

Ulrich model



Key trends

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HOURGLASS^{HR}

Issue 19 – September 2010

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PRICEWATERHOUSECOOPERS 

Editor's Welcome

01

Thought leadership without the padding,
Hourglass cuts through the clutter to reach the key issues.



For many organisations, the past two years have been all about survival, cost-cutting and cash management. Faced with such a crisis, the prospect of 'business as usual' can seem a distant dream. But business is returning to normal – whatever that may be – and it will be up to HR professionals to make sure that their organisation is ready for the challenges.

What is clear is that the world – and the context in which HR operates – has changed. And that means a new approach to HR. Organisations are facing a new set of challenges, as PwC's latest report, *Key Trends on Human Capital*, highlights (see page 10). But what does this mean for the way HR operates? On page 6, Sarah Perrin asks whether the Ulrich model is still relevant in the post-recession world.

Employees in the Northern Hemisphere are returning from their summer break, hopefully refreshed and infused with new levels of enthusiasm. Many will be tanned, fitter and more relaxed than they were before, which can only mean good news in terms of productivity. But one or two may return from their break in a more precarious state of health – perhaps on crutches as the result of an over-enthusiastic participation in a holiday sport, or recovering from a tropical illness. On page 22, Sally O'Reilly asks how far an organisation should go in protecting employees from themselves.

On a lighter note, the editorial board began to speculate recently on what the best job in HR might be. On page 34, Beth Holmes talks to a few organisations who could lay claim to the title, but we would love to hear more from anyone who believes that their job could promote more envy than, say, the head of HR at NASA.

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author

Looking forward

Michael Rendell

The world has cha

The world's organisations have emerged from the recession to a changed landscape. HR must face the new reality and adapt quickly.

04



nged, but has HR?



The downturn highlighted a variety of apparent market and management imperfections. It has become clear that some of the people management practices of the past are no longer fit for purpose and HR will need to look carefully at how it transforms itself to meet the challenges of recovery.

Before the downturn, successive PricewaterhouseCoopers Global CEO Surveys have found having insufficient access to people with key skills was a major threat to organisations. If we fast-forward to the end of 2009, the survey found that only 16% of CEOs were 'extremely concerned' with the issue. It appears CEOs are confident of a far better talent pool as we enter the new period of financial recovery, and yet we believe that this optimism will be short-lived. Talent shortages caused by a general lack of key skills, and hampered by demographic change, will return to haunt CEOs once the short-term glut caused by the downturn recedes.

In the latest survey, CEOs told us they would change a number of people management practices and processes as a result of the economic crisis. A majority of companies (79%) intended to increase focus on how to manage people through change. The same number (79%) intend to change their strategy for managing talent. 68% want to increase their investment in leadership and talent development.

It is refreshing to see people issues so high on the agenda of the CEO; however, as we enter into better times, it can be easy to forget the problems of the past. So, as organisations enter into the October quarter, HR needs to be asking itself some serious questions: Has the organisation made the changes it promised it would? Have we set out a timetable for change? Have we set milestones with agreed implementation dates?

Delivering these objectives is all the more important given that Corporate Leadership Council research indicates that one-in-four high-potential employees intend to leave their employer in 2010. Leaders, line managers and HR need to work together to raise engagement and retain this vital talent. Central to this aim is the need for organisations to find their place in the changing world and to engage people behind a clearly articulated company vision and brand

“ It appears CEOs are confident of a far better talent pool as we enter the new period of financial recovery, and yet we believe that this optimism will be short lived. ”

proposition. More than mere 'lip service' will need to be paid if employees are to become true advocates standing behind the company brand.

The talent required to compete in the marketplace will need to be clearly identified. These individuals are found across the organisation and in a variety of roles, not just at senior levels. Your people need focused attention to ensure they are engaged, motivated and ready to take the organisation forward.

Attracting talent from outside the organisation and beyond our national borders is also critical, particularly as firms become ever more global. Indeed all organisations need to recognise the impact of globalisation on their human resource decisions. Leaders need to determine if they are going to compete globally, why a global move is in the best interests of the company, when the best time is to make the move and how the move will be implemented. The option of expanding, or moving internationally, cannot be ignored.

If a global approach is chosen, then companies wanting to trade worldwide need to better understand their customers too. Employers will need to mirror their future customer's diversity in their own employee population, particularly among consumer-orientated research and development teams.

So, as recovery begins to pick up pace, we can see that there are a multitude of questions for HR to ask itself and many scenarios for HR, the CEO and the board to consider. The sooner these conversations are had, the better equipped businesses will be for the challenges that lie ahead.

Michael Rendell is a partner and global head of Human Resource Services at PricewaterhouseCoopers LLP.



topic

author

HR strategy

Sarah Perrin

Beyond David

Evolution of the Ulrich model continues to determine the skills demanded in the HR function – as does the challenge of achieving the model's original ambitions.

06



Ulrich

Many organisations have set out to implement the HR model developed by David Ulrich, perhaps best known for its business partnering element. Now Matilda Venter, a director in the Human Resource Services practice at PricewaterhouseCoopers, anticipates an evolution of this model, with a knock-on impact for HR skills. “In the past, companies put in the Ulrich model – a one-size-fits-all model regardless of the different needs of different parts of the business,” Venter explains. “In future, I don’t think we will see one consistent HR model across the business, but models tailored to the identity of the organisation and the profile of particular groups of employees. That will demand different HR people with different HR skills.”

Consider a pharmaceutical company, with its diverse workforce of scientists, factory workers and mobile sales force. “They have different needs,” Venter says. The factory-based workforce may require a more hands-on HR function, helping staff with functional activities such as recording leave or updating personnel records. “The group of scientists might need someone [in HR] who analyses trends and looks at where they will get talent from in future,” – a role that is “more demanding and sophisticated”, she says. The sales force may need an HR approach that supports and accommodates their status constantly on the move and away from the office.

This need to understand the preferences of specific groups is also highlighted by Terence Perrin, chairman of the Association of Graduate Recruiters and EMEA head of recruitment and resourcing at JP Morgan. He sees the need for HR to take account of “generational diversity in the workplace”. He says: “From an HR perspective we have to be aware of the different generational characteristics of Generation Y [which includes new graduates], Generation X and the baby boomers. We are seeing more awareness of what these characteristics mean in terms of getting the most from people in the workplace. For someone to be most productive, they need to be fully engaged with the employer. What engages one person could be entirely different to what engages another.” HR needs to understand the needs of individuals and what makes them work well, Perrin says. “Is it the ability to work flexibly from home? Is it about pay? Is it holidays? Understanding this is important.” Providing flexible benefits, for example, is one way that the differing needs of different groups can be accommodated.

Although definitions of Generation Y and what matters to members of that group can vary, Perrin notes that studies have revealed some common themes. For example, Generation Y likes constant feedback. This affects many aspects of HR, including recruitment in that graduate applicants today want acknowledgement of their applications and feedback on their progress. Generation Y is also interested in continuous development. “So in your marketing collateral, it’s important to set out the potential progression from

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HR has to manage itself in a commercial way, setting targets in terms of costs and budgeting, asking: Are we really lean? Do we deliver our processes in a cost-effective way? How service oriented is our workforce?

graduate schemes,” Perrin says. “Generation Y also wants to be connected with employers that have corporate social responsibility near to the top of their agenda. But it needs to be real, so you need to give examples of past corporate social responsibility (CSR) performance.” HR professionals require the sensitivity to understand and reflect these issues in their policies and communications, and in the way they work with business units.

The evolving nature of the skills needed in HR also continues to be influenced by the challenges involved in achieving the full potential of the original Ulrich model. “The idea was that you implement Ulrich and have an HR business partner who works with leaders of business divisions to look at the impact of business decisions and how to leverage your people to deliver strategy,” says PwC’s Venter. “But in my experience, that’s one area where the HR model hasn’t really worked.” This may be for a number of reasons, including the difficulty experienced by operational HR personnel in developing the new consulting skills required to be an effective business partner. “They leave the office an HR manager on Friday and come back on Monday as a business partner,” Venter says. “They are expected to do something new, but nothing has happened inbetween.”

The business partner style of HR also requires individuals with more analytical ability, who can assess how different aspects of HR policies interplay – for example, the impact that the employer brand has on recruitment and retention. “In the last year, clients have asked us to help them look at this, and how the trends around people have potential impact on the bottom line,” Venter says. Organisations are increasingly recognising the need for HR to have a strong understanding of business strategy, rather than



“the minutiae of HR law and the ability to implement HR processes”, Venter says. As a result they are looking at how to bring a “more commercial edge” to HR personnel. “There is a focus more on giving them a business education with an HR lens.”

These developments, she believes, will lead to a greater fluidity of personnel movements between HR and the business, with individuals coming into the HR function to gain experience, and then “moving on again as part of their

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At the senior level, HR is not a highly technical job; you have people below you to do that. It’s more about partnering with the business.

leadership journey”. This would help to bring greater commerciality into HR, not just in terms of HR being able to understand business strategy and analyse the impact of people in the business. “HR also has to manage itself in a commercial way, setting targets in terms of costs and budgeting, asking: Are we really lean? Do we deliver our processes in a cost-effective way? How service oriented is our workforce?”

Donna Miller, European HR director of Enterprise Rent-A-Car, believes that HR skills have already developed considerably to reflect the more business-focused role played by HR. “I do think HR has moved from the traditional administrative, paper-pushing, transactional type of role to a much more strategic role,” she says. “The expectation of HR is that you are at the right-hand side of business and help the business from an ethics and branding standpoint, which is so important. An employee can take a decision which can be so positive with a customer – or can be the opposite and wreak havoc on your employer brand.”

