



May 2018

Rethinking HR for the future of work

with excerpts from the 2018 Saratoga® US benchmarks across industries



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Pressures² = Dual drive toward HR disruption

Traditional pressures are mounting for HR: productivity is up and the strong economy is leading to increased turnover as employees are presented with more options. Pressures on talent acquisition are leading to increased first year turnover. Employee engagement is stagnant. HR is having to spend more to address these pressures. These pressures will continue to mount as turnover creates more churn and activity.

HR is **also** facing a wave of new additional pressures as employee preferences, demographic changes, global economic shifts, and technological advances are spawning the workforce of the future.

HR as we know it is being disrupted.

It will be incumbent upon HR to address challenges associated with the Workforce of the Future, requiring HR to address new domains and employ new ways of thinking. There are six primary challenges to be addressed: workforce strategy, workforce performance and experience, workforce environment, workforce risk, diversity and inclusion, and learning strategies.

Traditional pressures on HR are heating up

HR operations efficiency

Measures the extent to which HR is properly managing its resources

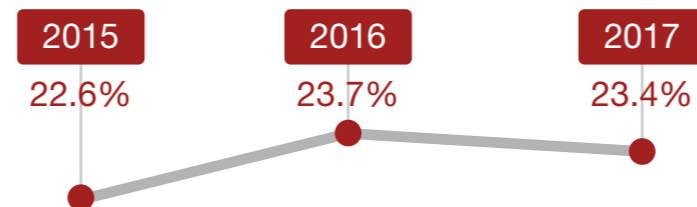
HR costs per employee



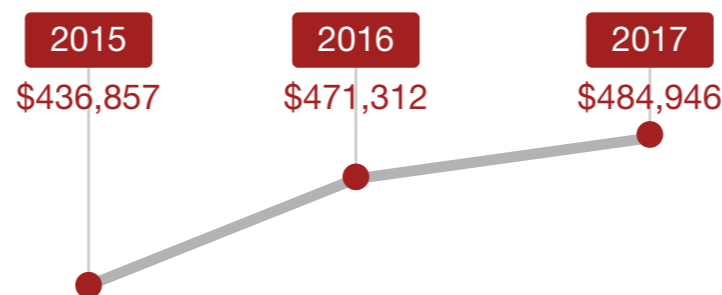
Business impact

Measures the extent to which HR helps deliver top- and bottom-line results to the business via talent

Labor cost revenue percent

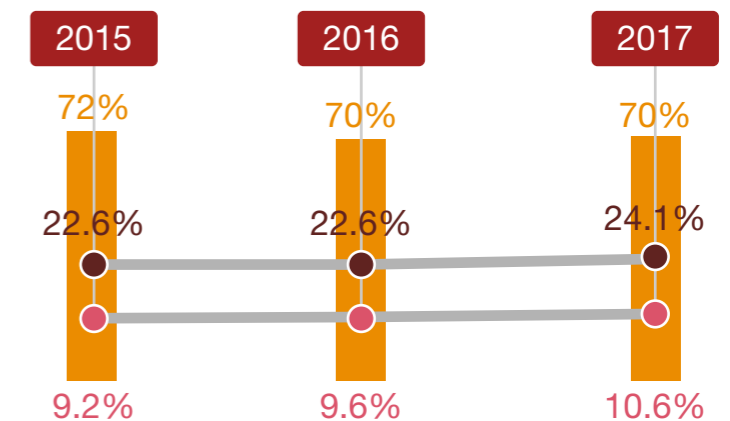


Revenue per FTE



Employee impact

Measures the extent to which, either directly or through leadership and management, HR creates an employee experience that is aligned to business strategy



¹ From PwC's Employee Engagement Study from 2015, 2017, and 2018. Employee Engagement results represent the percent of respondents that selected 'Agree' or 'Strongly Agree' across the six items that comprise PwC's Engagement Index.

Workforce Strategy

A new plan for how work gets done

More than ever before, there continue to be opportunities to consider who does work and the strategy of how work gets done. Decisions on workforce strategy need to incorporate a wide set of factors and trends across society, technology, demography. They should also address the tax, legal and regulatory implications. The need to properly plan for the short-, mid- and long-term is greater than ever.

