



10<sup>th</sup> November 2010

# Attracting & Retaining Talents: What Do They Want?

Lee Shiau Fei  
Executive Compensation & Corporate Governance

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# **AON** Hewitt Merger Strengthens Our Leadership Position

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## Key Facts

**#1** human capital consulting and outsourcing firm in the world

**29,000** employees

**90** countries

**\$4.3** billion combined revenue

Serving **more than half** of the Fortune 500

With offices in over 90 countries, Aon Hewitt is the world's premier destination for the broadest range of human capital consulting and outsourcing services.

# Agenda

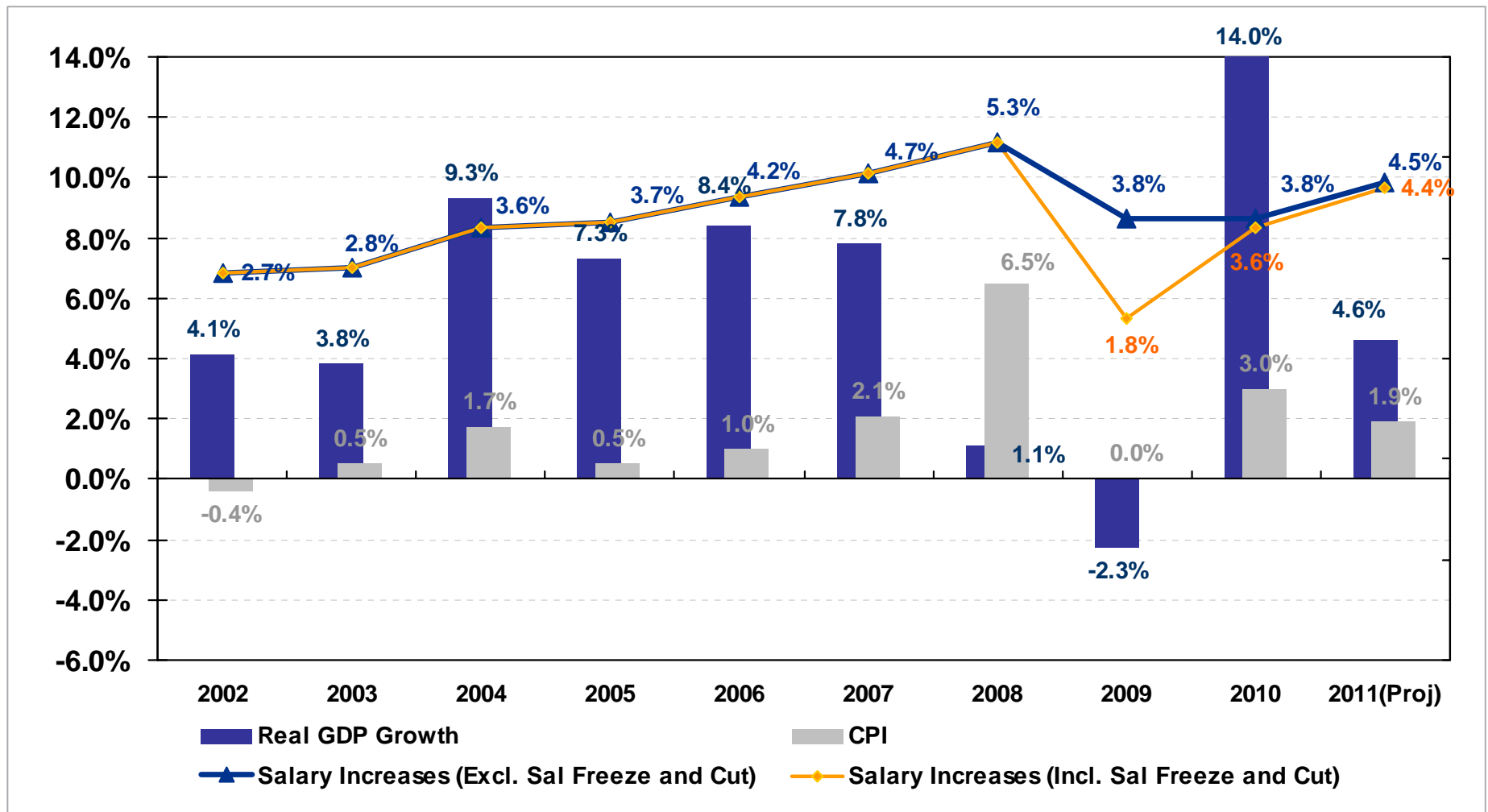
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- **Macroeconomic outlook**
- **Roadblocks:**  
New HR Challenges
- **Optimisation:**  
With limited time, budget and resources, what are the quick wins?
- **The Future:**  
Emerging trends on compensation and benefits practices



# Macroeconomic Overview

# Positive outlook in 2010, with expectations to continue into 2011



**Note:** 2010 and 2011 GDP and CPI shown are projected figures

Sources: Hewitt Singapore Salary Increase Survey 2001-2011

Ministry of Trade and Industry, Singapore, Economist Intelligence Unit 2011 Estimates

## Impact of the Market Outlook on Human Capital

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- With the rapid economy recovery in Singapore, there is **continuous struggle for highly competitive talent market** and a rise in the cost of attracting, retaining and motivating key talents
  - Companies increasingly understand the importance of employing the best people
- However, many compensation and benefit programs still fall short as most organisations are still struggling to develop **programs that drive the right behaviours and business results**
- The country also continues to tackle with the **ongoing leadership shortage** and need to access new talent pools
- Where local talent availability or suitability falls short of keeping pace with the rate of growth - due to planned sector focus (e.g. integrated resorts industry, biotechnology industry) or even rapid expansion outside of Singapore - there has been a corresponding need to **source as well as import talent globally**
- Organisations thus need to view their compensation practices and strategy that can be **adaptable to changing business needs**



# Roadblocks: New HR Challenges

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## New HR Challenges....