At Enterprise, all HR people come from inside the business. “They all started as management trainees,” Miller says. “That’s how I started. It’s important you understand our business and values and how we do things. I can teach you to handle disciplinary matters, but it’s much more important to understand the business.” Proven success in a business role can, in particular, help HR overcome one of their major challenges – getting respect from line management. “It makes it easier to work with operational departments,” Miller says. “You have that kudos and stamp of approval.”

Given this emphasis on business understanding and experience, how are HR-specific degrees regarded? “If you are really interested in HR, if that’s what you want to study at university – that’s great,” Miller says. “But I would recommend someone to go into the business side first and then into HR.” Mark Brewer, partner in Frazer Jones, a specialist HR recruitment

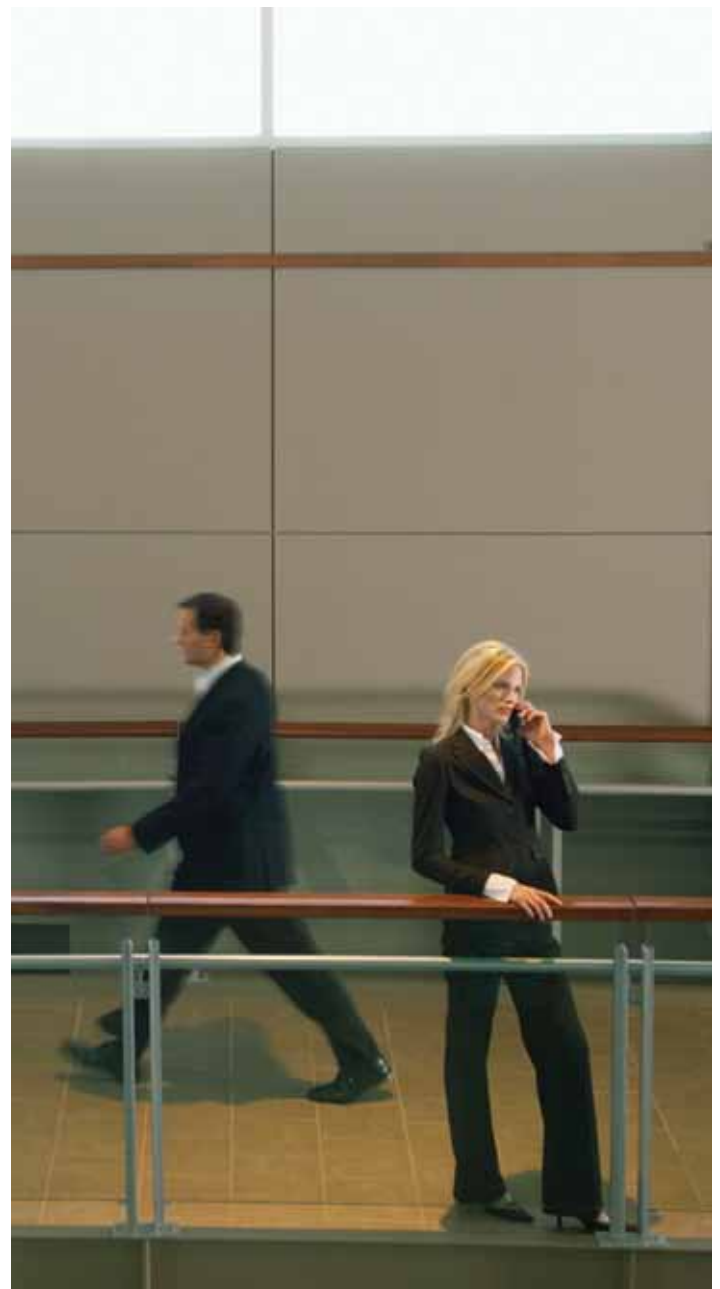
consultancy, confirms that HR specific degrees have value, although due to the perceived dumbing down of first degrees, he says: “The people who stand out now are those who have done MAs in HR management and MBAs.” He believes HR specialists have become more commercial. “Historically, the really good HR people were those that had moved across from other parts of the business, because they understood how business ticks,” he says. “That’s still very attractive to employers. But there are more people coming through the standard HR route who have as much commercial understanding now as those who came sideways [into HR from the business].”

Brewer adds that adoption of the Ulrich model has made HR a more interesting job, with knock-on effects for the calibre of people who now want to work in HR. “We are getting generally higher quality, more commercial individuals being attracted into HR,” he says. “At the senior level, HR is not a highly technical job; you have people below you to do that. It’s more about partnering with the business. For senior people, it’s about how to enable business to perform.”

The Chartered Institute of Personnel and Development (CIPD) recognises the importance of business understanding for HR to be effective. “We are doing a lot of work on what good HR looks like – the business skills, strategy skills and general management skills required,” says Vanessa Robinson, head of HR practice development at the CIPD. “We continue to explore this, because for HR functions to be credible, they have to understand the environment in which business is operating.”

The CIPD’s February 2010 report, *Next Generation HR*, presents some recent research findings and ideas on the changing nature of HR. It argues that “the ability of HR to deliver what we call genuine ‘organisational insight’ is what enables its activities to be truly relevant, timely and impactful”. This insight combines a deep understanding of what helps to make the organisation successful, and an appreciation of what makes things happen within it. HR therefore requires an understanding of key business drivers and the wider market, as well as intelligence gained through data-gathering, analysis and other HR activities.

The widespread emphasis placed on business understanding is perhaps encouraging for HR directors at a time of tight margins and training budget pressure, because the best way to learn about business is to work in it. “That could be gained by stints in the line, by going on a secondment,” says Robinson. She also highlights the value of participating in networking activities such as the CIPD’s special interest groups. “These remain popular and indicate that people are still keen to learn and develop,” she says. “Particularly in smaller organisations, looking outside can be a good way to improve skills.”



topic

author

Future trends

Liz Fisher

Learning from t

It is clear that the recession has left a lasting impact on organisations worldwide but what will its legacy be? A new report from PwC provides an insight into the changes that HR will have to face.



he past

One of the interesting things about a recession – assuming you have the luxury of observing from the edges of the maelstrom which, let's face it, not many HR professionals can claim – is how statistics lag behind reality, popping up a few months later to confirm (or refute) what everyone thought was happening. Did Europe emerge from recession at the end of 2009? We didn't find out officially until well into 2010, but it was still nice to know for sure.

When the crisis hit late in 2008, the predictions for business, and the role HR would play in a worldwide recession, were stark. It was clear that there would need to be immediate and deep cost cutting, and HR would therefore play a key part in seeing an organisation through the crisis, and making sure that it was healthy enough to face the eventual upturn. So much for the predictions, but what really happened?

Key Trends in Human Capital, the latest report from PricewaterhouseCoopers Saratoga, makes for fascinating reading for many reasons, but mainly for its ability to track, in hard facts and figures, the impact of the recession in human capital terms. The report is based on data from 10,000 organisations in 40 countries, benchmarked against macroeconomic indicators from UNESCO and other bodies, and comparing the findings from previous surveys carried out by the firm provides a near-complete picture of the impact of the recession, in terms of people, on organisations.

PwC conducted its annual survey of the views of CEOs worldwide just as the recession started to bite in 2008, and were told by the vast majority that they planned to cut costs sharply. Nearly two years on, the evidence is that while the cuts were severe, they did not go quite as far as predicted. Half of the CEOs questioned worldwide for PwC's *13th Annual Global CEO Survey* at the end of 2009 said that they had cut jobs, with companies in North America and Western Europe taking the most drastic action. 69% of US companies and 63% of UK companies reduced headcount during 2009, with the heaviest cuts hitting the automotive industry, industrial manufacturing and the media and entertainment sectors.

"Companies reacted differently to this contraction than they have previously," writes Richard Phelps, human resource services partner at PwC, in the *Key Trends* report. "Perhaps employers have learnt from the past – retaining employees can help a company rebound more quickly when the worst of the downturn is over." So rather than resorting to large-scale redundancies, many organisations introduced cost-saving initiatives that achieved similar results, says Phelps, but with less pain. "Among other things, I've seen companies freezing wages, offering sabbaticals, reducing expenditure on formal training, and freezing external in favour of internal recruitment."

Companies reacted differently to this contraction than they have previously. Perhaps employers have learnt from the past – retaining employees can help a company rebound more quickly when the worst of the downturn is over.

The latest PwC survey of CEO's attitudes did provide some comfort, as 39% of CEOs said they intended to increase headcount in 2010. Even so, it is clear that their approach to talent and recruitment has been fundamentally changed by the recession. 79% of CEOs said they intended to change their talent management strategy, and 68% said they would increase their investment in leadership and talent development as a result of the crisis. HR played a vital role in helping business leaders through the crisis and, as organisations emerge, CEOs seem to be indicating a need for a change in focus for people management.

PwC believes that the crisis brought into focus three major human capital failures:

- Existing reward models are broken and are not seen as fit for purpose in many parts of the world, and in almost every sector
- CEOs were unable to move talent around quickly when the crisis hit. This led to large-scale layoffs at one extreme, and talent gaps at the other. The focus now is on finding more agile ways of deploying talent where it is needed, while ensuring that employees remain engaged
- CEOs are increasingly concerned that they cannot access the right skills to allow them to compete effectively in the new environment.

