



Future trends in compensation

Leading through uncertain times

A presentation by Martin Emmerich

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What do we currently see?

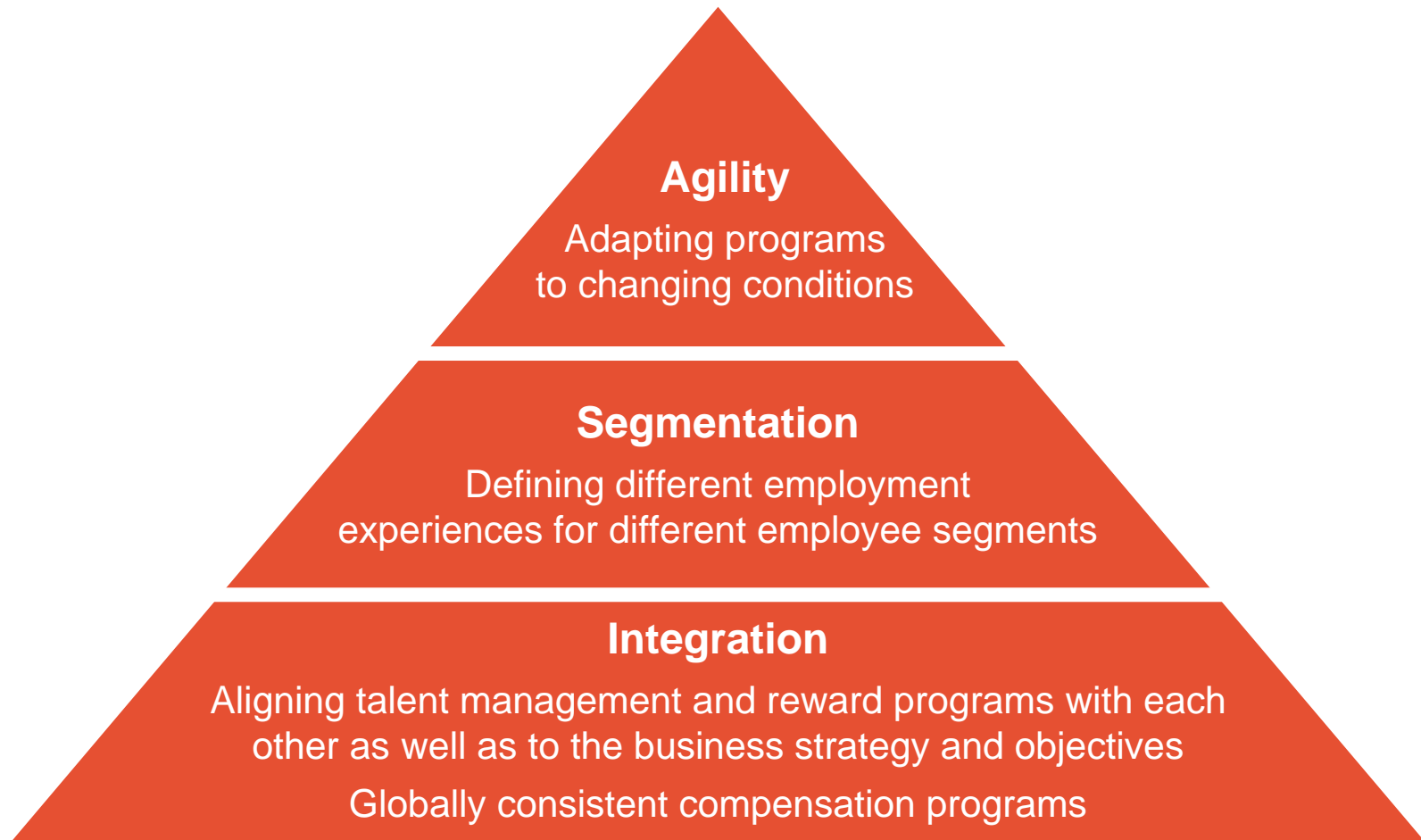
- **Attraction and retention in today's economic environment is complicated**
 - Employers say they are having problems attracting critical skill and high-performing employees
- **The employment deal is still changing**
 - Most organizations expect employees to work more hours than they did prior to the recession and over half expect this to continue
 - This strain has fallen particularly hard on professional level employees
- **Employers must take a long-term view to lead successfully in this uncertain environment**
 - Key principles can serve as guides for sustainable talent and rewards programs

What can companies do to face these issues?