A prime example of these shifts: the “Gig” is upon us. US companies are spending more on their contingent workers, with labor costs as a percent of the total nearly tripling from last year among those reporting in PwC’s Saratoga survey.

Contingent roles include many skilled positions. We expect the way companies think about these Gigs will continue to evolve, perhaps radically. Not only are these workers costing more than they did last year, but also they are staying with the organization longer.

In a second example, organizations will want to take a more critical look at allocation of labor dollars, as investments in back-office functions such as G&A continue to rise relative to the total population.

Gig labor on the rise

Contingent labor cost per FTE



Contingent labor cost as a percent of total labor costs



2 out of 5 contingent workers

have been in contingent status for one or more consecutive years

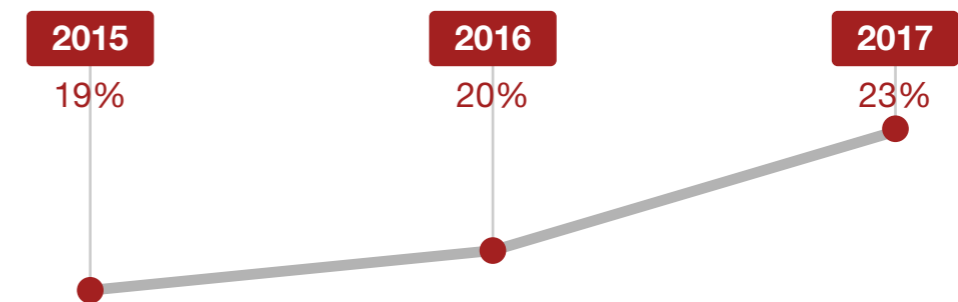
60%

think ‘few people will have stable, long-term employment in the future’

PwC’s 2017 Workforce of the Future survey of the general population based in China, Germany, India, UK and US

Balancing labor costs with back-office functions

G&A function FTE as a percent of total FTE



Workforce Performance and Experience

Redesigning the employee's experience at work

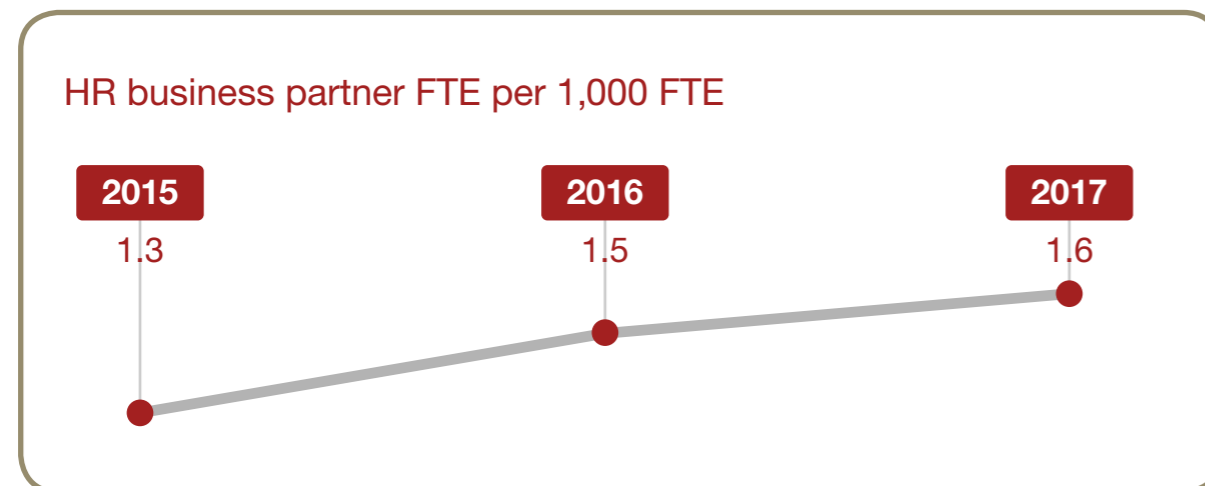
Companies need to expand their concepts of what they deliver to the employee — a job, a career and a paycheck are no longer enough. Companies need to consider the experience that they are delivering and whether that experience is consistent with the employee value proposition and external brand.

HR needs to champion the employee experience, taking it into many domains that may be outside its traditional sphere, such as employee purpose, well-being, and digital experience.