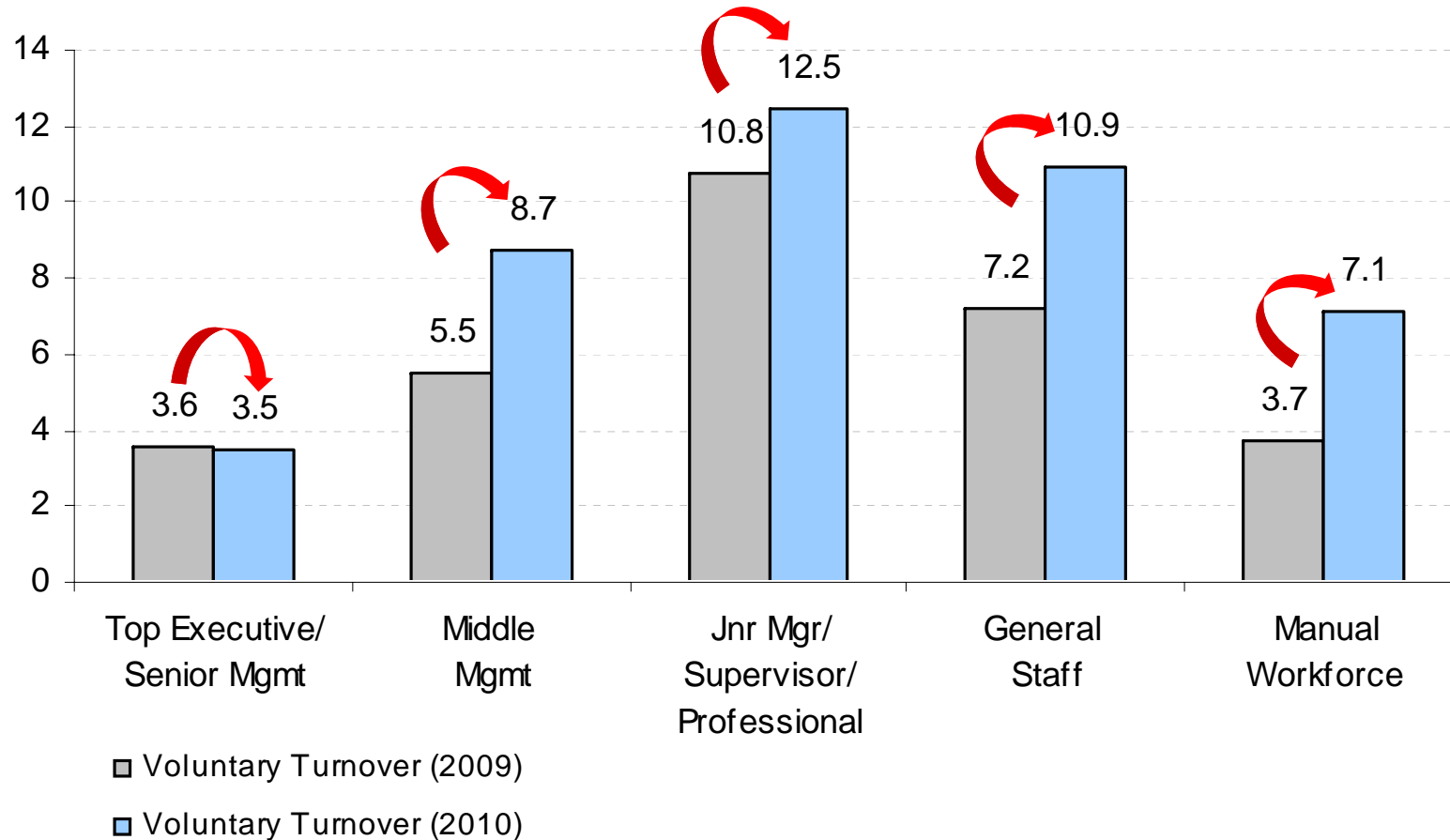
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- **Employee loyalty** is decreasing: each company treated as a temporary learning contract
- Employees are constantly on the lookout and maintain awareness of **external opportunities**
- **Young generations** seek informal culture, challenges, and quick development
- **Turnover** is contagious and mostly impacts the high performers
- 1.5 to 3 years are the most critical stages for turnover
- High performers want to **accelerate their career path**: every 2 years
- **Competitiveness** is changing the recruitment rules:
  - Pay above market levels and attractive packages
- **Headhunters** are becoming more aggressive, taking bigger risks and thinking “out of the box”
- **Integrity** is at risk:
  - Newcomer may quit in the first days of his/her contract for a better job