“ Is your employment deal sustainable going forward? ”

In order to attract, retain and engage key employees, companies should have in place an approach to talent management and reward that manages their risks while remaining vital no matter the economic cycle.

How can companies create a sustainable talent management and reward model?



What does that mean?

Integration

- Align programs with strategic objectives
- Align programs with what you stand for both in the market and your EVP
- Align talent & rewards programs with each other
- Leverage technology to deliver programs
- Leverage the performance management process across a range of programs
- Integrate your competency model with other programs

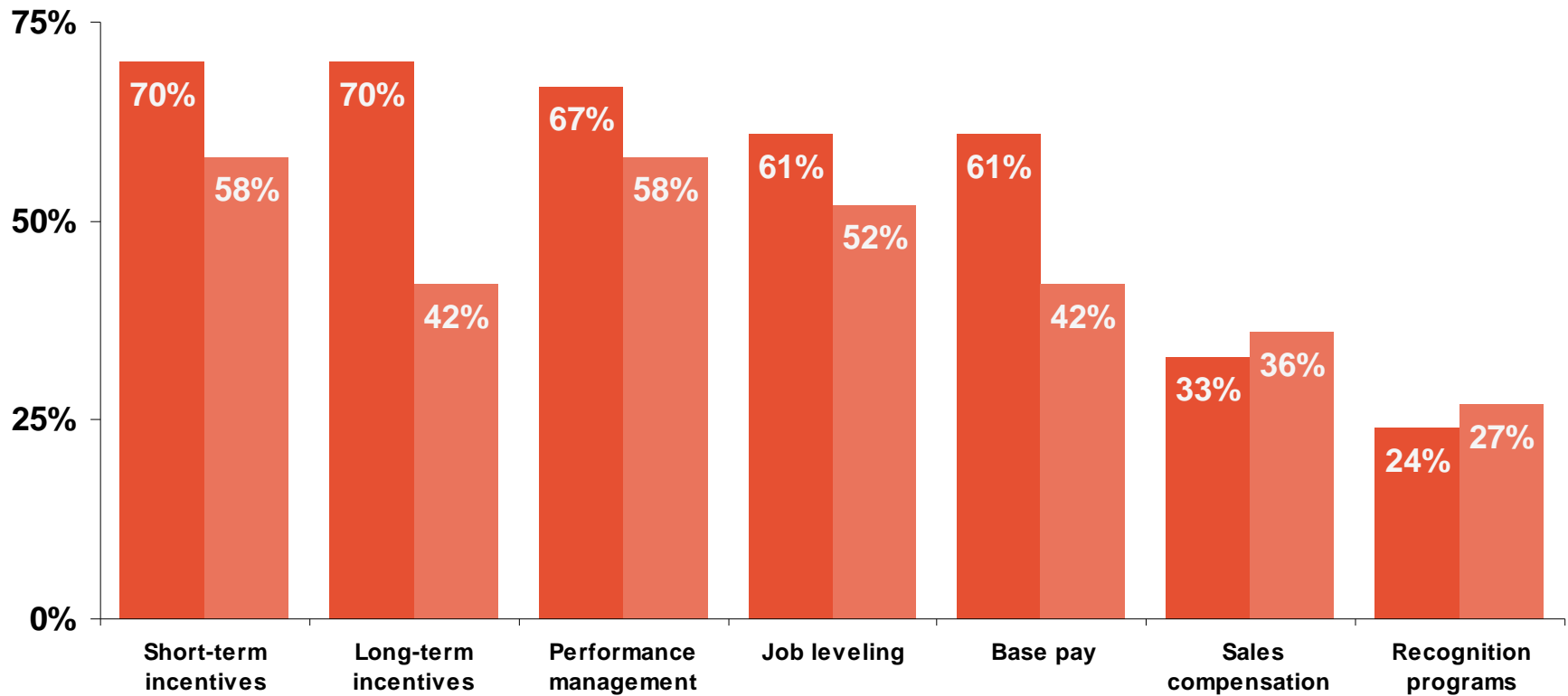
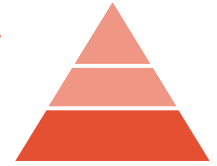
Segmentation