Work experience and ways of working are becoming increasingly reliant on mobile, interconnected devices and advanced digital technology. Employees expect to have a digital experience at work similar to the one they have at home. The cost is large and so are the expectations. Yet only a quarter of HR departments are looking at advanced technology as a way to drive differentiation.

Operationally, HR will need to look to its HR Business Partners to help align talent strategies to local business objectives. The focus on HRBPs continues to increase, as companies establish a differentiated employee experience in the field.

Implementing a differentiated experience



Delivering a digital experience

\$162

spent on mobile devices per employee



of employees believe the quality of the technology that they work with allows them to complete their work effectively¹



of companies' HR departments are prioritizing availability of advanced technology in order to drive a differentiated employee experience

Well-being and connection to work

52%

of employees enrolled in a well-being program are actively participating in it

53%

feel energized at work¹

64%

feel deeply connected to the work they do¹

68%

feel their values align with the company's values¹

79%

feel a sense of purpose from their work¹

¹ From PwC's 2018 Employee Engagement Study



Workforce Environment

Rethinking the work environment, from physical to virtual

Modern work environments balance space, both physically and virtually. It's more than foosball tables, free food, and working from home, yet Silicon Valley may still have spearheaded the conversation about the interplay between work environment and the workforce.

Workplace strategy represents another domain that is often outside the realm of consideration for the traditional HR department. Considering the cost of real estate, the opportunity to rethink the environment while improving outcomes and costs is imperative.

But only 30% of HR departments are prioritizing providing collaborative physical spaces conducive to innovation and roughly a third of employees do not feel that they have sufficient flexibility to facilitate work/life balance.

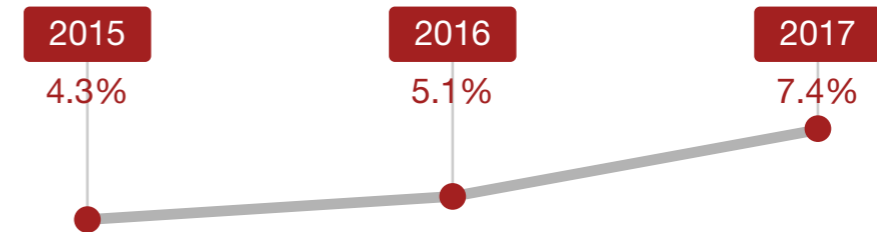
Incorporating flexibility



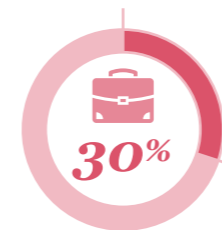
30% of employees

do not feel that their company provides sufficient flexibility to help balance the demands of work life and personal life¹

Percent of remote employees²



Workplaces need an upgrade



of companies state that their HR is prioritizing modern physical space and facilities that facilitate collaboration and innovation in order to drive a differentiated employee experience

¹ From PwC's 2018 Employee Engagement Study

² Percent of employees that worked remotely out of a home office for more than 50% of their time



Workforce Risk

Stakes climb for workforce risks

Business leadership, boards and stakeholders are increasingly looking to understand the risks inherent in the workforce. Greater transparency to the risks is being expected around the globe. Social media is placing 'radical transparency' on a wide variety of risks.

Pay equity is reportable in several countries. Culture is being considered as a risk in internal audits. HR leaders are being asked to understand and mitigate workforce risks, so that they do not escalate into crises.

Culture can create risk: roughly a third of employees do not feel comfortable sharing general opinions or reporting unacceptable behaviors.

Other workforce risks include:

- Keeping top performers and future leaders — as turnover for these groups is rising
- Positioning to attract the best new talent — as HR needs to tap into social platforms to cultivate new recruits, or faces being outpaced by their competitors

¹ From PwC's 2018 Employee Engagement Study

² Saratoga defines high performer employees as the top 20% of employees in the organization

³ Saratoga defines high potential employees as individual contributors or management level employees identified by the organization as having leadership potential and are in line to move into a more senior role

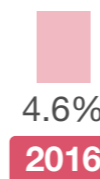
Considering culture as a risk

66% feel they can provide their opinions without fear of retaliation or retribution¹