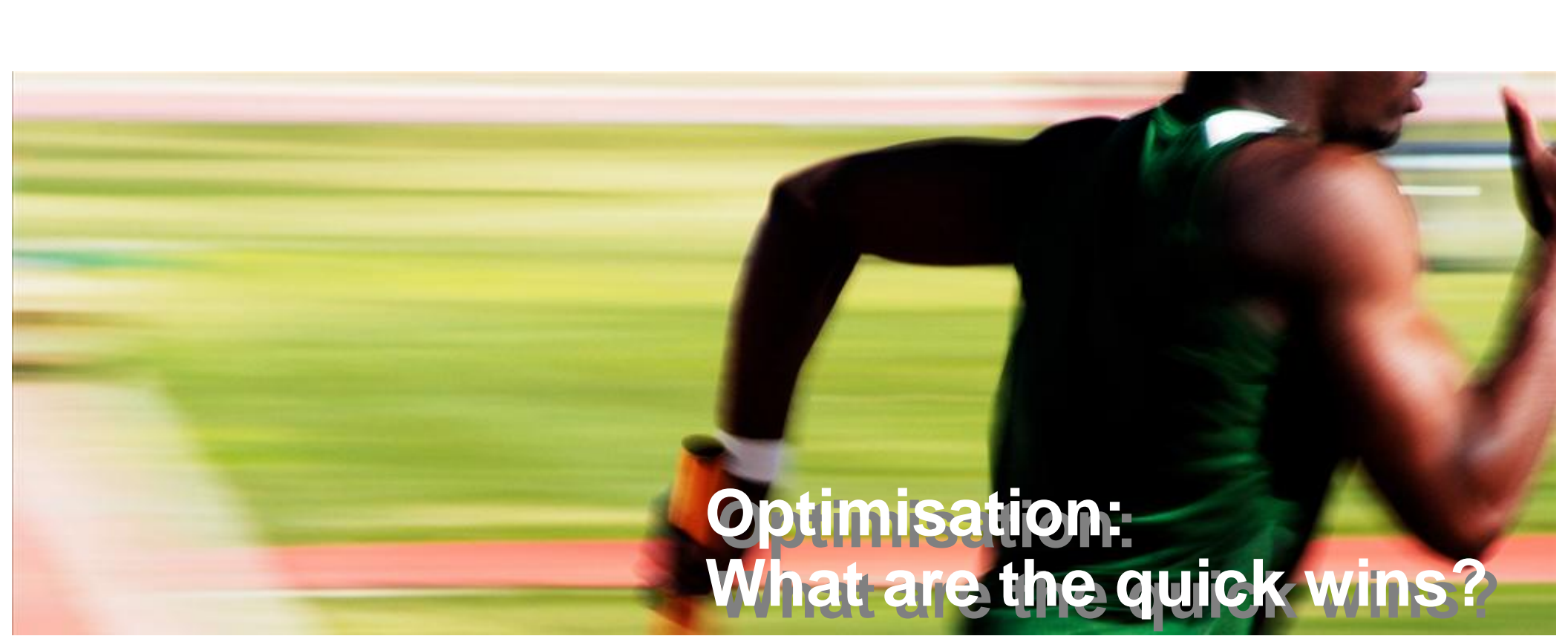


# Survey Results: Voluntary turnover intensifies in 2010

- Higher rates of voluntary turnover in 2010 across most employee levels.



Source: Hewitt Hot Topics Survey 2010

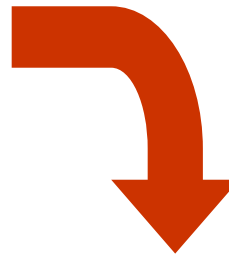


**Optimisation:  
What are the quick wins?**

# How Much Budget Does Human Resources Have?

Compensation Cost as a Percentage of Revenue	
Lower Quartile (P25)	5.0%
Median (P50)	10.0%
Upper Quartile (P75)	20.3%
Average	18.0%