For those organisations that survived the recession, important lessons have been learned, the most critical of which is the need to maximise the return on every investment. In the wake of budget cutbacks, organisations have had to do more with less, and human capital is no exception.

topic

author

Future trends

Liz Fisher





The *Key Trends* report clearly showed how the organisations that were most successful in riding the storm were those that were able to squeeze the most out of their existing resources. A key indicator highlighted in the report is the 'human capital return on investment (ROI)', or the pre-tax profit produced for every currency unit paid out in remuneration. The results reveal that organisations in the US have responded to the challenges of the worldwide recession far more effectively than those elsewhere.

Previous *Key Trends* studies showed that between 2002 and 2006, human capital ROI rose by 4.6% in the UK and by 8.3% in Western Europe. But over

the same period, human capital ROI increased by 19.8% in the US. As the recession took hold the ROI index fell in the UK and Western Europe (by 2.8% and 1.7% respectively) but held steady in the US.

"The US is keeping employment numbers and costs under tight control," explains Phelps. "Essentially, the findings reflect the ability of different economies to flex the level of employment costs to market conditions. But while businesses in the UK and Western Europe might argue that the highly regulated environment hinders their ability to keep costs down – and local circumstances undoubtedly affect results – there are still ways to find improvement in profitability regardless of territory." The report puts forward a number of suggestions for improving ROI in human capital, including reducing the use of overtime, exploring the use of attendance-related pay to reduce absenteeism, and a review of benefits structures.

The report also points out the risk, though, of asking more of your people without paying due attention to the issue of employee engagement. As confidence starts to return, many organisations are assessing the lessons learned from the crisis and are facing the collateral damage of the decisions they made in order to survive. The Corporate Leadership Council's annual report, which monitors engagement levels of 500,000 employees, found that in 2007, 10% of the sample were defined as 'highly disengaged'. By the start of 2009, this percentage had risen to an alarming 33%.

As *Key Trends* points out, people are the primary source of competitive advantage during an upturn: "Engagement is not something you do; it is something that results when you get the various components of HR, management and communication right. Engagement is driven visibly and charismatically by committed leadership and delivered by co-opting middle management first."

An added problem was that during the recession retention rates have remained steady and employees have been reluctant to move employers. The disengaged have 'dug in' and there is the ever-present risk that high performers will start looking elsewhere once the recruitment market picks up. According to the Corporate Leadership Council, one in four 'high potential' employees say they intend to leave their current employer during 2010. As the *Key Trends* report says with admirable understatement, faced with this prospect "line managers and HR will need to work together to retain talent". The worst may be over, but for HR the challenge is just beginning.

Key Trends in Human Capital can be seen at www.pwc.com/hrs
PwC's *13th Annual Global CEO Survey* at www.pwc.com/ceosurvey

topic

author

People management

Philip Smith

Going public

With governments looking for significant reductions in public spending, HR professionals are gearing up to cope with the inevitable fallout.

14



Whichever way one looks at it, the coming months, even years, will not be comfortable for public sector employees in the UK and throughout Europe. And this means that HR directors in local and central government, and other publicly run organisations, will be faced with some tough decisions and negotiations. Across Europe, government deficits that ballooned during the recent financial crisis need to be cut back. From Greece and Portugal to France, Germany and the UK, governments have effectively been forced to take an axe to public spending. This will inevitably lead to job losses, while those that remain in their positions will be expected to provide more services with fewer resources and a frozen pay packet.

Greece, as part of its deal to secure a loan from European Union countries and the International Monetary Fund, has pledged to cut its budget deficit from 13.6% of gross domestic product to below 3% by 2014. Such austerity measures saw protesters taking to the streets in Athens. This was followed by tens of thousands of civil servants across Spain walking out on strike after their government announced pay cuts averaging 5% in tandem with plans to reform labour laws that could make it easier and cheaper to sack workers.

Arguably, the public sector is being asked to do no more than its peers in the private sector have been required to do (although many would argue that the public sector has created its own problems by being slow to make sensible cuts to employment-related costs). But many in the public sector believe, rightly or wrongly, they are now paying the price for the failings of the private sector, especially in the financial services sector. All of which presents a few challenges for public sector HR departments – in the UK, public servants are now facing a two-year pay freeze, emergency legislation to cut redundancy payments and pension reform. The unions have vowed to fight tooth and nail, and given that the unions are far stronger in the public sector than private, this will be a source of ongoing action, with the threat of strikes and walkouts a serious prospect.

“With a large deficit to tackle, the move by ministers to reduce the spend on redundancies for staff and bring the terms into line with the private sector is hardly surprising, particularly given that the gap between the two sectors is narrowing,” says Andy Robling, public services director at recruitment consultancy Hays. “But this short-term move may result in greater problems for the public sector in the future. If redundancies are not handled appropriately, not only could it damage the reputation of the sector as an employer for years to come, which will hinder its ability to attract the right specialist skills to manage transformation, but it will also have a negative impact on the remaining staff.”

So what are HR directors to do, faced with such challenges? And are they ready for them? “The levels of change have been unprecedented, and there

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For many, working in the public sector is a vocation. This means that recognition of an individual’s value does not necessarily have to be based on financial reward, but could come in the form of areas such as training and development, and a more flexible approach to employment.

has been an unprecedented focus on cost,” says Ian Tomlinson-Roe, a partner in the Human Resource Services practice at PricewaterhouseCoopers. “To put it into context,” he adds, “in Great Britain one in five employees are in the public sector, one in four in Northern Ireland, and the vast majority of costs are in payroll. The people challenges are extreme.” However, Tomlinson-Roe sees varying approaches between central government, local authorities, the health services and other bodies. “In central government, a number of senior HR directors were brought in from the private sector over the last 12 to 24 months, and they have now been thrust into the spotlight,” he says.

“Central government has seen this coming for more than a year now,” says Mike Emmott, employee relations adviser for the Chartered Institute of Personnel and Development. “They have been working on simplifying process, shared services and a lot of efficiencies.” Emmott says that effort has been put into devising HR policies that will apply across departments as more have questioned why HR should be tackled differently depending on the department. Such moves will go some way to ensuring that staff are treated in a consistent manner, no matter which department they are working for. Consistency of treatment will be one of the vital components in carrying out job cuts in as humane a way as possible.

Tomlinson-Roe has seen that a lack of employee information and a lack of performance-orientated data could make the identification of those that

People management

Philip Smith



should be retained, and those that should be released, quite a challenge. Robling also raises the key point of employment packages. At recent meetings with HR professionals he says there has been a real frustration about the 'shackles' of current compensation packages. "If you can't 'exit' people, then anything else is moving the deck chairs," he argues. And he appreciates a certain irony of the current situation. "A lot of people who joined the public sector from the private sector were looking for job security and good pensions," he says, adding that there could well be a talent drain, especially among professionally qualified staff. "If you haven't promoted the brand then it will be difficult to get the talent back." And he raises another threat that HR professionals will need to deal with if existing talent is not looked after. "The people that you don't want to leave will leave and you could end up with the worst of all worlds."

Tomlinson-Roe agrees: "Retention will be crucially important." He observes that for many, working in the public sector is a vocation: they are people that believe fundamentally in the value of the public sector. This in turn means that recognition of an individual's value does not necessarily have to be based on financial reward, but could come in the form of areas such as training and development, and a more flexible approach to employment. And this is where the experience of the private sector, which in some countries has gone through one of the worst recessions in living memory, could prove extremely useful.

With predicted job losses ranging from the thousands to the hundreds of thousands, levels of anxiety among public servants about their jobs and their futures are sky high. One of the vital lessons the public sector should take from the recession is the way that, faced in many cases with an equally sheer cliff edge, private companies worked with their staff to minimise the pain, while maintaining and improving product quality or customer service, according to Nita Clark, director of the Involvement and Participation Association. "Engagement to survive is what made this recession different – and that is exactly what the public sector now needs," Clark says. "Engagement means strong strategic leadership, managers with soft as well as process skills, effective employee voice and organisational integrity, putting into practice values such as trust, honesty, transparency and partnership ways of working."

These are points taken up by Tomlinson-Roe, who says: "The real challenge here is to take from the private sector that which may have worked in the past, but also think innovatively about new ways of doing this." He believes the HR community needs to drive employee co-operation and organisational co-operation, looking for opportunities where the private sector and the public sector can work together, particularly in the transfer of people and skills from one organisation to another. "There needs to be a huge emphasis



on communication,” he says, “so that employees really understand the magnitude of the problem, how much the public sector is trying to get this right, and the options that employees now have.”

In his reaction to the UK coalition Government’s emergency Budget, Dean Shoesmith, president of the Public Sector People Managers’ Association, likewise called for the involvement of staff in cost-saving measures, saying that there were many instances where such an approach had already led to change. “Frontline staff are often best placed to come up with innovative solutions, or at least contribute in the process, because they understand customers and working systems better than most others within the organisation, and will know their specific needs and complaints.” Such engagement will need to involve union representatives. Again lessons can be learnt from the private sector, where employers were able to sit down

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The real challenge here is to take from the private sector that which may have worked in the past, but also to think innovatively about new ways of doing them.

with the workforce’s unions and together form a strategy to ensure minimal human cost. In those cases, the unions were realistic, though the public sector unions are also aware of their relative strength compared with their private sector counterparts.

