

2010/2011 Talent Management and Rewards Survey Findings

A Presentation to 2010 HRoot Conference

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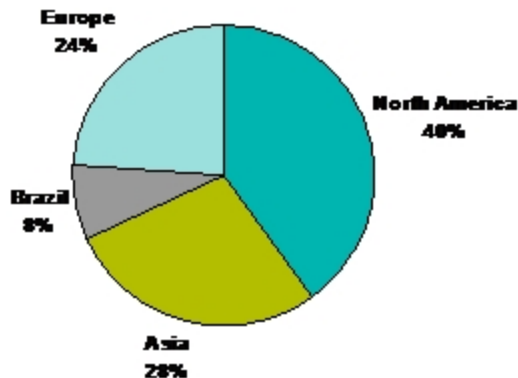
Discussion Outline

- About the Survey
- Economic and Business Landscape
- Global Report Findings with a focus on Asia Pacific and China

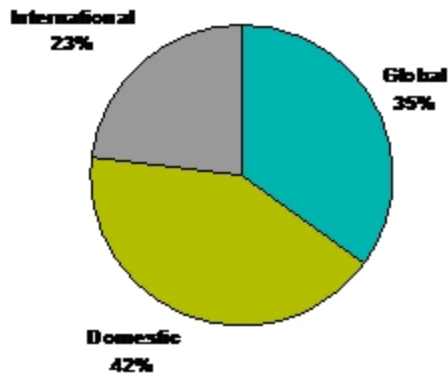
About the Survey

- Conducted in May-June 2010
- 1,176 companies across 17 locations

Distribution of Responses
by Region



Distribution of
Organizations by Type



Key Insights from 2010 Talent & Rewards Survey

Companies have been faced with a number of challenges in 2010 as we slowly start to emerge from the economic crisis

- Reevaluate their business strategies
- Develop new leadership competencies for their executives
- Cut costs and manage any subsequent cost increases
- Dramatically reduce the rate of increase in the value of total rewards, often to levels where the real or absolute value of total rewards declined for many employees
- React to increasing demands by employees for security, stability and opportunity they often could not meet
- Confront the complexities caused by lack of career advancement opportunities for top talent and employees with critical skills

Key Insights from 2010 Talent & Rewards Survey

Top Areas of Focus for Companies in 2010

- Differentiate rewards between top performers and average performers
- Develop a formal Employee Value Proposition and communicating it to employees
- Introduce organization wide consistency in reward and talent management programs
- Develop business centered leadership competencies
- Increase their emphasis on performance management, leadership and employee learning and development

Global & Regional Economic Conditions

Economic conditions vary dramatically around the globe!
Representative list of countries in the survey

Country	Economic Growth		Unemployment rate
	2010 ^P	2011 ^F	
China	9.9%	8.3%	9.6%
India	7.9%	8.1%	10.7%
Japan	3.1%	1.7%	5.2%
Singapore	8.4%	4.5%	2.2%
UK	1.2%	1.8%	7.9%
Germany	1.9%	1.6%	7.7%
Ireland	-0.4%	1.2%	13.7%
Spain	-0.5%	0.4%	19.9%
Brazil	6.3%	4.5%	7.5%
Canada	3.5%	2.9%	8.1%
US	3.1%	2.9%	9.5%

*Source: Economist Magazine

P = projected

F = forecast

Approaches to Cost Cutting Around the World

Companies in different regions took different approaches to cost cutting and cost management during the recession

	Global	China / India	Other Asia	Europe	Brazil	Canada	US
Hiring freezes	64%	45%	60%	75%	72%	77%	61%
Salary freezes	55%	28%	53%	63%	60%	58%	54%
Layoffs, redundancies, reductions in force, etc.	51%	12%	32%	57%	56%	47%	57%
Reduced bonuses	36%	42%	46%	34%	36%	17%	23%
Restrictions on overtime	33%	14%	26%	36%	41%	52%	26%
# of actions taken	3.6	2.5	3.2	3.9	3.2	3.4	4.5
% of respondents taking at least 4 actions	44%	22%	34%	50%	37%	40%	61%
% of respondents expecting to undertake workforce reductions over the next 3 years	23%	6%	21%	35%	14%	21%	24%

Attraction and Retention

Employers are having difficulty attracting and retaining top talent, but not employees in general

	Global	China / India	Other Asia	Ireland / Spain	Other Europe	Brazil	Canada	US
Critical-skill employees								
- <i>problems attracting</i>	65%	84%	78%	49%	62%	81%	61%	52%
- <i>problems retaining</i>	49%	81%	69%	29%	44%	65%	35%	31%
Top-performing employees								
- <i>problems attracting</i>	61%	76%	71%	52%	67%	69%	57%	45%
- <i>problems retaining</i>	45%	77%	63%	22%	41%	67%	35%	25%
High Potential employees								
- <i>problems attracting</i>	56%	68%	70%	47%	58%	67%	54%	40%
- <i>problems retaining</i>	45%	75%	60%	29%	43%	64%	38%	25%
All Employees								
- <i>problems attracting</i>	25%	36%	41%	22%	19%	30%	22%	15%
- <i>problems retaining</i>	21%	39%	39%	14%	12%	26%	12%	11%