Given limited budget, HR needs to prioritise on what they need to spend on

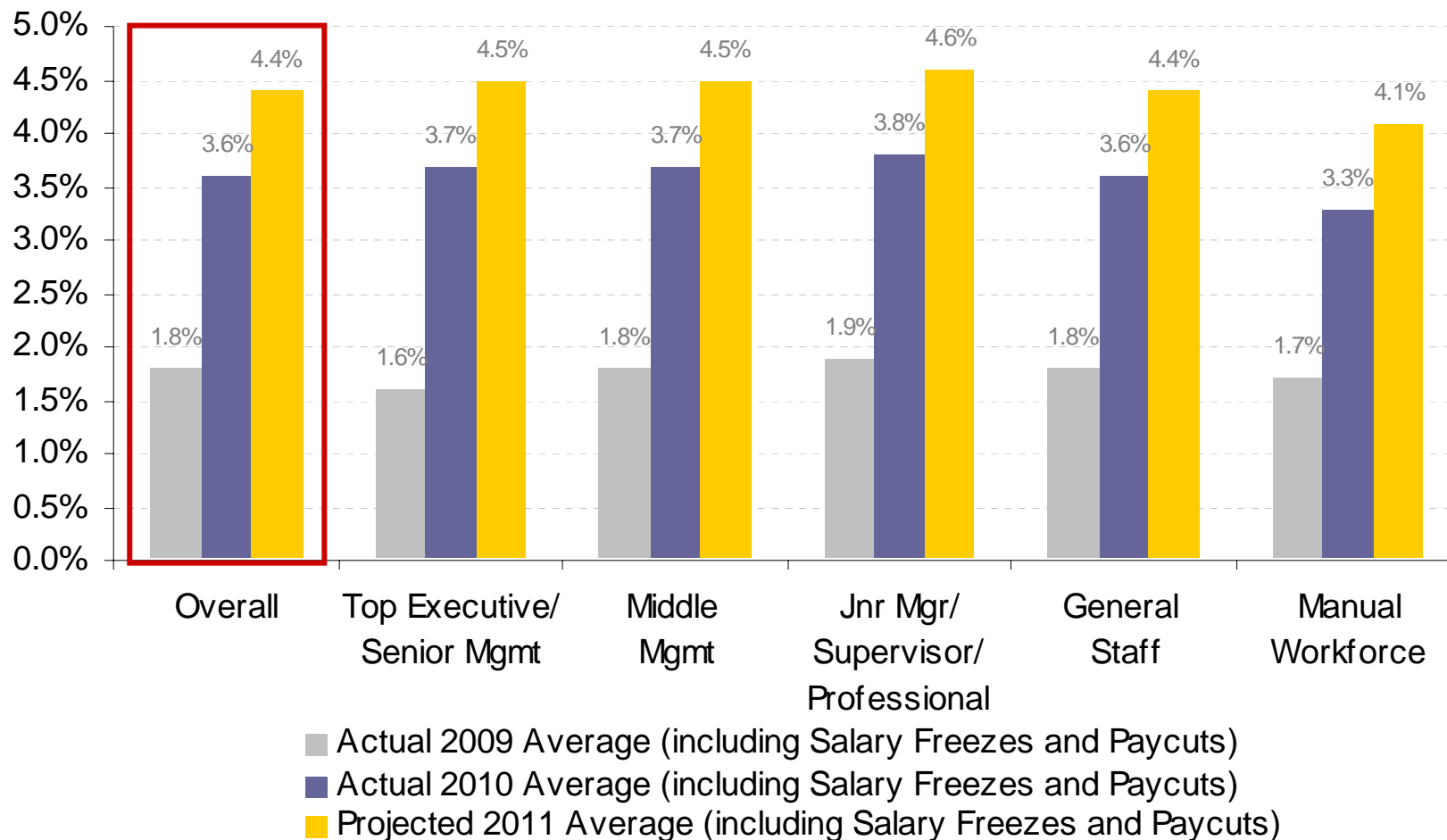


Source: Hewitt Singapore Salary Increase Survey 2010-2011

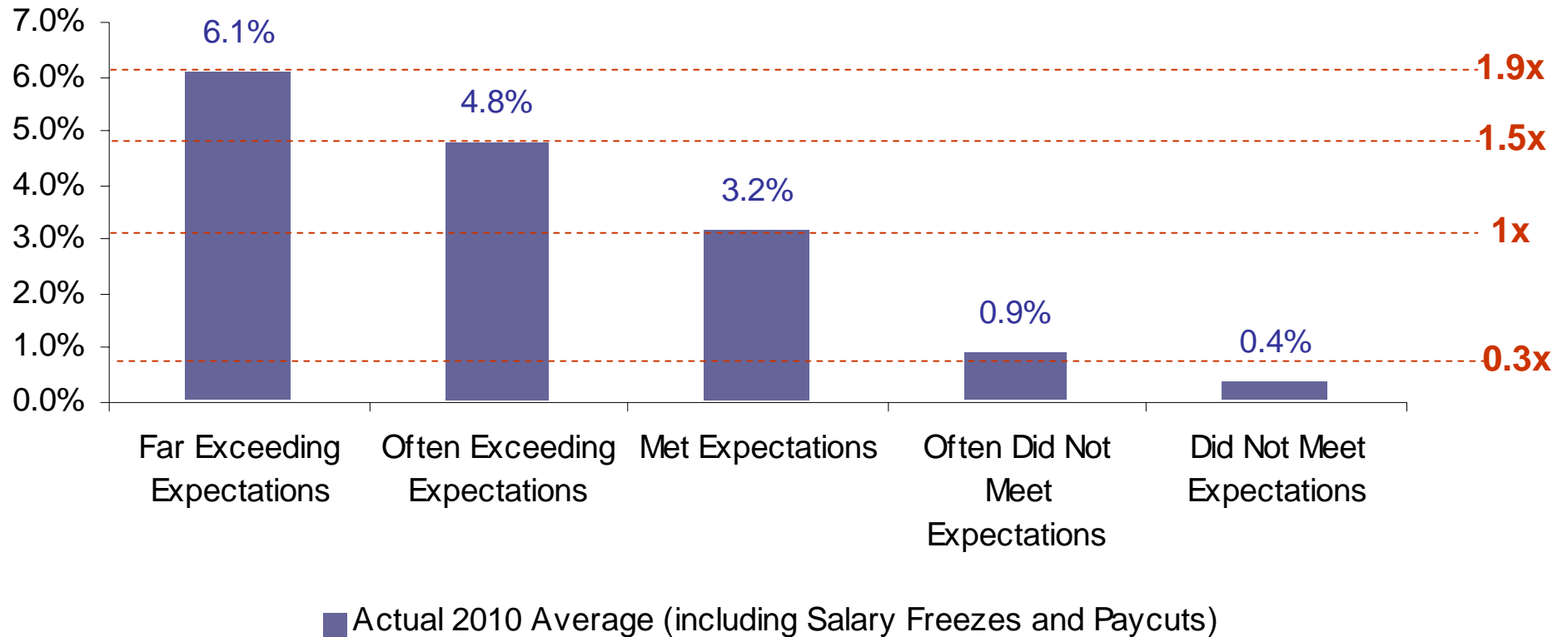
<p><b>Compensation</b></p> <ul style="list-style-type: none"> <li>Fixed Pay</li> <li>Bonus Plan</li> <li>Long-Term Incentives</li> </ul>	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Health &amp; Welfare</li> <li>Retirement</li> <li>Paid Time Off</li> </ul>
<p><b>Development</b></p> <ul style="list-style-type: none"> <li>Performance Management</li> <li>Learning</li> <li>Career Opportunities</li> </ul>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>Culture &amp; Climate</li> <li>Work Design</li> <li>Flexibility</li> </ul>

1.

## Salary Increase Budget (including Salary Freezes and Payouts)



# Optimising Salary Increase Budget By Performance Level



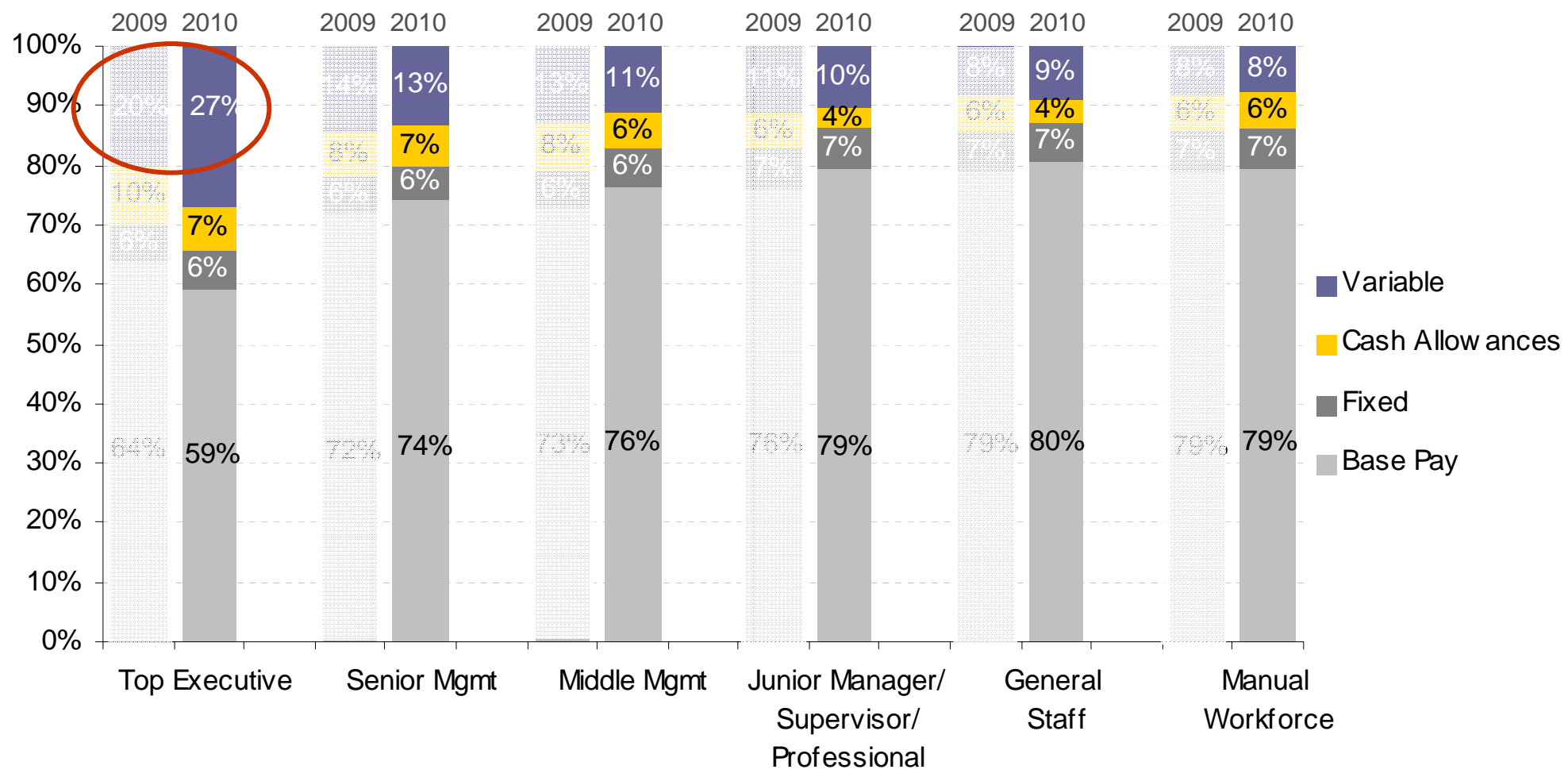
## ! Quick Win !