All of which presents HR directors with challenges, but also opportunities. “There are a range of emotions,” says Shoesmith. “Those who are confident in knowing what they have got to do and how to do it are seeing this as their moment.” The current situation provides them with the circumstances to demonstrate how they can really play a role and prove their worth. “At the other end of the spectrum,” Tomlinson-Roe says, “there are those that are like rabbits in the headlights.” This, he says, could be through no fault of their own – they will not have had the experience and do not relish being placed in the spotlight. Those that will succeed will be those that can come up with the answers and have the ability to influence their organisation’s leaders to take the appropriate course of action and help steer the organisation through the changes ahead, he argues.

Of course, not necessarily being seen as a front line service, human resource departments will themselves be in the firing line. But again, there are opportunities here as well. “The HR functions are themselves facing the requirement to be more productive, and the administrative demands are greater than they ever have been,” says Tomlinson-Roe. “The very smart HR directors are ensuring that the senior position and the function is operating at an organisational level and that the responsibility for the functioning of their own department is being delegated.” This allows them to focus on the key issues of handling the very human face of public sector cutbacks. There are indeed lessons to be learnt from the private sector, and there are many aspects that will work in the public sector, but not everything. As Tomlinson-Roe says: “It is not really the ‘what’ but the ‘how’ that might need to change.

topic

author

HRD profile

James Ashton

Growing pains

An outsourcing business such as Capita presents a unique challenge for an HR director. Claire Neal explains how she approaches her role in a business that has seen staff numbers increase by 300% over the past eight years.



Transferring to a new employer is never easy. For thousands of people joining Capita, the UK outsourcing giant that does everything from collecting the TV licence fee to running the Criminal Records Bureau, that transition is managed by Claire Neal, the group human resources director, and her team.

Unlike many of her peers who have had to handle painful downsizing in recent years, one of Neal's biggest challenges is dealing with precisely the opposite: mushrooming growth. Capita's turnover has risen from £1.4bn to £2.7bn between 2005 and 2009, while underlying operating profit has almost doubled to £358m over the same period. With new contract wins invariably comes new staff, transferred to Capita under TUPE (the UK's Transfer of Undertakings (Protection of Employment) Regulations that protect employees' terms and conditions during a transfer of business ownership).

In Neal's eight years with the business, the increase in staff numbers has been explosive, going from 12,000 to 36,000 as the company took skills learnt in national and local government contracts into labour-intensive areas in the private sector, such as life insurance and pensions administration. In education, Capita administers the Adult Learning Grant (ALG) and teachers' pensions, and in healthcare it is eyeing big opportunities within the National Health Service. "It is not just about winning those contracts, we have to interact with clients and let staff know how it will look and feel when they transfer to us," says Neal. "There is a cultural integration, to try to get managers to understand and to give them the tools to potentially work in a different way."

Neal's challenge is that there is not a one-size-fits-all model for Capita, which employs more than simply administrative staff handling traditional back-office functions. Through its property division, for example, Capita employs architects and civil engineers, as well as financial professionals at its life and pensions arm. The company doesn't just win contracts that involve staff being transferred in to the organisation – it is an acquisitive business too, which means that over 70% of Capita's staff have not joined the company of their own accord.

"The approach that we take is to have an HR framework where we have got certain things that are really important for Capita to embody," Neal admits. "Within those different units, there is some variation, often of inherited terms and conditions. There are also slightly different cultures in some of the businesses that we need to respond to."

Neal has a team dedicated to the induction of staff, under the banner of Capita's 'Staffcare' programme. The work begins with a formal welcome to the business on day one. "The channels of communication vary from business to business," she says. "We invest a lot of time face-to-face, with staff

Capita brought 4,000 people into the business last year and 1,800 left. Voluntary attrition was running at 12%, but because of the weak economic climate, it fell to below 10% in the last year.

presentations. We also spend a lot of time, where we can, to meet managers in a different forum, because the managers that transfer to us will be key in getting integrated and cascading those messages to their teams." Neal also invites recently-transferred staff to discuss their experiences with people on the verge of joining the business. The big projects can take six to nine months in some cases. "They do take on a life of their own," she admits.

One example is when Capita took over the running of several million mature life and pensions policies for Prudential, the insurer, under a 15-year contract worth £722m. It involved transferring 1,800 staff in the UK and, at the same time, 1,200 in India. So it could guarantee a simultaneous message reached all staff, the Prudential boss carried out a webcast alongside Paul Pindar, Capita's chief executive. Neal believes that honesty is the best policy, particularly when closing centres is already on the cards. "If we know that that is the plan within a two-year time frame we will be open and honest with people because we think that is wholly appropriate, albeit difficult," she says. "It gives us time to manage the right processes with people."

There is a natural handover between the on-boarding and integration team to the HR operations team, the second of three parts to Neal's empire. Operations continue to manage the transformation plan, which could include offshoring jobs or closing a site. The third part involves HR playing a part in working on project work, including new contract pitches, on an ad-hoc basis for each division. "As the bid process goes on we will go meet with (prospective) clients and take them on site visits, knowing we are being assessed on those interactions. Often in the public sector, there will be engagement with other stakeholders, such as talking to the unions."

HRD profile

James Ashton



Claire Neal

Claire Neal joined Capita eight years ago as an HR manager from Thomas Cook, where she had spent 13 years. "In the last couple of years there I was involved in a lot of acquisition activity. We bought what is now Thomas Cook Airlines and merged two airlines together. I was involved in a lot of that whole integration. That is what I found interesting about Capita, being able to carry on that same involvement."

Neal joined Capita to manage HR projects but on day one was switched to work with one of the divisional directors to support their division. She was asked to head up areas such as on-boarding and contract bidding under the previous group HR director and then stepped up to replace her when she left Capita two and half years ago.

Qualifications: BA in business studies and human resources from Teeside Polytechnic.

Specialisms: Transitioning, on-boarding, managing very large projects.

With so much people activity, it is no surprise that there are plenty of comings and goings. Capita brought 4,000 people into the business last year and 1,800 left. Voluntary attrition was running at 12%, but because of the weak economic climate, it fell to below 10% in the last year. Such turnover means that HR-led recruitment is quite limited. There is no graduate scheme as such, and specialist training is devolved to each division. For example, Capita Symonds, the property consultancy runs a lot of Continuing Professional Development (CPD) training.

Those elements seem quite straightforward, compared to some peers who spend a large proportion of their job hunting for recruits. But one area of Neal's job that has become tricky is identifying the talent that is already in the business. This is becoming a priority that Neal wants to tackle.

"For our senior managers and directors it is a challenge as you get bigger because you have less sight of the staff and talent in your business," she said. Neal wants to make better use of the company intranet, Capita Connections, to make sure that promising candidates are aware of situations vacant in the organisation. "We are looking to promote some more of our opportunities around the group, so that there is a bit more inter-divisional movement," she says. "People often sit in their business units and maybe don't know what else is going on in terms of career development. And vice versa, we don't know they are interested in looking."

At the top of the group, Neal is also keen for managers to share ideas. There is a senior management conference every year for the top 350, when the main challenges the business faces are made apparent. New businesses that have been acquired or obtained through a contract win are properly introduced as well. "We work very hard to have a framework which is all about Capita values – how we expect our managers to manage people," says Neal. "That needs to be fair and consistent across the group. It is really important to recognise the diversity of our people."

Management training is carried out at the Capita Manager Academy, which handles 300 people a year, often as they join the company. "That is about giving them some of the skills where business development is important, being commercial. There are a range of programmes managers will go through to help them to understand their role at Capita."

The HR course is classroom-based, but there is online training to support that. A 'managers' desktop' means that executives can dip in and out of the training programme, an approach that has also been used as a way to standardise some HR functions. An automated employee contract generation system means that managers can make a job offer to a candidate there and then, for example.



Neal reports into Simon Pilling, Capita's chief operating officer, who sits on the board, instead of Paul Pindar, the chief executive. "It goes back to that really close link we have with the businesses," says Neal. "Because we are so closely aligned to the success of the operational businesses that is where it is seen as most appropriate for us to sit." Her team is 55-strong, and has grown along with the business: "It is a mixture of people who have joined us directly

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We work very hard to have a framework which is all about Capita values – how we expect our managers to manage people. That needs to be fair and consistent across the group. It is really important to recognise the diversity of our people.

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and people who have joined us under TUPE, which is a nice blend. It means that people have a good understanding of integration.”

Not surprisingly, Neal practices what Capita preaches. She has outsourced HR administration and payroll to Capita's division that provides that service to numerous companies. There is also the option of using Capita's own occupational health business, as well as learning and development, which runs training programmes for clients. Neal treats them as service partners, even though they are part of the same organisation. She admits that outsourcing can be tricky, even though she is surrounded by it. "When you start these things there is always a little bit of pain to go through, and changes of mindset sometimes, but that is what we do as a business anyway," she says. "It allows us to focus on the things that add value to our businesses and that is about helping them through difficult situations where they might have issues with employer relations or plans that are difficult to implement.”

There is plenty more to come for Capita and its peers. The coalition UK government is talking tough about clipping the wings of outsourcers with price cuts to existing contracts as part of its austerity drive. But outsourcers believe that if local councils have to get by on less money, they will end up hiving off more work – and staff – to private sector operators which are better at driving efficiency. Capita estimates that the market for business process outsourcing is worth £94bn per year, and as of 2009, only £6bn of it has been outsourced. It looks as though Neal's growing pains, skilfully managed so far, are not over yet.