Value of Rewards Over Time

Fewer organizations report the real value of rewards has increased over the past 5 years than over the past 10 years

	Managers				Hourly Employees			
	Total Cash		Total Rewards		Total Cash		Total Rewards	
	last 10 years	last 5 years	last 10 years	last 5 years	last 10 years	last 5 years	last 10 years	last 5 years
All	63%*	55%	68%	58%	58%	48%	62%	53%
China & India	71%	68%	72%	67%	69%	64%	70%	64%
Other AP	69%	69%	72%	72%	66%	63%	66%	66%
Spain & Ireland	73%	52%	76%	59%	71%	48%	74%	55%
Other Europe	68%	52%	73%	55%	52%	38%	57%	44%
Brazil	59%	62%	64%	70%	59%	61%	61%	64%
Canada	65%	58%	72%	64%	59%	49%	66%	58%
US	51%	38%	56%	41%	43%	32%	49%	35%

*The percentage of organizations where the real, inflation-adjusted value of total cash (salary plus bonus) or total rewards (total cash plus total value of employer provided benefits) has increased from 2000 or 2005 to 2010.

The Impact of Cost Cutting Measures

Employers recognize the adverse impact cost cutting has had on employees, but less so on business outcomes.

	All Employers	# of cost cutting actions taken		
		1-2 actions	3-4 actions	5 or more actions
Increased workloads for employees	61%*	45%	67%	79%
Employees' ability to manage their levels of work-related stress	53%	36%	57%	72%
Overall employee engagement	50%	35%	52%	70%
Employees' ability to have a healthy balance between work and their personal lives	50%	37%	54%	65%
Productivity	28%	16%	29%	45%
Willingness to take risks/try new things	25%	16%	28%	35%
Quality/customer service	22%	12%	21%	37%
Institutional knowledge (of core processes, prior business cycles, etc)	20%	9%	19%	34%

* Percentages indicate the percentage of respondents who indicate that their cost cutting actions have had an adverse impact in that area.

Top Reasons for Attraction

Employers fail to recognize the impact of changes to employee well-being on their ability to attract employees

Ranking*	Employer View	Employee View
1	Competitive base pay	Competitive base pay
2	Reputation of the organization as a great place to work	Challenging work
3	Challenging work	Convenient work location
4	The business/industry of the organization	Opportunities for career advancement
5	Opportunities to learn new skills	Vacation/holiday/paid time off
6	Opportunities for career advancement	Reputation of the organization as a great place to work
7	Organization's financial health	Flexible schedule

*Ranking represents the frequency the item was selected as one of the top 5 reasons an employee would join their firm, from a list of 25 items. Employee data comes from the 2010 Towers Watson Global Workforce Study.

Employers underestimate the impact of non-monetary rewards on employees' decision to leave

		Increased compensation	Availability of better pension	Greater job security	Improved work-life balance	Greater career advancement opportunity	More flexible work hours
All	Employee	91%	86%	86%	85%	84%	82%
	Employer	88%	30%	43%	66%	87%	27%
	Gap	2%	56%	42%	20%	-3%	56%
Asia	Employee	91%	89%	90%	88%	88%	86%
	Employer	94%	28%	47%	61%	90%	27%
	Gap	-3%	61%	43%	27%	-2%	59%
US	Employee	94%	86%	87%	86%	81%	84%
	Employer	83%	37%	48%	70%	83%	37%
	Gap	10%	49%	39%	15%	-2%	46%

* Percentages equal the percent of employees or employers responding to a moderate or great extent: How would receiving each of the following from a new employer influence you/your employees' decision to leave your current organization?

* Gaps are the difference between employee and employer percentages – may not add up due to rounding.

Significant gap exists between employee preferences and what is available in their current organization

Region		A secure and stable position	Substantially higher levels of compensation	Opportunity to rapidly develop my skills and abilities	A wide range of jobs and work experiences	Opportunity to develop innovative products / services
All	Important*	76%	72%	68%	60%	51%
	Achievable†	51%	31%	36%	36%	29%
	Gap	26%	41%	29%	21%	21%
	Employer View ‡	54%	26%	44%	45%	42%
Asia	Important	69%	73%	74%	71%	60%
	Achievable	48%	37%	44%	45%	36%
	Gap	21%	37%	31%	25%	24%
	Employer View	60%	37%	49%	50%	41%
US	Important	87%	74%	62%	55%	39%
	Achievable	53%	22%	33%	37%	18%
	Gap	34%	51%	29%	19%	21%
	Employer View	54%	23%	33%	42%	39%

* Percentages equal the percent of employees responding favorably to item; To what extent is each of the following important to you in your most preferred work situation

† Percentages equal the percent of employees responding favorably to item; To what extent is each of the following achievable within your current organization

‡ Percentages equal the percent of employees responding favorably to item; To what extent is each of the following available to professional/managerial employees at your organization