Being able to **differentiate more aggressively between the good performer from the rest** allows the company to send the right signal to your key talents that their contribution is being recognised.

2.

# Cost Allocation – Spotlight on Variable Pay

▣ Pay mix remains relatively stable. However, there is an increase in ratio of variable pay for Top Executives



# Changes to Variable Pay Plans

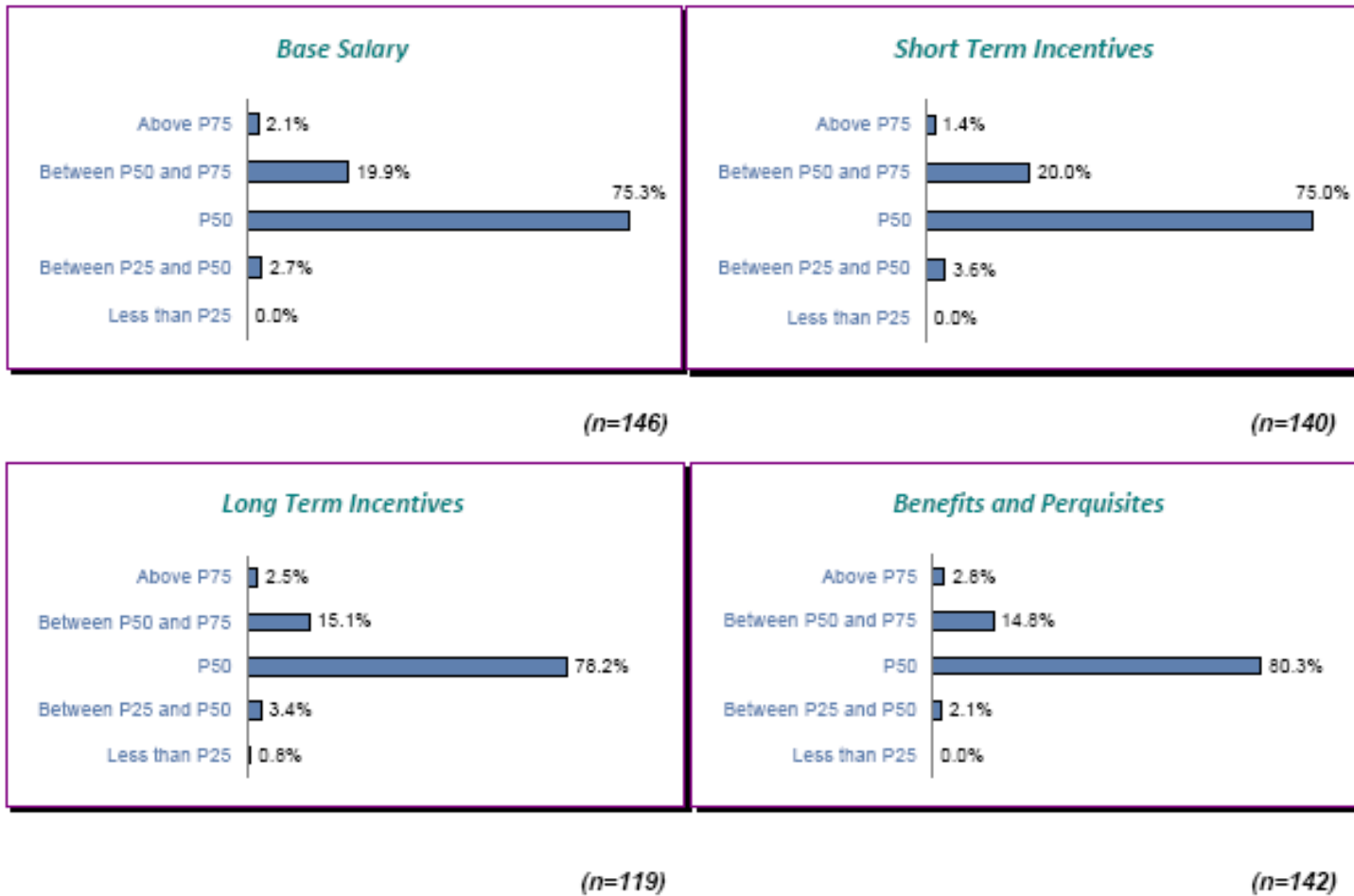
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- In 2009, **28%** of organizations made changes to their variable pay plans - mainly decrease in target payouts and funding and increase in performance criteria/goals
- In 2010, some **17%** of organizations are planning or have changed their variable pay plans
- In 2011, organizations are considering the following changes:
  - **Additional communication / training**
  - **Change performance criteria**
  - **Increase expected award opportunities**
  - **Change funding formula**

## **! Quick Win !**

As market recovers, the spotlight is back on the variable pay component. Companies should re-emphasize on the understanding of variable pay. In addition, companies should **revisit its variable pay framework** (funding formula, performance criteria, pay-performance leverage etc.) to ensure effectiveness of plan.