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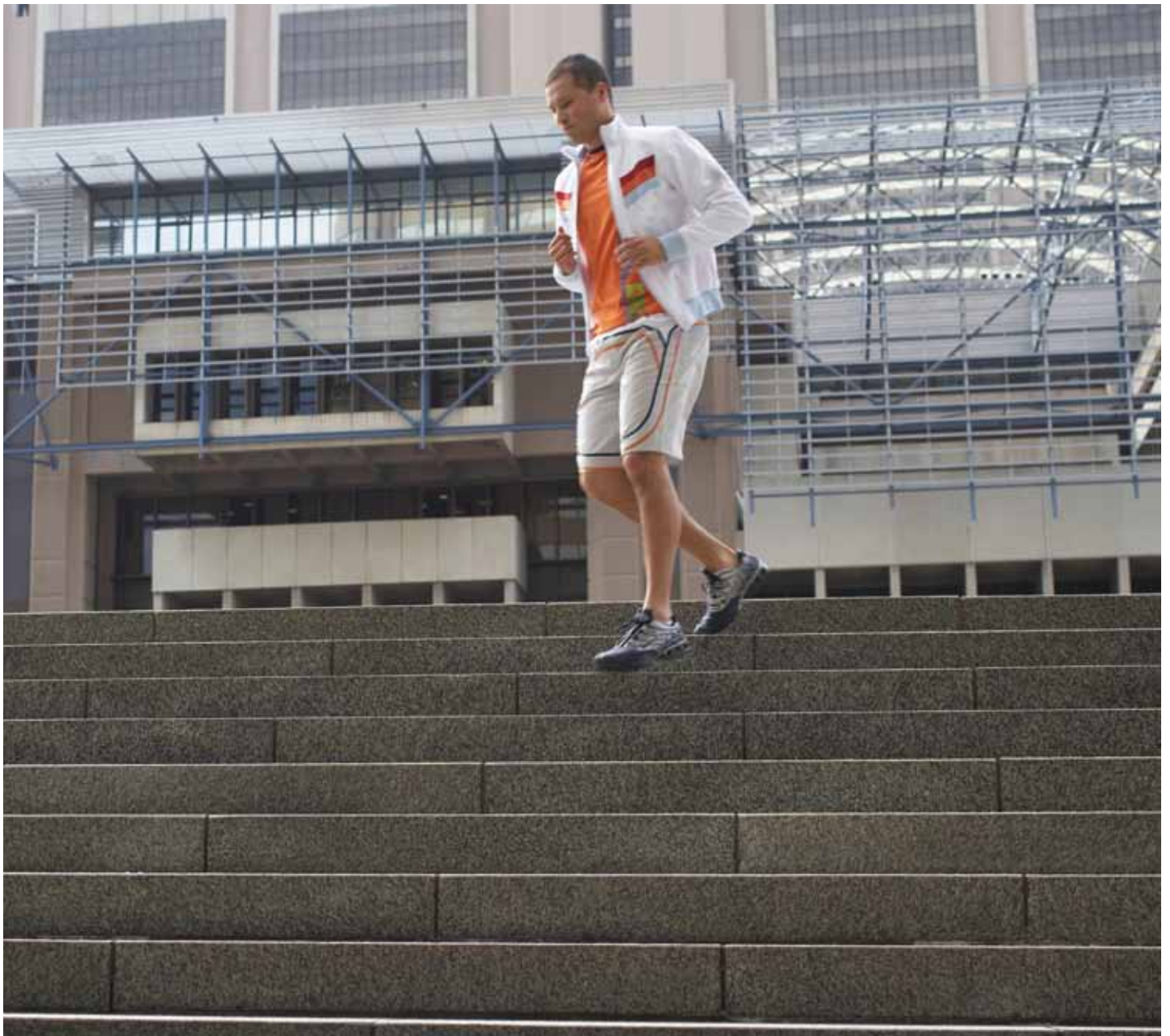
author

Wellness at work

Sally O'Reilly

HR is watching

It's generally accepted knowledge that fit employees are more productive workers. But how far should HR professionals go when pushing the healthy living message at work?



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Health. It's all around you. It's everywhere you look. Bright-eyed models stare up from magazines. TV ads show wholesome families cycling in the sun. Politicians stride, jog and swim to promote themselves as youthful, virile leaders of the nation. All in all, it's enough to make you slump down with an ice-cold gin and tonic.

In workplace terms, the received opinion is that promoting health must be a 'good thing'. Healthier workers are more productive, less likely to take time off and report higher levels of job satisfaction. Employers boost their bottom line, spend less on sick pay and can depend on a loyal, motivated workforce. Everybody wins. Or do they?

Wellness initiatives at work are certainly on the agenda. In 2008, for instance, the UK's Labour government announced a £372m anti-obesity strategy 'Healthy Weight, Healthy Lives', which aimed to tackle the problem of the nation's widening girth. Under the new legislation, organisations are being encouraged to make healthy workplaces part of their core business model, and to incentivise healthy living and fitness among their staff. This new strategy is based on the findings of the influential Black review of the health of the working age population, the first of its kind carried out in this country.

There is no doubt that obesity is a problem in many developed countries. The worst offender is the US, where 64% of adults are currently rated as overweight and 26% as obese. At the current rate of increase, 41% of US adults will be obese by 2015. The UK's Department of Health reports that 25% of adults and one third of children are obese, and predicts that if current trends continue, 90% of adults will be obese by 2050, and the cost to the UK economy will be £50bn. What's more, excess weight tends to be unevenly distributed across the working population, and it's not necessarily a 'blue collar' issue. One recent survey carried out by weight management firm LIPObind found that the second fattest group of workers were lawyers, followed by IT workers and doctors. The fact that all these professionals have sedentary occupations is part of the problem

Of course, obesity is not the only potential health issue for employers. Smoking, alcohol and drug abuse are also issues that governments are seeking to address, and again, employers are seen as one of the interest groups who can promote healthier living. Smoking has been banned in the workplace in Ireland and Norway since 2004 and in the UK for the past three years, at which time all enclosed public spaces also became smoke-free.

A Chartered Institute of Personnel and Development (CIPD) survey in 2007 based its findings on feedback from over 500 HR professionals in major organisations. It reported that six out of 10 organisations used the disciplinary process when managing drug or alcohol misuse at work and just under 60%

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In broad terms, what an employer can reasonably do is offer good advice about healthy living, and support if a staff member wants to give up an unhealthy habit. But pushing the message harder than this is not advisable.
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of organisations have rules in place about the possession of drugs and alcohol on the premises. By far the most common approach to managing alcohol and drug problems at work adopted by employers was to treat it as a combined disciplinary and health issue. Most firms initially offered drug-using staff access to occupational health (OH), flexible working and access to counselling services. In the two years before the survey, around half of the respondents had disciplined staff for alcohol misuse, while a third had sacked employees for this reason.

So far, so good. But the question now is how far HR professionals should go when pushing the healthy living message at work. Where is the line between promoting healthy lifestyles and discriminating against those who are deemed not to be healthy? One example which hit the headlines was the case of bus driver Marie Parker, who was refused an interview with Belfast transport company Translink because her body mass index (BMI) was too high: the company has a policy of employing staff with a BMI of less than 33; Parker's was 34.1.

Employers could be on dangerous ground here. In the UK, for instance, the obesity of the employee or prospective recruit may be linked to a condition that is a disability under the Disability Discrimination Act 1995 (DDA), such as depression. If the employee could prove this, then the employer might be liable for prosecution under this act. And those who want to promote fitness across the organisation – targeting their heavier colleagues in particular – need to tread carefully. One option is to research the issue thoroughly and

Wellness at work

Sally O'Reilly



contact the National Obesity Forum, which will help HR to draw up a policy that is acceptable to staff, and doesn't breach disability law.

So does the current focus on health and productivity mean that we will see a greater emphasis on this in future? And what are the implications for HR? According to Professor Cary L. Cooper, chair of academy of social sciences and distinguished professor of organisational psychology and health at Lancaster University Management School, there is also a need for caution when pushing this message with staff. "Both HR and OH are very interested in wellbeing – if you look at sickness absence figures, you will see that 10 years ago musculoskeletal disorders (such as bad backs) were the main cause of absence. But now the main cause is stress at work, and employers want to keep this down," he says. "It's also recognised by HR that a healthier workforce is more engaged – health, wellbeing and engagement are all linked. But yes, it is possible for HR to be too prescriptive. If they start dictating the way that staff behave, people will react against this. Instead, they need to incentivise people to be well."

There are also legal constraints to take into account. "Linking satisfactory health checks to promotion or other workplace opportunities would give rise to serious concerns from a legal perspective – particularly in relation to disability discrimination," says Beth Hale, an associate in the employment team at international law firm Stephenson Harwood. "Careful allowances would need to be made for underlying conditions and employers would need to take care that disabled employees were not disadvantaged."

In broad terms, what an employer can reasonably do is offer good advice about healthy living, and support if a staff member wants to give up an unhealthy habit. But pushing the message harder than this is not advisable. "In relation to smoking, many employers already offer employees assistance with giving up smoking," says Hale. "Going further than this, for instance by insisting that an employee gives up smoking, where an employee's habit has no impact on his or her ability to carry out her job is likely to constitute an inappropriate intrusion on an individual's private life."

But employers are on safer territory if the behaviour of employees has the potential to bring the organisation into disrepute. "This can include, for example, drunken behaviour outside the workplace, particularly in circumstances where an individual is easily identifiable as an employee of a particular firm (for example, because he is wearing his security pass or carrying a branded umbrella)," says Hale.