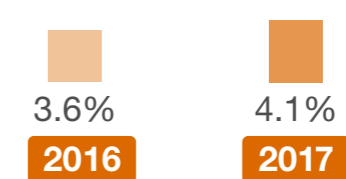
70% would be comfortable reporting to management any observed unethical or illegal behavior at work¹

Keeping top employees

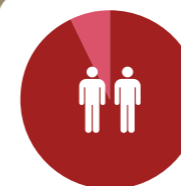
Management high performer turnover rate²



High potential voluntary separation rate³



Activating passive talent pools



Qualified applicants: Sources of interest or initial contact

93% traditional methods

7% social network platforms

Safety concerns

\$200

workers' compensation cost per employee



Rethinking processes that impact diversity and inclusion

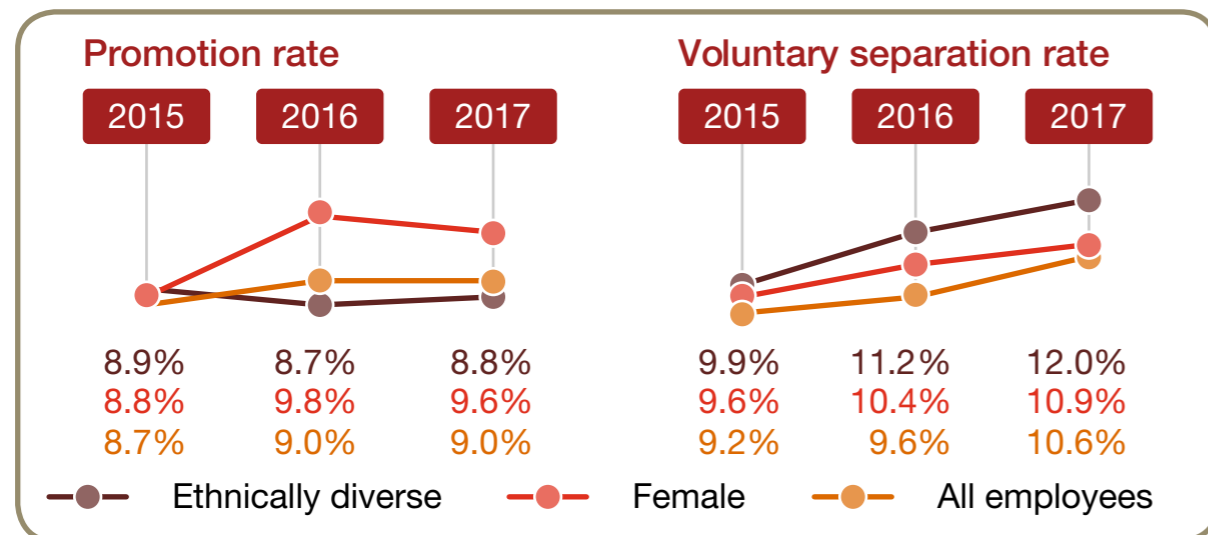
As organizations continue their journeys with Diversity and Inclusion, HR is recognizing the need to move beyond simple counts and ratios as a barometer of success. Progress is being made in the percentage of diverse employees. Promotion rates for women are stronger than promotion rates for the overall market and turnover rates are not very different.

Yet, to achieve long standing and culture-changing results, HR needs to create real equity and opportunities for all employees regardless of their background.

Despite the advances in broad-based promotion rates and turnover, succession programs still lag behind, where female and diverse employees make up a much smaller percentage of the total than they do in the workforce respectively.

Furthermore, a third of employees do not feel their workgroup values diverse perspectives and the impact of pay equity is just starting to be investigated.

Progress for female promotions and little variation in voluntary separation rates

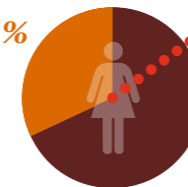


Leadership programs lag for women, diverse workers

Percent of unique succession planning candidates that is:

Female

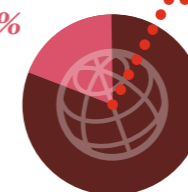
32%



(Females are **47%** of total headcount)

Ethnically diverse

19%



(Ethnically diverse employees are **27%** of total headcount)

Diversity, pay equity top of mind for workers

Women were paid **20% less** than their male counterparts¹

60% would not apply to a job where they know there is a gender pay gap¹

67% of employees feel their workgroup has a climate in which diverse perspectives are valued²

Note: Ethnically Diverse includes American Indian, Alaska Native, Asian, Black or African American, Native Hawaiian or other Pacific Islander, Hispanic or Latino background, or two or more races

¹ The reward of gender pay equity through the lens of data and analytics, 2016 PwC report

² From PwC's 2018 Employee Engagement Study

Learning Strategies

Upskilling and reskilling for tomorrow's jobs

We have addressed many ways in which talent strategies and work will change. One fundamental question remains: how do organizations most effectively fit today's workers into tomorrow's business?