Formalizing and Communicating the Employee Value Proposition: Significant Regional Variation

High performing organizations are more likely to have a formal EVP

	Have a Formal EVP
All	34%
Asia	39%
Europe	35%
Brazil	53%
Canada	25%
US	25%
High performing organizations	42%
Average performing organizations	32%
Organizations performing below their peers	28%

The Current Landscape of Rewards and Talent Management: The Headlines

Base Pay	<ul style="list-style-type: none">• Renewed focus on competitiveness of base pay• Year over year improvement in merit budget
Annual Incentive	<ul style="list-style-type: none">• Broader use across all organizational levels• More alignment between executive and broad based employee measures• Increased line of sight
Talent Management	<ul style="list-style-type: none">• Renewed focus on career development opportunities succession management and executive competencies

Merit Increases: Limited Relationship between Company Performance and Differentiation

European and Brazilian companies report greatest merit differentiation

	Employee Rating					Differentiation ratio*
	Did not meet expectations	Partially met expectations	Met expectations	Exceeded expectations	Far exceeded expectations	
China/India	0.6%	3.4%	8.5%	12.1%	17.1%	202%
Other Asian countries	0.4%	1.6%	3.9%	5.7%	7.8%	202%
Ireland/Spain	0.2%	0.5%	1.2%	2.3%	3.9%	317%
Other European countries	0.0%	0.7%	2.5%	4.1%	6.5%	261%
Brazil	0.6%	1.2%	3.8%	7.0%	10.0%	264%
Canada	0.2%	1.0%	2.6%	3.7%	5.2%	197%
US	0.1%	0.8%	2.3%	3.3%	4.6%	199%
Top Performing Companies	0.3%	1.5%	3.7%	5.6%	8.1%	217%
Average Performing Companies	0.2%	1.2%	3.4%	5.1%	7.3%	216%
Low Performing Companies	0.3%	1.4%	3.0%	4.6%	6.7%	219%

Differentiation ratio is the ratio of the increase in merit pay for employees who far exceeded expectations divided by the increase for employees who met expectations

Short Term Incentives

STI funding is holding steady in most regions

	Most recently completed year*	Current Year
China/India	89%	85%
Other Asian countries	82%	82%
Ireland/Spain	72%	73%
Other European countries	76%	80%
Brazil	77%	88%
Canada	102%	90%
US	83%	92%
Top Performing Companies	98%	91%
Average Performing Companies	83%	86%
Low Performing Companies	59%	72%

*Percentages are the actual payouts of STI relative to targeted levels at beginning of the year

Talent Management Strategy and Emphasis

Economic and business conditions cause organizations in different regions to emphasize different business and talent management strategies and executive competencies

Global Findings			
	Business Strategy*	Executive Competencies†	Strategic TM Priorities‡
	<ul style="list-style-type: none"> Focused primarily on growth. Shifting away from competing to cost as a image or reputation. Shifting towards competing by developing innovative products & services. 	<ul style="list-style-type: none"> Recruitment retention Strategic Visioning Change Leadership 	<ul style="list-style-type: none"> Ensuring resilience of talent for critical roles Increase investment in building the talent pipeline of talent Creating more measurement, retention and development opportunities for talent
Regional Variations from Global Findings			
	Business Strategy	Executive Competencies	Strategic TM Priorities
Asia	<ul style="list-style-type: none"> Growth through Product and Market Expansion Compete by developing innovative products and services 	<ul style="list-style-type: none"> Creativity & Innovation Managing the business Developing people 	<ul style="list-style-type: none"> Increase investment in talent pipeline & in acquiring new talent
Europe	<ul style="list-style-type: none"> More focused on expense Reduction to support growth Compete by developing innovative products and services & improving customer service 	<ul style="list-style-type: none"> Managing the business Inspiring & motivating others 	<ul style="list-style-type: none"> Creating measurement/retention for those in pipeline to increase the investment in the talent pipeline
India	<ul style="list-style-type: none"> Revenue Growth through market expansion 	<ul style="list-style-type: none"> Developing People 	<ul style="list-style-type: none"> Developing next generation of leaders with new competencies Acquisition of new talent Less emphasis on investing in talent pipeline even as they continue to exit/leave talent
Canada	<ul style="list-style-type: none"> Less growth focused than other regions, increasing emphasis on efficiency of operations 	<ul style="list-style-type: none"> None – same as global 	<ul style="list-style-type: none"> Less emphasis on acquisition of new talent
US	<ul style="list-style-type: none"> Supplementing growth with M&A activity Compete by developing innovative products and services 	<ul style="list-style-type: none"> Managing the business 	<ul style="list-style-type: none"> Emphasis on ensuring resilience of critical talent

* Business strategy represents the organization's business strategy and the differentiating factors the organization has traditionally competed on or expects to compete on.

† Executive competencies are the most frequently selected competencies that are necessary for executives to be effective.

‡ Strategic TM priorities are based on the percentage of firms that indicated this area was one of the top 3 talent implications of their organization's strategic priorities.