It's a different story on the other side of the Atlantic. Most Americans (59.3%) receive their health insurance coverage through an employer. Costs for employer-paid health insurance are rising rapidly: since 2001, premiums for

family coverage have increased 78%, while wages have risen 19% and inflation has risen 17%, according to a 2007 study by the Kaiser Family Foundation. So it's perhaps not surprising that some US employers are resorting to paying staff to get fit. At least a third either already offer financial incentives to overweight staff or are planning to do so. In one firm, OhioHealth, a hospital chain whose staff are predominantly overweight, employees are paid to wear pedometers. The further they walk, the more they get paid – up to \$500 a year.

In the UK, where most health issues are dealt with by the National Health Service, employers need to see more evidence that unfit workers cost them money before they bribe them to go jogging or join a gym. Ben Wilmott, senior public policy adviser at the CIPD, says it's in the best interest of UK HR professionals to take a “softly softly” approach to health promotion. “What works most effectively is ‘nudging’ staff towards making responsible decisions about their health,” he says. “Good management is essential to workplace wellbeing.”

Dr Fiona Jones, senior lecturer in health psychology at the University of Leeds, agrees. She has looked at surveys on the psychology of health promotion and says that coercion is never a good strategy when it comes to tackling addiction or unhealthy lifestyles. “Much of the literature relates to ethical issues and, certainly in psychological research, any attempt to force people to change habits would be regarded as unethical,” she points out. “But there is evidence that people are more likely to change their behaviour if they change their attitude to the behaviour, feel competent to make the change and have social support.” In other words, change comes from within. If someone really believes they will benefit from a change in their behaviour, rather than being ticked off for being ‘naughty’, they are more likely to find the motivation to make that change.

One organisation which takes the health of its employees seriously is Ashridge Business School. “Wellness for us here is about greater employee engagement and higher sustainable performance,” says HR director Betina Hamer. “We take a holistic approach, offering free healthy meals whilst staff are on duty, hydration, fresh fruit, a variety of contracts that are negotiable at key life change triggers, a free independent employee counselling service and physical well-being support.” Employees in at-risk occupations – such as night-workers and drivers – are given workplace health checks, while senior staff have check-ups every three years. And members of staff who want to give up smoking are offered funding for nicotine patches and free counselling; the impetus must come from them, however, not Ashridge.

And HR is not responsible for pushing this agenda, Hamer points out. “We all feel better when we feel engaged, have a degree of control and a say in what is going on. So Ashridge’s elected representatives, the Staff Forum, have a

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If an employee’s attendance record demonstrates frequent absence or poor performance due to self-inflicted illness such as hangovers, sporting injuries and so on, then an employer could draw attention to the fact that such frequent absence may be putting their future employment at risk.

key role to play in consultation, communication and dissemination of views.” Her advice to other employers is to take a similar line. “If an employee’s attendance record demonstrates frequent absence or poor performance due to self-inflicted illness such as hangovers, sporting injuries and so on, then an employer could draw attention to the fact that such frequent absence may be putting their future employment at risk. Referring to an occupational health advisor might also be appropriate. A firm hand in a velvet glove, initially intended to be supportive of change, not disciplinary, is best.”

As for the future, she believes that in challenging economic times, there may be a greater role for employers in improving workplace health if they can prove it is affecting the bottom line. Research by academics like Roslander and Fincham on annual reports shows that ‘wellness’ – or healthy, productive staff – can be identified by employers as part of their intellectual capital.

What is certain, however, is that while organisations may change, and economies may fluctuate, human nature will always stay the same. The most persuasive health messages in the world won’t change behaviour if they are communicated in an authoritarian way. As the great guru of hard living Keith Richards commented: “I’ve had about three doctors who told me, ‘If you carry on like this, you will be dead in six months’. I went to their funerals.”

It takes a family

Maternity and paternity leave can be a strain on smaller employers but are nevertheless an accepted benefit for working parents. But what about employees who are caring for elderly parents? How far should employers go?

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Family life – it is an ingredient that may well make for a stable workforce, made up of people committed to their employers for the long haul, but it also has the potential to be hugely disruptive. A significant proportion of the workforce in any country will be parents (in the UK it is more than a third), and a further group will be acting as carers to family members or friends.

Any new parent will be familiar with the sensation that they have joined the biggest club in the world only to be hit by problems made worse by a huge sense of isolation. From the employers' point of view, the long spells away from the workplace that maternity and paternity leave bring are just the beginning. Returning new mothers and parents are more than likely sleep-deprived. They will certainly be bewildered by their new and exacting parental role. Parents of older, perhaps bullied, children or children with learning difficulties may be worried and distracted in ways that their line managers and directors can only guess at, and – as the population ages – more people are likely to become carers of elderly parents.

More than three million people in the UK combine work with caring responsibilities and nearly 80% of people working who also care for a family member do not have anyone else in the household in paid work, according to Carers UK, a charity and pressure group. Parenting and caring adds up to a whole range of problems and concerns that many people believe should not see the light of day in the workplace at all, but which enlightened organisations increasingly recognise as areas where they can and should offer support to employees

Zoe Sinclair, founding director of Employees Matter, a consultancy that provides seminars and online resources for large professional firms and companies, says organisations are increasingly looking for ways in which they can support individuals so that they are comfortable and productive in the workplace. “Ten years ago, dads kept their jackets on the back of their chairs while they slipped out to sports day or the school play. We've gone beyond that and there is more understanding now of the pressures on parents,” she says.

As an employee, getting to grips with legal entitlements around maternity, paternity and family leave is the first hurdle and, of course, provision and entitlements differ widely from country to country. On the parenting side, in the UK, for instance, women are entitled to 52 weeks of maternity leave. Paternity leave is two weeks paid at £124 per week. From April 2011, new mothers will be able to transfer the second half of their year-long maternity leave to the father. In Sweden, women can take 15 weeks maternity leave, but together parents receive statutory parental allowance for 480 days, up to 420 of which can be taken by one parent. In France, women accrue 16 weeks for a single birth, but collective bargaining in different industry sectors may

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For many employers there will remain questions as to how far they should go in terms of offering this kind of support. To some people's minds, if the workplace is to function well, it should not delve into the detail of its employees' lives.

allow for additional time off work. In Italy, women enjoy five months mandatory maternity leave and may take an additional six months any time up until the child's eighth birthday.

John Harding, a director with PricewaterhouseCoopers Human Resource Services, points out that employers vary widely in terms of the benefits that they add to statutory provision. On maternity leave, in the UK employers must maintain benefits such as company cars for the full period of maternity leave, although pension contributions are only payable for periods of paid leave; typically the first 39 weeks rather than the full 52. Other benefits are discretionary, with public sector and larger private sector companies tending to be the most generous. Inevitably, larger organisations are likely to have the most scope to offer flexibility – a feature that undoubtedly wins out in the war for talent.

But where many employers struggle, says Sinclair, is around issues that individuals face as carers. “It is not as exciting as parenting; the issues can be very upsetting to talk about to colleagues and there are also plenty of people who wouldn't necessarily describe themselves as carers – even though they may be visiting an ageing or unwell parent every day, cooking for them every day or thinking about whether they need to find care home provision.” What is more, caring can be marked by sudden and highly disruptive events. “Unlike parenting, it is not cumulative,” she says. “Being a carer can be different from one moment to the next. A stroke, a fall or the onset of Alzheimer's, and suddenly the whole world comes tumbling down.”

topic

author

Flexible working

Liz Loxton



Sinclair says a recent internal seminar in a professional services firm entitled ‘Now where did I put my glasses?’ attracted people in numbers that surprised even the HR department that staged the event. Some participants were carers already, others recognised that they were likely to need information and assistance further down the line. Others would not have seen themselves as carers, but recognised situations and predicaments described by others.

In the UK, individuals have the right to apply for flexible working arrangements to care for children under 16 or under 18 in the case of children with special needs who qualify for the disability living allowance. Recently, the UK’s new coalition Government announced plans to extend flexible working rights to everyone, and not just parents and carers. In the meantime, carers of adults also have the right to apply for flexible working.

Stephen Gummer, a partner with PwC Legal LLP, says the extension of flexible working to all employees is a natural extension of existing rights, reflecting a cultural change in terms of providing far greater work/life balance and removing much of the stigma that still attaches to flexible working. “The challenge for employers will be balancing the proposed changes to flexible working with the needs of their respective businesses, in terms of business continuity. Having robust reporting and monitoring systems in place for implementation will be critical to ensuring consistency of application, and avoid discrimination related claims that could arise if things are not done properly.”

There is also provision for unpaid emergency leave. Mike Emmott, public policy adviser with the Chartered Institute of Personnel and Development, says that in practice, unpaid leave is not widely taken up and that most employers deal with emergency leave on an informal basis. It is, he argues, very ‘soft law’ that nevertheless strengthens the employee position in terms of how individuals can expect to be treated.

Time off for emergency situations is undoubtedly helpful, but large organisations are well-placed to provide support in other ways. Information – especially for carers who may need a whole range of information about health and care services, social security provision, legal implications around powers of attorney arrangements and more – is one way that HR departments can come to the aid of employees who find themselves swamped by sudden family emergencies. Emmott says it is common, especially among larger organisations, to operate health and wellbeing helplines for staff to field questions on elderly care, sheltered accommodation, health issues and so on. Employers’ well-being policies and provision are more than likely to become increasingly focused on caring as an issue, he believes.