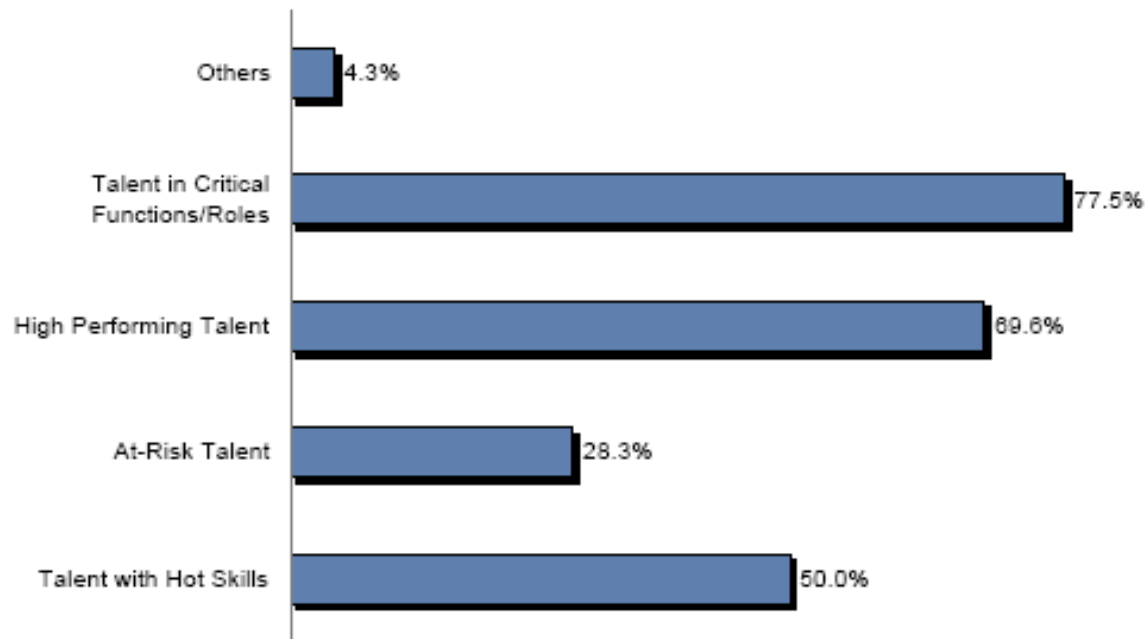
### 3. Compensation Philosophy – Most companies are positioned at market median



Source: Hewitt Singapore Salary Increase Survey 2010-2011

# Targeted Compensation Philosophy by talent pool

- Companies can target to pay at higher levels for critical talents. For example, employees in critical function / roles (e.g. sales, finance) may be positioned at 75<sup>th</sup> percentile of market instead.




## ! Quick Win !

Companies should **define the “critical talent”** within the organisation and identify them, in order to allow for targeted spending which can result in high impact for business.

## 4.

## Demographics drive benefit needs

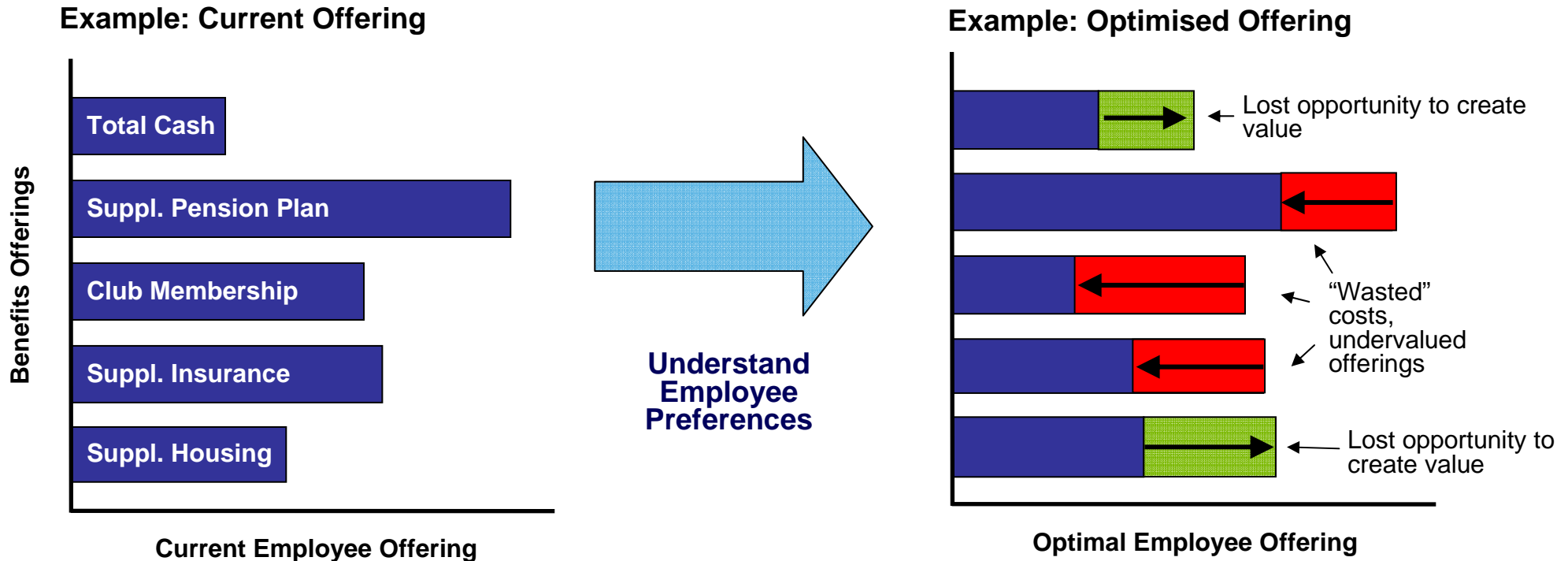


**High Importance**

**Low Importance**

Age 20 - 29	Age 30 - 39	Age 40 - 49	White Collar	Top Mgmt
Housing	Housing	Pension	Housing	Pension
Education Assistance	H&S	Health Screening	Car Allowance	Medical
Car Allowance	Health Screening	Medical	Education Assistance	Health Screening
Leave	Car Allowance	H&S	Leave	Leave
Health Screening	Medical	Car Allowance	Medical	H&S
Medical	Pension	Leave	Health Screening	Housing
H&S	Leave	Housing	Critical Illness	Car Allowance
Pension	Education Assistance	Education Assistance	H&S	Education Assistance

