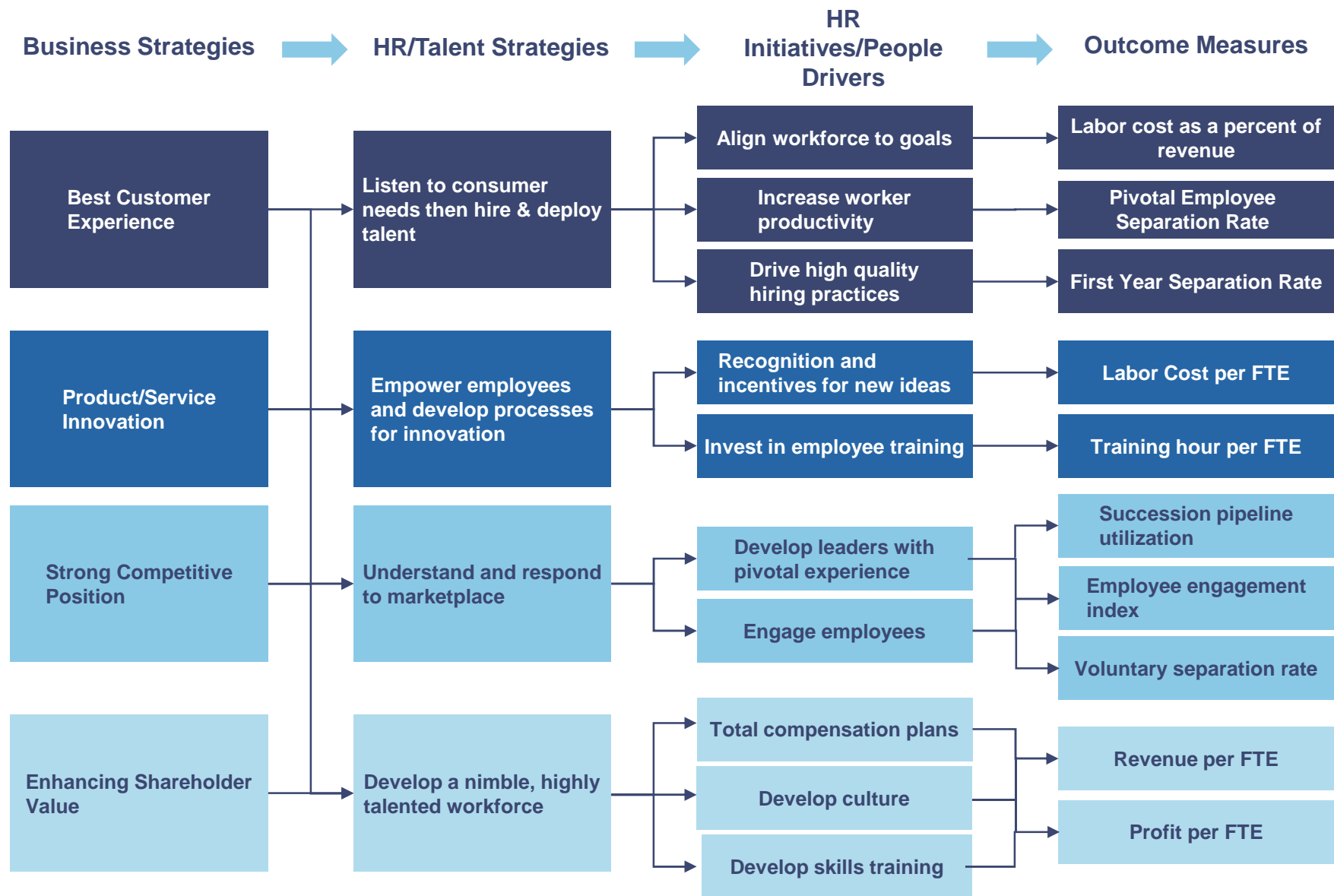


Median All Industry Data
Represented

How does your organization measure the effectiveness of your recruiting process (please select all that apply)?

1. Time to Fill/Accept
2. Turnover in the first 90 days/first year
3. Diversity
4. Hires by source
5. Recruiter workload
6. New hire/manager satisfaction survey

Selecting the right metrics : Linking metrics to strategies



2010 US Human Capital Effectiveness Survey

WDS Overview

Survey timing/scope

- 2010 survey launches January 4, 2010 and focuses on 2010 data collection year.
- New survey includes more than 100 new metrics looking at workforce structure and costs, pay for performance, disability time off and costs.
- Updated benchmark results available June 2010.

Measurement Programs

- **Standard** – Do it yourself.
- **Onsight** – Consultative and includes all deliverables provided in Onsight measurement. Includes front end consulting to map metrics, customized analysis of results, and customized peer groups.
- **Consortiums** – Focus on an industry and generally leverage standard program.

Deliverables

- Customized data collection and reporting site for up to 20 users.
- Saratoga's library of more than 400 metrics.
- Standardized instructions detailing how to capture each data element.
- Rigorous data validation including hundreds of automated checks and a "four eye" manual review.
- Customized Performance Report that compares all company metric results against any of Saratoga's standard comparator groups (e.g., industry, company size, etc).
- US Human Capital Effectiveness Report which consists of nearly 350 benchmarks from more than 300 US-based organizations.

WDS Based Consortium Overview

What

- The consortiums focus on 20 - 40 metrics in addition to providing participants with the ability to supply data for any of PwC Saratoga's full library of metrics.

Deliverables

- Participation in the annual HR / workforce benchmarking survey.
- Participation in PwC's Health and Wellness Benchmarking Survey (covering health benefits, pharmaceutical costs, and wellness programs).
- Participation in PwC compensation focused survey.
- Access to PwC thought leadership on both HR and non HR topics.
- Opportunity to poll and informally network with peers via email.
- Access to Saratoga's Human Capital Effectiveness Report with over 300 metrics represented by over 300 companies across 12 industry sectors.
- Access to webcasts on human capital measurement topics.

Asset management	Federal government contractors	For profit education
Insurance	Healthcare	Oil and Gas
Utilities	Pharmaceuticals	Railroads
Technology		

PwC Saratoga Human Capital Effectiveness Reports

	US / NA	Europe	Latin America	Asia	Global
Overview	Dedicated & established program offering	Dedicated & established Program offering	Dedicated program offering, to be complete in Fall 09	Ad hoc program offering	Ad hoc program offering
Participation	350+ datasets	700+ datasets	50+ datasets	~20 datasets	~40 datasets
Industry Concentration	<ul style="list-style-type: none"> • 12 Industries (industries include: Banking, Communications/Media, Hospitals, Insurance, Manufacturing, Other Finance, Pharmaceutical, Professional Services, Public Sector, Retail and Leisure, Technology, and Utilities)		<ul style="list-style-type: none"> • 7 Industries (industries include: Communications, Financial Services, Manufacturing, Mining, Oil & Gas, Pharmaceutical,)	<ul style="list-style-type: none"> • 2 Industries (industries include: Financial Services, Technology)	<ul style="list-style-type: none"> • 5 Industries (industries include: Communications, Manufacturing, Pharmaceutical, Professional Services, and Technology)
Number of Metrics	~350	~60	~35	~25	~50

Q&A

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