“The concept of being able to get information is very important,” says Sinclair. Seminars and face-to-face meetings with experts are proving very



popular and effective, she says. For her clients, Sinclair stages four to six seminars a year on parenting (being careful they don’t coincide with school holidays). Subjects include sleep issues, communicating with teenagers, dealing with anger and tantrums, growing healthy children and developing children’s confidence. All are well-attended, she says, especially those around sleep problems.

For many employers there will remain questions as to how far they should go in terms of offering this kind of support. To some people’s minds, if the workplace is to function well, it should not delve into the detail of its employees’ lives. Sinclair has found, however, that some companies look to include parenting and caring issues under their diversity policies, which means it becomes part of how organisations look at the make up of their workforce so that family situation is considered alongside issues such as ethnicity and gender. This also puts supporting parents and carers squarely within the remit of the HR department. What is more, many commentators will suggest that the more you look after your employees and provide them with support, the more productive, loyal and engaged they will become. “It is an issue that 100% affects the bottom line,” says Sinclair.

topic

author

Pensions

Mick James

Lessons from D

The UK is not alone in floundering to find a workable answer to its pensions crisis. Does Australia hold the answer?

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own under

With a new government in place, the future of UK pensions policy is once more uncertain. The latest suggestion for a 'solution' to the problem is a scheme that will automatically enrol workers into a workplace pension fund, combined with the introduction of low-cost, trust-based, occupational pension schemes known as National Employment Savings Trusts (NEST). However, many feel that this will prove inadequate and have looked further afield for an answer. For many, the 'liberal paternalism' of Australia's scheme, with its compulsory contributions, AUS\$1.2trn of funding and 88% of workers signed up through their employers, looks like a more sustainable model.

Until the mid-1980s, the Australian pension landscape was much like the UK, with a mixture of employers' schemes and voluntary savings with tax incentives. But this left over 50% of the population uncovered by any form of pension or superannuation scheme. Compulsion began to be applied in 1986 to new pay awards, and was extended to all employees (with exemptions for low income and age) from 1992 at the rate of employer contributions of 3% of salary. The cost to employers was offset by a period of national wage restraint. The percentage increased to 7%, then 9% and is now scheduled to gradually increase to 12% between 2013 and 2019, still well below the 15% originally called for by the original architect of the scheme, Paul Keating.

Individuals can make voluntary contributions to their scheme, and do so at an average rate of 2-3%, and while there is no compulsion for the self-employed, there are tax concessions. Otherwise the tax rules regarding pensions are complex and have changed several times over the lifetime of the scheme, with the last attempt at simplification in 2007.

The other key aspect of the scheme is that benefits are payable as a lump sum on retirement. Annuitisation is vanishingly rare, with individuals generally entering into what in the UK would be regarded as 'income drawdown' schemes with resulting exposure to stock market trends. Finally, the scheme is backed by a relatively (by UK standards) generous State pension, which is means-tested and still relied on, at least in part, by the majority of Australians who are currently retired.

Although the Australian scheme has been held up as a model for some time it has long attracted critics. In an 1999 paper, *Why Australia's pension system is not a good international model*, Queensland University of Technology lecturer Dan Scheiwe argued against other countries uncritically adopting the model. He pointed out that even by 2041 coverage in the scheme would not be enough to ensure optimal retirement income, with some arguing as far back as 1993 that 18% was a more appropriate level of contribution. He also argued that ineffectual governance of the scheme failed to ensure adequate returns for members, with lack of choice preventing the operation of market mechanisms (in 2005 so-called 'super choice' provisions, which required

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employers to allow employees to select their preferred superannuation provider, was introduced for private sector workers).

These and other criticisms of the scheme led to the establishment of the Cooper review, which has come up with a number of recommendations, in essence attempting to extend the 'liberal paternalism' beyond contributions to investment decisions. The review argued that earlier attempts to govern the scheme through "disclosure and market conduct controls" placed too much reliance on investors acting as "rational and informed investors". The proposed "MySuper" setup is described as a "choice architecture" designed to ensure that those who wish to exert choice or even fully manage their own investments can, while more passive investors get a default strategy which is suitable to their needs. This envisages a gradual move from retirement products in which investment and longevity to "whole of life products" but still falls short of the compulsory annuitisation that was until recently uniform in the UK.

Could this system be right for the UK? Dr David Blake, professor of pension economics at Cass Business School, is a qualified fan: "The two key points of the Australian scheme are the compulsion over minimum accumulation, and then lack of compulsion over annuitisation," he says. "I like the first one, having understood that people don't act rationally." He points out, though,

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Mick James



that Australia has the issue of ‘double dipping’ – people running down their superannuation fund and falling back on the State. While the Cooper Review claimed the double dipping was not systemic, Blake feels certain it would be a hazard in the UK, pointing out that the UK currently sell over half the world’s annuities. And although the ‘money’s worth’ of a UK annuity is high, at 93% of the income that would be generated if the fund had no running costs or profit, handing over a £100,000 pension pot for an index-linked income that could be as low as £4,500 seems like a bad bargain. “The money’s worth is pretty high but people don’t like the idea, even though it hedges your inflation risk, your investment risk and your longevity risk,” he says. “No-one is skilled enough to manage your assets for 40 years.”

It’s the other element of compulsion that concerns the Confederation of British Industry’s (CBI) head of employment and pensions Neil Carberry: “We’d strongly resist a move to the Australian system,” he says. This is partly driven by the practical concern that the UK’s already so close to implementing auto-enrolment, but there are also more principled concerns. “People’s needs for savings change over their lifetime,” he says. “They want to repay a student loan, get a foot on the housing ladder, raise a young family – is it appropriate to save all the time?”

Carberry also says that while the Australian superannuation scheme now has impressive sums under investment, this has not so much increased savings as caused them to migrate into retirement funds. “There’s the whole issue of whether the State should force people to save, given that people may have more immediate calls on their cash,” he says. “In Australia it’s quite well hidden as all the contributions are taken from employers, but wages would be higher if they had not introduced the scheme.” That raises the question of whether such a system is even deliverable in the UK. “In Australia they had nationally set wages and the cost of introduction was offset by restraint,” says Carberry. “In the UK, wages are set at the shop floor – it would be impossible to deliver.”

Carberry says that experience of CBI member firms in the US suggests that auto-enrolment can deliver similar levels of take-up as compulsion, although there is a question-mark over how it would affect the larger numbers of temporary and agency workers in employment in the UK. In general, though, he believes the combination of auto-enrolment and NESTs will work well as a complement to existing provision. “NEST will pick up the chip shop, the hairdresser, the garage under the arches and everything up to the firm in the local technology park with 150 employees,” he says. “Also the firm that has an excellent pension scheme but operates a six to 12 months waiting period because of staff turnover. I would hope that the approach we are taking will lead to a more pluralistic landscape than in Australia.”

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There’s the whole issue of whether the State should force people to save, given that people may have more immediate calls on their cash.

Others are more sceptical about whether the scheme will really have much effect on the people it is intended for. The take-up of stakeholder pension schemes, for example, has been greatest not among the low-paid, but among well-off parents investing in them for their children. “Incremental is a kind word for the system that’s come together over the last few years in the UK,” says Peter McDonald, partner in HR services at PricewaterhouseCoopers. “We’ve fiddled with it. Auto-enrolment is the latest tweak of the system, but in a way it doesn’t do more than scratch the surface – in a way it’s much more about people self-funding the state benefit, all it really is is an increase in National Insurance.”

What is needed in the UK, he says, is a vision that extends beyond the needs of the baby-boomer generation. “The Australian system has moved ahead to support the needs and abilities of a younger generation,” he says. “The issue is that it still won’t provide for 30 years of pension.” Nonetheless he does believe that the Australian system has some lessons for the UK.

McDonald believes the opportunity for an Australian-type scheme lies with the part of the UK economy that still has a comparable level of cultural cohesion and common negotiating strategies – the public sector. “If we could move culturally to something more akin to the Australian system the real opportunity to do that is with that 36% of the population,” he says. Migration would not be without pain, but not at unbearable levels: “The public sector might not like it but they could live with it,” he says. “There’s a real opportunity to look at a more effective, invigorating and exciting model that fits the next generation. But is it an opportunity we are going to take?”

The best HR job

Money, good career prospects, or simply every day surrounded by chocolate? What makes for a great job in HR?



A couple of years ago, an inspired PR campaign asked for applications for ‘the best job in the world’ – caretaker of Hamilton Island, a paradise off Australia’s Queensland coast. A few months and an eye-watering amount of free publicity later, Briton Ben Southall was awarded the job on a six-month contract. He got rather more than he bargained for, including a gruelling publicity schedule and a close encounter with a poisonous fish, but few of us felt that sorry for him.

As HR jobs go, one would imagine that there could be worse tasks than sifting through applicants for the Hamilton Island job. But what makes for a great job in HR? The answer will generally depend on the priorities of the person you ask. Perhaps money would be their motivating factor, or working for a multinational company where HR is represented at board level, or maybe the perks of the job would be the deal-maker. Or perhaps they are simply looking for one of the coolest HR jobs around.

For some, the answer is simply finding an employer that is stuffed to the gills with happy employees (perhaps on the basis, from the HR point of view, that happy employees are undemanding employees). For that, according to the Sunday Times’ list of the 25 best big companies to work for, you need to look no further than the Portuguese-themed restaurant chain Nando’s. On topping the poll, HR director Julia Claydon said: “The principle philosophy is creating a different kind of place to work. We wanted people to enjoy their jobs and it has been that way from the beginning, managers have the same value sets as our company, we want managers who believe that their restaurant will succeed because they look after their staff.”