With the adoption of Artificial Intelligence and other digital advancements, with mandates for new leadership models, and with new ways to get work done, most organizations will need to address how to upskill and reskill their current workforce.

On average, organizations spend about \$408 per employee on Learning & Development, and the question is: how can organizations repurpose that investment to upskilling or reskilling jobs?

The good news is that most employees (74%) are expecting to need retraining and are ready to adapt to learn these new tools and technologies.

The need to train is further pushed forward by retirement. While discussed for many years, companies still face significant pending retirements that will put pressure on future leadership pipelines and training programs.

Reskilling becomes a priority

74% are ready to learn new skills or completely retrain in order to remain employable in the future¹

53% of US CEOs believe they have a responsibility to retrain employees whose tasks and jobs are automated by technology²

72% of executives believe Artificial Intelligence (AI) will be the business advantage of the future³

Investing in L&D



\$408 invested in Learning & Development per employee



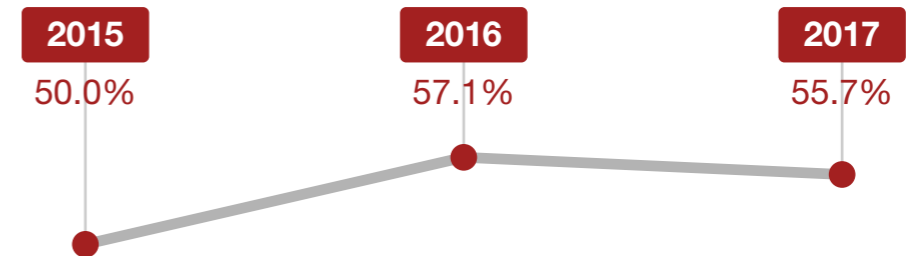
Growing pressure from retirements on the horizon

28% of VPs and above are eligible for retirement within 5 years

14% of VPs and above are currently eligible for retirement

Succession works half the time

Pipeline utilization⁴



¹ PwC's 2017 Workforce of the Future survey of the general population based in China, Germany, India, UK and US

² 2018 PwC Global CEO Survey

³ PwC Consumer Intelligence Series: Bot.Me, 2017

⁴ The percent of key positions filled by internal succession planning candidates



Actions you can take



Workforce strategy

Does your workforce strategy consider a wide set of factors and trends across society, technology, and demography? And does it include tax, legal and regulatory implications, in addition to your people needs?



Workforce performance and experience

How well does the overall employee experience you are delivering support your employee value proposition and your brand?



Workforce environment

How can you use workplace design to drive engagement, collaboration, and retention while also optimizing real estate costs and taxes?



Workforce risk

How can you understand and mitigate HR risks so that they do not escalate into crises?



Diversity & inclusion

Have you completed an internal assessment of pay equity? What more can you do to drive real equity and opportunities for all employees?



Learning strategies

Have you assessed digital acumen across your workforce and do you have a vision for how to repurpose Learning & Development spend?



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The analysis and discussion in this report are informed by the results from our annual PwC Saratoga US Human Capital Effectiveness Report, across industries. Unless otherwise noted, numbers throughout this report represent the all industry median.

For more than 40 years, PwC Saratoga benchmarking has been a leading source of HR data. This report is based on data representing the 2017 calendar year for over 250 dimensions of people management, from over 470 companies. These members constitute a diverse landscape of the American business community — including organizations from various geographies, and range in size from about 1,000 employees to over 300,000 employees. We believe that this composition provides a strong dataset from which we can draw insights about the current state of Human Resources and its impact.

Contacts

To learn more about PwC People Analytics, how we can help you on your people analytics journey, or to become a PwC Saratoga benchmarking member, contact us:

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