# Preference measurement can optimise benefit offerings by aligning employee needs with employer costs



## ! Quick Win !

Companies can optimise the benefits plan for groups of employees by understanding what they value the most. Initial step is to **understand employee demographic profile** in order to make better decision on benefit offerings

## 5.

## Better Equip Managers to Do their Job

**Best Employers spent 50% of their budget on providing people managers with management skills, compared to 38% of *The Rest***

What Managers Say	<i>The Best</i>	<i>The Rest</i>
I have the tools and training to guide employees in the aggressive goal setting we need to produce positive results	84%	53%
I am well equipped to explain our reward structure to our employees	84%	51%

Employee View of Manager Capability	<i>The Best</i>	<i>The Rest</i>
My manager holds all employees accountable for setting and working towards aggressive goals	84%	58%
My manager consistently helps me find ways to grow in my job	81%	54%
My manager provides clear direction on skills required for future success in this organization	81%	52%

*“One of the reasons why I stayed in the organization is because of my very supportive manager. He knows how to let me run “independently” and provides guidance with just the right attention.”* - **Employee of *The Best***

# Leadership Program – An Example from The Best

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## “New Manager Program”

*1<sup>st</sup> Level Managers*

*virtual and face-to-face sessions with self-study and group work*



## “Leading for Extraordinary Results Program”

*Experienced Leaders.*

*Leadership styles, business skills, strategic analysis, coaching*



## “Global Leaders for Asia”

*Top Talent*

*Action learning program.*

In addition, Managers are sent overseas for different **job experience, skills enhancement** and **collaboration/networking** with others.

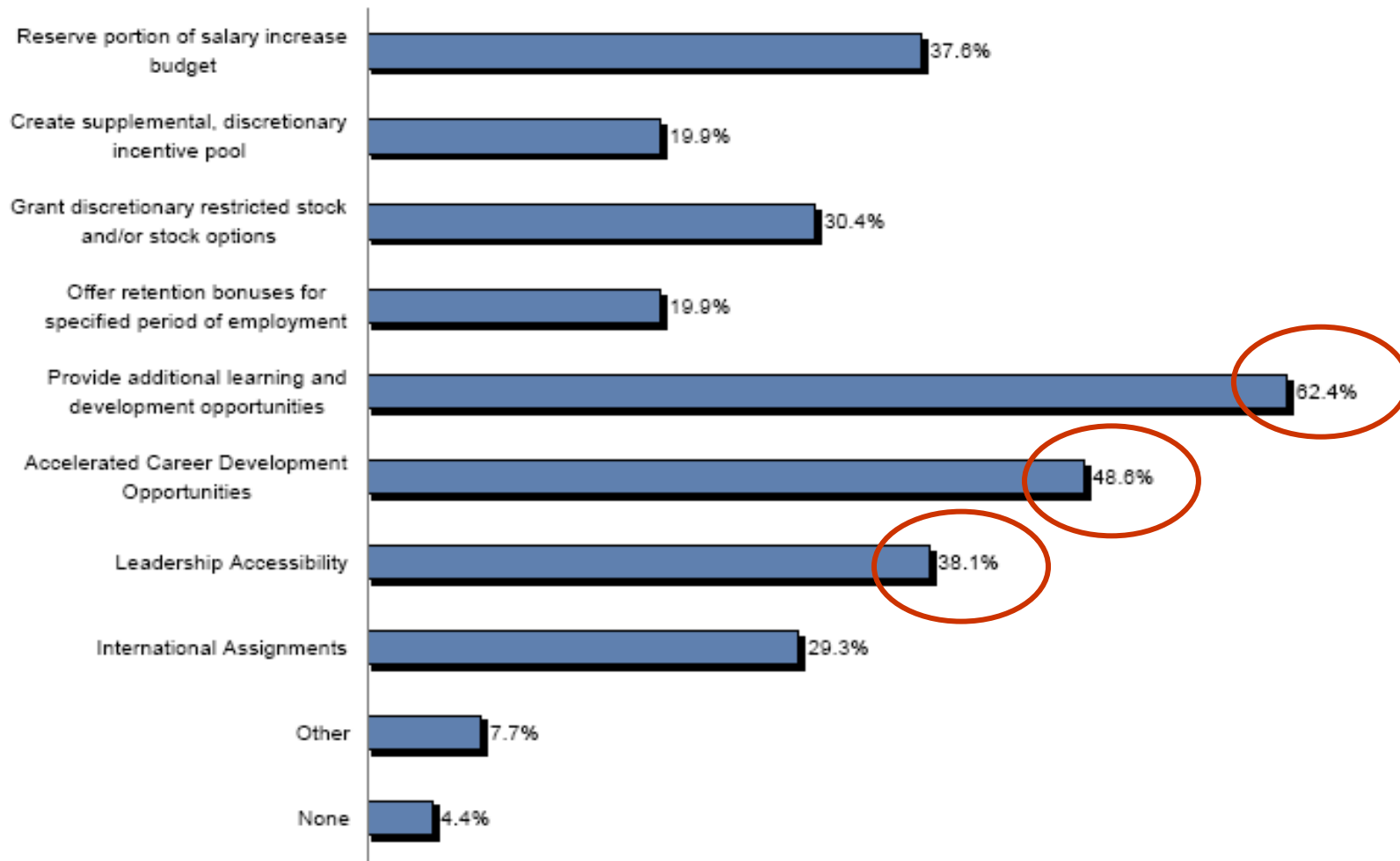
### **! Quick Win !**

People managers play critical role in motivating and retaining talents in an organisation. Being able to **identify appropriate training needs for people managers** can help the managers to become more effective.