Angela Baron, an adviser on organisational development and engagement at the Chartered Institute of Personnel and Development, argues that shared

values are critical when rating great jobs in HR. One of the most important things, she says, is “working with senior executives who really ‘get it’ in terms of people contribution. Some just pay lip service but others really work with CEOs, who let them try new things and then get on with it. They feel they’re working on the same level.”

She adds that it isn’t necessary to work at a company where HR is represented on the board, as long as the senior people are signed up to the importance of the function, and points out how sometimes, on paper, a company is doing the right things, but in reality it falls short. “There’s been a massive focus on engagement,” Baron continues, “but although some companies might have the policies in place – paternity leave, flexibility and so on – employees know if they take that stuff that’s going to be the end of their career or it will at least plateau. It’s like career suicide.” By the same token, she says, it’s entirely possible to have a deeply satisfying job in a company that barely registers on the radar of fashionability, while “cool companies always get a lot of applicants but ironically the jobs might not end up being that rewarding”.

Dr Rob Yeung, director at leadership consultancy Talentspace, points out that the subjective nature of the question means that “it’s impossible to say that any job is either more or less exciting than any other. It all depends on the individual’s personality and working preferences. Some people are attracted to so-called cool jobs because they think that the environment will be glamorous. But real satisfaction is more determined by the extent to which you can exercise the skills you have. Being trusted to make decisions is another factor in job satisfaction too. So even if someone is in an allegedly duller environment but is stretched by the job and allowed to make important decisions, that can be so much more fulfilling than simply being surrounded by the trappings of glamour.”

There isn’t any doubt that combining the factors that make a good job with a company that is cool would make for the best HR job in the world. “In terms of HR being sexy – something like Virgin, a strong brand – is always popular,” says Baron. “People are attracted to the funkier brands, or the designer brands where they might get a big discount.” Such cheeky benefits certainly don’t hurt. The HR directors of companies like Chanel and Burberry are doubtless some of the best dressed around, while it’s easy to imagine the perks to be had at, for instance, Moët & Chandon or Carlsberg.

Another company that stands out is the chocolate manufacturer Thorntons, whose HR spokesperson puts forward a strong argument for having the best job in the sector. “I think more than a few of us at Thorntons think we have the best jobs in the world, especially as we’re always given the chance to try the newest chocolate products made by our talented chocolatiers, or when

in the world?

I think more than a few of us at Thorntons think we have the best jobs in the world, especially when you drive into work in the morning and can smell the delicious chocolate being made in the factory on site.

you drive into work in the morning and can smell the delicious chocolate being made in the factory on site. We have a large team of HR professionals working at Thornton Park in Derbyshire, where during busy periods almost 1,000 chocolate lovers can be working. HR is an integral part of our business and although we are now a plc, it still retains a real family feel and we work hard to bring as many benefits to our employees as possible. We want all of our staff to look forward to coming to work – we do work in a chocolate factory, after all. What could be better than that?”

Brands with kudos sometimes don't have to try very hard to attract the best HR people to their organisations, but some do – often just for the hell of it. Google, which, along with Apple is inundated with applicants for HR roles, recently went the extra mile and announced that it was going to pay its gay workers in the US more in order to compensate them for the tax disparity they face when claiming health insurance benefits for their domestic partner. Laszlo Bock, Google's vice president for human resources, summed up the company's employee-centric ethos and said: “It will cost some money, but it was more about doing the right thing.”

Ultimately, though, what makes the best HR job in the world depends on the individual – which is probably good news or there would be an awful lot of miserable HR professionals out there. As Yeung concludes: “It's important to consider that what one person considers challenging may be what another person considers stressful.”

Do you have the best HR job in the world? Let us know.
Email edward.c.irwin@uk.pwc.com

An HR job that's out of this world

With around 20,000 employees, NASA (the National Aeronautics and Space Administration) is a US government-run agency responsible for the nation's space programme. So already, the cool factor is pretty high.

NASA's Toni Dawsey , says: “NASA's mission is to pioneer the future in space exploration, scientific discovery and aeronautics research. To do that, thousands of people have been working around the world – and off of it – for 50 years, trying to answer some basic questions. What's out there in space? How do we get there? What will we find? What can we learn there, or learn just by trying to get there, that will make life better here on Earth?”

All of which presents significant HR challenges for the organisation's 435 HR personnel. “We're dealing with change from all sides,” says Dawsey, “being an agent for it, advocating for it and marketing it. We also have to deal with changing mission direction, length of time required for Congressional budget approvals, insufficient funding to do what we've been asked to do and communicating early and often to the workforce.”

But, she adds, the “best things about working in HR at NASA are: A great mission; strong leadership support; a high performing workforce; progressive and state-of- the-art HR programs; collaboration and sharing across the agency HR community; high employee survey ratings; high morale (because employees enjoy what they do and they feel supported in what they do) and strong employee engagement.”

Plus the fact that you might get to interview a real astronaut. “NASA has an established Astronaut Candidate selection process and receives thousands of applications. The Astronaut Candidate selection process was developed to select highly qualified individuals for human space programs,” says Dawsey. “NASA HR specialists do support the astronaut selection process.”

Not to mention going to shuttle launches. “Attending a shuttle launch is a unique opportunity and a privilege,” says Dawsey. “HR staff do attend when the opportunity presents itself, but they do not have roles specifically associated with the launches. I have been fortunate to attend three launches.”

Finally, future generations of HR professionals might have a somewhat different office environment. “An office on Mars in 100 years?” says Dawsey. “With NASA, anything's possible.”

Survival experts

Canada's economy has survived the recession well, although the public sector workforce is braced for more cutbacks.

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Despite faring better than some, the Canadian economy has not escaped the recent global economic downturn completely unscathed, causing employers across the country to take a deeper look at their organisations, employees and outcomes.

Many organisations are looking for a different way of operating, whether it is renewed interest in alternate sourcing and shared services, to mergers and integration. Aligning their new business and service strategies with optimum talent management programs has never been harder.

The news is not all bad, though; on the bright side, the Canadian economy grew at a 6.1% annual rate in the first three months of this year, and Canada avoided the banking crisis that plagued other countries around the globe. Three-quarters of the 400,000 jobs lost during the recession have already been recovered, a return to prosperity that many European economies will look at with envy.

But, on the whole, how did the recent recession affect workers and organisations? The Canadian PwC Saratoga *Human Capital Effectiveness Survey 2009* surveyed approximately 130 Canadian-based companies about their 2009 people figures. The key trends make for interesting reading:

- Employees stayed put: voluntary separation decreased from 6.9% in 2008 to 5.2% in the 2009 calendar year. High performer separation rates dipped from 4.6% to 4.4% in 2009.
- Not surprisingly, involuntary separation increased by 21% (from 2.8% in 2008 to 3.4% in 2009).
- There were fewer opportunities within organisations. Promotion rates slowed, from 10.4% of workforces in 2005, to only 7.6% in 2009.



For the 3.3 million public sector workers in Canada, the recession fell harder. Canada's largest province, Ontario, has recently imposed a wage freeze on one million public sector workers, including civil servants, teachers and other school board employees, nurses and hospital workers, and college and university instructors. Approximately 70% of these workers are unionised. By next year, the Government expects the wage freeze will lower government expenditure by Can\$750 million. The province's hospitals, which have already had to lay off more than 1,000 nurses due to budget shortfalls, will have their budgets increased marginally, by just 1.5% in the 2010-11 fiscal year. Given the high inflation in the health sector and demographic pressures, this increase is also a tough challenge for health sector leaders. The Canadian Government has unveiled the Economic Action Plan, an initiative which includes funding of \$7 billion over two years to support those workers most affected and help them access opportunities through skills development and training.

While the recession provided a brief reprieve from the looming 'workforce shortages' and an ongoing competition for talent, a survey* of 167 Canadian HR leaders found that organisations are facing an increased 'flight risk' with higher skilled employees considering new opportunities as the economy moves further into recovery. Twenty seven per cent of executives, in the participating survey organizations, are also eligible for retirement in the next five years. Retaining critical talent, knowledge and building leadership capacity will be top priorities for employers as economic recovery gathers momentum and the business focus shifts from survival to sustainable growth.

So what will come next? HR departments will need to look very carefully at their people strategies over the next 12 months. The need to retain vital talent within the business, and also to attract new, eager talent to the organisation, will mean that a review of both people strategy and reward strategy will be needed if HR is to meet the challenges of the post-recessionary landscape. As an economy, Canada has done well to escape the more damaging aspects of the global financial downturn, but we must not rest on our laurels and become complacent. HR must work hard to plan for the longer term, with an approach to people management that reflects the new employment marketplace in which we find ourselves in 2010.

Susan Wilson is a director in PwC's People and Change Consulting practice in Toronto, Canada.

*The Conference Board of Canada, *Valuing Your Talent HR Trends and Metrics*, June 2010

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References and further reading

Pages 6-9

The CIPD's Next Generation HR report can be found at:
http://www.cipd.co.uk/research/_next-gen-hr/

Pages 10-13

PwC's 13th Annual Global CEO survey can be found at:
<http://www.pwc.com/ceo-survey>

PwC's latest *Key Trends in Human Capital* report can be found at:
www.pwc.com/hrs

Pages 30-33

Dan Schweive's paper on the Australian pensions model can be read at:
<http://www.pensions-institute.org/workingpapers/wp199912.pdf>

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