



TenStep Supplemental Paper

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Chief Concerns

The changing face of world economy has touched all aspects of management, and HR is certainly no exception. Right from hiring strategies to retirement benefits, the entire gamut of HR activities has undergone a sea change. The process continues. Every few years, with the changing demands of the market, the issues concerning HR specialists change in order of priority.

Just a few years ago, when IT was at its peak, companies went overboard with the idea of including stock options in their compensation menu. Every few months there were new stock option plans with extended eligibility and reduced lock-in periods. The ecstasy about stock options was unaffected by the phase of recession. HR managers were now grappling with stocks and keeping employees motivated with a lack luster incentive program and this was challenge enough.

Stock options today, are no longer an appealing incentive. A research conducted by Mercer Human Resource Consulting regarding rewards, benefits and issues concerning HR professionals in the USA revealed that stock options finished last in the list of top fifty issues of concern. In addition, when employers were asked to rank broad-based stock options on a scale of one to five, one being least important and five being most important, stock options managed a humble 1.5.

The research also revealed that apart from stock options, there has been a prominent shift in HR priorities. A comparative analysis of three consecutive years, starting from 2000 revealed this change. The shift in HR priorities is largely a consequence of fast changing workplace and business environment.

Order of priority

The research conducted by Mercer Human Resource Consulting collated its findings on the basis of the top ten concerns expressed by HR professionals. Interestingly, the top ten concerns have largely remained the same over the past four years; however the order of priority has changed.

The major shift has been in the case of managing cost benefits and employee morale. These two top the list. This is quite a jump from the fourth or the fifth spot they had earlier been occupying.

Following is a detailed account (in order of priority) of the top issues concerning HR professionals in 2004:

Benefits cost control and management

A survey revealed that seven out of ten employers surveyed, rated benefits cost control as the major issue of concern. Its relevance has heightened further as a consequence of economic downturn in the backdrop of escalating health care costs. Employers are under immense pressure to work out a cost-effective way of offering health benefits.



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Employee morale

The early 1990s and 2000s saw limited employee influx due to a prevailing shortage of labor. Employers were under tremendous pressure to garner the best talent and keep them motivated and productive. However, when recession struck, employee morale was at its lowest and employers were desperate to keep up the morale.

Retention of professionals

The issue of employee retention topped the list of HR concerns in 2001 with job hopping becoming a fad especially among the IT professionals. However, things seem to have stabilized as the issue has dropped in the order of priority.

Comparative market pricing

The Internet has proved to be one of the most revolutionary and accurate sources of information. Employers need to be wary of the data offered by various websites regarding the prevailing industry standards in terms of compensation. Inaccurate information can misguide employees and increase the company turnover.

Pay-performance linkage

The concept of 'pay for performance' has risen by five levels, the reason being that an increasing number of employers are seriously questioning the fairness of their compensation system. Trying to strike the right balance between pay and performance of employees, employers are caught between issues such as the relevant metrics to use and their reliability.

Competitive pay packages

With increasing awareness among both employers and employees, a conscious effort is being made by the employers to offer compensation packages at par with the industry standards. A holistic approach to incentives and rewards is being adopted.

Workforce productivity

Increase in productivity is practically the only measure by which a company can boast of its performance. In addition, because of the heavy investments made by companies in the IT sector, productivity is an ideal parameter to support ROI.

Competitive benefits

Benefits are a sure lure and can make a great deal of difference to a candidate's choice of job.

Internal pay equity

The aim is to develop global workforce architecture by way of internally evaluating talent and optimizing its usage. Companies are emphasizing talent and competencies specific to their requirement thereby leveraging the most from their internal equity and talent pool.



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Valuing skilled workers

The issue of recruiting and retaining skilled workers hovered around the second spot a few years ago. However, post-recession the desperation seems to have abated.

Living as they are in a dynamic work environment, HR professionals cannot afford to be complacent. The alterations in priorities prove that changes in economic climate have a major impact on HR professionals. Nevertheless, professionals, especially managers of human resources, need to be flexible and develop strategies that work to the advantage of their customers both internal and external.