# The Future: Emerging Trends

# Approaches Organizations are Pursuing to Reward and Retain High-Performing Employees



(n=181)

Source: Hewitt Singapore Salary Increase Survey 2010-2011

# Emerging Key Retention Measures

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## Most Prevalent Measures Adopted

### 1. Accelerated Career Development Opportunities

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2. Timely and Meaningful Feedback from Manager

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3. Leadership Accessibility

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4. Competitive Pay

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5. Improved Work Life Balance

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Companies will be thinking about innovative career development programs and fast-tracked career paths to retain high performing and high potential employees e.g. project management, international assignment etc.

# Emerging Key Retention Measures

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## Most Prevalent Measures Adopted

1. Accelerated Career Development Opportunities

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**3. Leadership Accessibility**

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4. Competitive Pay

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Emphasis on the training and development for managers and leaders to equip them with the right skills (e.g. evaluating performance, identifying high potentials, engaging employees etc.) help employees to grow

# Emerging Key Retention Measures

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## Most Prevalent Measures Adopted

1. Accelerated Career Development Opportunities
2. Timely and Meaningful Feedback from Manager
3. Leadership Accessibility
- 4. Competitive Pay**
5. Improved Work Life Balance

Emphasis on incentive plans that deliver and relevant programs targeting certain business objectives / employee groups / competency etc.

# Emerging Key Retention Measures

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## Most Prevalent Measures Adopted

1. Accelerated Career Development Opportunities

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2. Timely and Meaningful Feedback from Manager

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3. Leadership Accessibility

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4. Competitive Pay

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**5. Improved Work Life Balance**

Companies will continue to introduce innovative programs in order to accommodate for work-life balance of employees e.g. telecommuting, flexible working hours, company sponsored vacations etc.

# Winning talents, reaping growth!

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- **In order to have more focused spending of HR budget, some key questions to be answered:**
  - Can I accurately differentiate the outstanding performers from the rest?
  - Who are the “critical talents” in my organisation?
  - What is my employee demographic profile?
  - Are my people managers equipped to do their job?



# Aon Hewitt Launches *Best Employers 2011* Study!

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The largest single source of employee and human capital research across the region since 2001

6<sup>th</sup> Hewitt *Best Employers* To Be Launched On 2 August 2010

Study Scope Spans Across APAC – Includes 11 markets in Asia, Australia/New Zealand and the Middle East

2011 Study designed to evaluate **People alignment to Business**

Registration closes on **17 November 2010**

To register, please visit [www.hewitt.com/bestemployerssingapore](http://www.hewitt.com/bestemployerssingapore) and complete the online registration form

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# Thank You!



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**Lee Shiau Fei**

[shiau.fei.lee@aonhewitt.com](mailto:shiau.fei.lee@aonhewitt.com)

+65 6872 7668

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# Appendix

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# About Aon Hewitt and Aon

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## About Aon Hewitt

Aon Hewitt is the global leader in human capital consulting and outsourcing solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees. For more information on Aon Hewitt, please visit [www.aonhewitt.com](http://www.aonhewitt.com).

## About Aon

Aon Corporation (NYSE: AON) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Through its more than 59,000 colleagues worldwide, Aon delivers distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally through more than 500 offices in more than 120 countries. Named the world's best broker by Euromoney magazine's 2008, 2009 and 2010 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's largest insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008 and 2009. A.M. Best deemed Aon the number one insurance broker based on brokerage revenues in 2007, 2008 and 2009, and Aon was voted best insurance intermediary, best reinsurance intermediary and best employee benefits consulting firm in 2007, 2008 and 2009 by the readers of Business Insurance. Visit <http://www.aon.com> for more information on Aon and <http://www.aon.com/unitedin2010> to learn about Aon's global partnership and shirt sponsorship with Manchester United.

# Aon Hewitt Services - Consulting

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## Consulting

The importance of people to the global economy has never been greater. CEOs increasingly rate human resources issues among their top challenges and business priorities. To compete effectively, businesses need strategies for attracting, rewarding, retaining and motivating the best talent in their industry.

Aon Hewitt consultants are helping companies solve some of their most complex people challenges. We work with clients to design incentive programs, manage pension risk, develop investment strategies, optimize organizational structures to improve business results, and guide clients through retirement, pension, and health care reform. No team is better equipped with industry-leading talent, proactive thought leadership, and innovative solutions than Aon Hewitt.

### Global solutions include:

- Health and Benefits
- Retirement
- Investment Consulting
- Compensation
- Talent & Organization
- Corporate Transactions
- Global Benefits

# Aon Hewitt Services – Benefits Administration

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## Benefits Administration

Whether an organization is a complex global enterprise or a growing mid-sized business, Aon Hewitt's outsourcing solutions improve benefits delivery, reduce compliance risk, and enable our clients to focus on more strategic issues.

Our integrated, scalable approach to benefits outsourcing allows organizations to outsource major components of their HR function, such as retirement and health and welfare administration. We have the domain expertise, quality, processes, and technology to manage complex HR organizations and offerings to improve the ROI of our clients' HR investments.

### Global solutions include:

- Defined Benefit Plan Administration
- Defined Contribution Plan Administration
- Health and Welfare Plan Administration

# Aon Hewitt Services – HR Business Process Outsourcing

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## HR Business Process Outsourcing

Many organizations outsource multiple HR processes to cut costs, create a more strategic HR function, and deliver improved service to a global workforce. Aon Hewitt helps organizations outsource multiple HR processes to a single provider, creating a more strategic HR function, transforming delivery models, and improving service to employees.

As the largest HR business process outsourcing provider in the world, we handle more than 70 million HR-related customer interactions each year for nearly 20 million employees, retirees, and their families.

We have a proven approach—backed by a configurable, scalable technology platform—to help clients migrate to leading HR standards and practices at a pace that's right for the organization.

### Global solutions include:

- Workforce Administration, Payroll, and Employee Benefits Services
- Learning and Development Services, as well as Performance Management Services
- Total Rewards Planning and Design
- Hiring and Relocation Services
- Recruitment Process and Staffing Outsourcing
- Absence Management
- Flexible Spending Account Administration
- Dependent Audit Services
- Supplier Management and Workforce Analytics