- Define workforce segments and differentiate the employment deal
- Be on the look out for emerging segments
- Drive diversity
- Meet the execution challenge

Agility

- Use more flexible reward programs where possible
- Monitor program effectiveness to make data-driven decisions
- Develop leadership capability and use managers to deliver your programs to meet employee needs
- Communicate with employees and then encourage more self-direction
- Manage change effectively

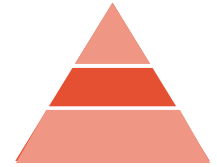
Multinational companies increasingly have globally consistent and integrated programs in place



Source: Towers Watson 2011 Talent Management and Rewards Survey.

■ Top Management ■ Other employees

With regard to workforce segmentation, companies still have room for improvement

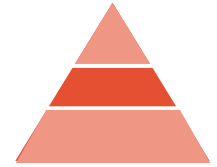


- While most organizations formally identify top performers, less than half are identifying critical skill employees or informing high-potentials.



Source: Towers Watson 2011 Talent Management and Rewards Survey.

Not only segmentation, but as well its execution is critical



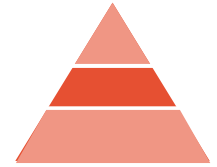
- The importance of segmentation and differentiation needs to be socialized throughout the organization.
- Managers and HR need to overcome their unwillingness to treat different employee groups differently, especially since employees already recognize their organizations' failure to execute these programs well.



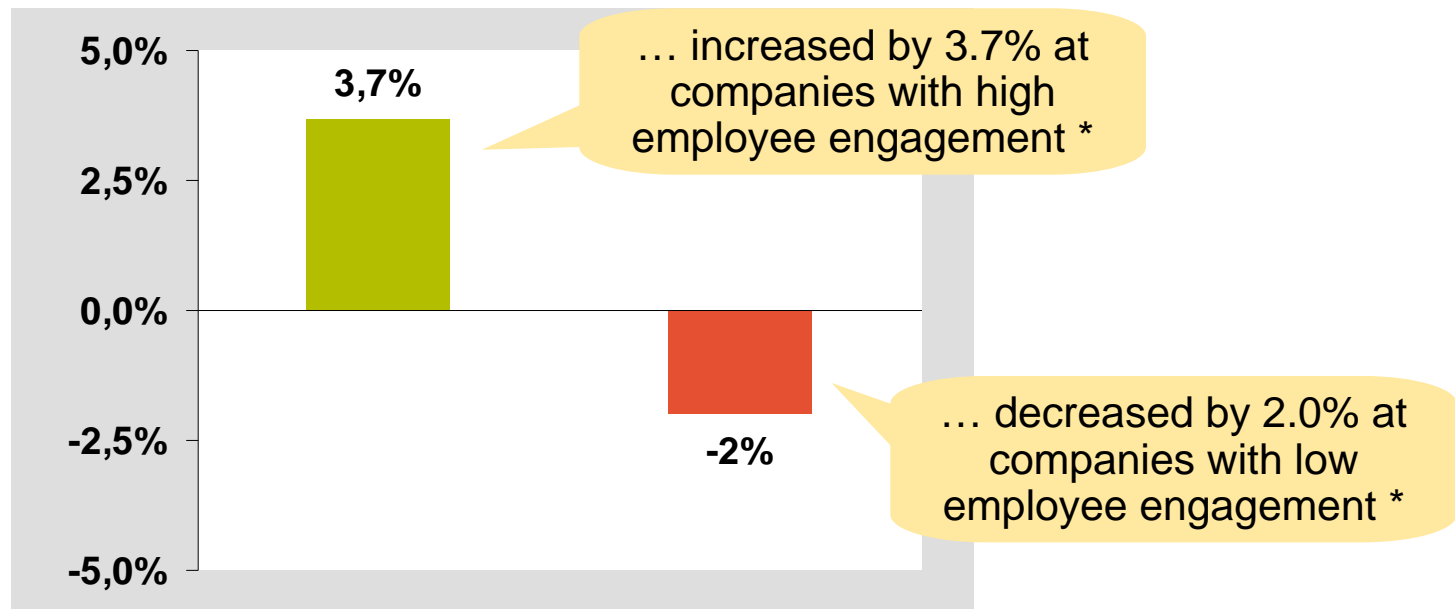
Fewer than half of all employees report that high-performing employees are rewarded for their performance

Source: Towers Watson 2011 Talent Management and Rewards Survey.

Employees who perceive performance-based pay decisions as fair are more likely to be engaged

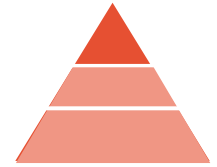


- Towers Watson study results show that employee engagement matters:
- Within a three-year period the operating margin ...

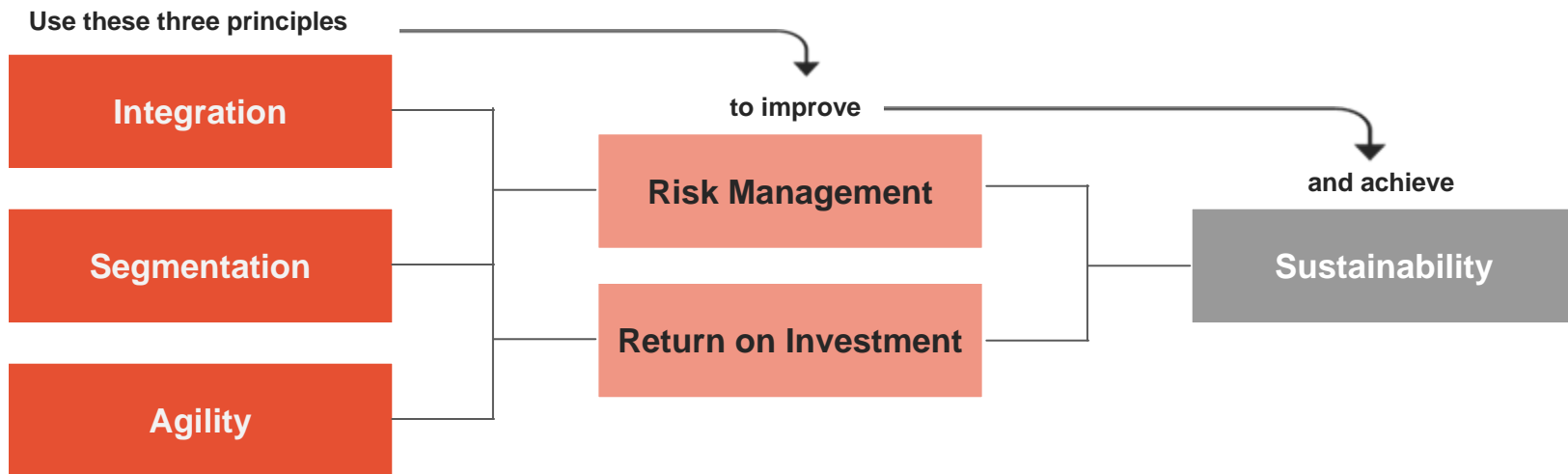


* Based on an analysis of 360.000 employees in 41 global companies.

In order to ensure agility total rewards need to be designed flexibly



Leading through uncertain times: Leverage three principles to achieve sustainability



Although budgets remain tight, these principles can help guide actions organizations can take to reduce human capital risks and increase ROI on their reward and talent management programs.