RETENTION BUZZ

Training and development plays a significant role.

By Jennifer J. Salopek

Several recent studies demonstrate that a majority of North American employers plan to increase their investments in training and development in 2008, citing employee attraction and retention as key factors rather than just the cost of doing business.

Other studies show that this phenomenon is likely to be repeated around the world as the war for talent heats up and employees change jobs rapidly for better compensation and benefits.

A Mercer study released in October 2007 shows that the investments that organizations are making in employee training and career development are growing faster than all other areas, including base pay. Mercer's "2007 Total Rewards SnapShot Survey" found that 46 percent of responding employers plan to spend more money on training in 2008, and 51 percent plan to spend more on career development.

As the gross domestic product in the United States and Canada is expected to reach 3 percent in 2008, and base pay increases are expected to outpace inflation, employers cite attracting and retaining the right talent as the greatest challenges they face. Training and development have become key parts of the total rewards package, says Loree Griffith, a principal at Mercer.

"Organizations are striving to balance the employee value proposition by investing more dollars in training and development and less in base pay to attract, retain, and engage employees," Griffith says. "After all, organizations have limited budgets for salary increases, so rewards can only go so far on the pay side.

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"Currently, we see companies focusing on other elements of the total employment experience—all of the things that can affect employee satisfaction," she observes.

The Total Rewards SnapShot Survey, which is in its sixth year and in 2007 featured responses from 580 organizations in the United States and Canada, defines employee training as the transference of traditional job-related knowledge and skills. It defines career development as those activities that facilitate movement within an organization, such as performance management, succession planning, promotions, lateral moves, stretch and temporary assignments, and so forth.

Mercer experts emphasize that, when creating their total rewards programs, employers ensure that they meet several requirements: Programs must be affordable and sustainable, and must be aligned with overall business strategy. To make programs affordable, organizations typically segment employees on the basis of job level, geographic location, or business or product line, offering differing rewards programs to each based on their perceived value to the company.

To be fully aligned with business strategy, rewards programs are frequently evaluated and fine-tuned. The Mercer study found that 38 percent of North American respondents had made changes to their programs in the past 12 months, and 78 percent of respondents had made changes in the past three years.

"Employers are adopting a broader definition of rewards," explains Griffith. "They now recognize that total compensation includes more than just pay and benefits, such as career opportunities and other intrinsic work factors. Employers are beginning to view rewards from a more holistic perspective."

Employees, on the other hand, seem to view employment from a "what's in it for me?" perspective.

A recent WorldatWork report states that in Singapore, unemployment rates of less than 2 percent are generating an unprecedented job-hopping phenomenon. "Workers are changing jobs up to four times per year, with raises of 100 percent not unheard of." The report adds that the phenomenon is common throughout Asia Pacific.

For these employees, the segmentation of total rewards packages may be a reason to move on. After all, the release states, "Compensation inequity (or perceived inequity) is a major issue for retention. How an employee is paid in comparison to others is as important, if not more important, than the compensation itself."

Especially in a hot job market, training and development can play a vital role in employee recruitment and retention. "Investments in training and development offer a number of benefits to employers to focus on career opportunity and the employment experience. It also helps to create an employer brand that differentiates the company in the war for top talent, while at the same time conveying the organization's values and culture," Griffith says.

As organizations review and refine their total reward programs, full alignment with business strategy is the ultimate goal. Only 15 percent of Mercer respondents report full alignment, while 74 percent report at least partial alignment.

Griffith defines alignment as "making sure what you're doing on the people side [of your business] is important to satisfying your business goals—motivating and driving your employee population to do certain things." She outlines these characteristics of fully aligned rewards programs:

- They build workforce capability to support the business model.
- They strengthen the employment brand for attracting and retaining talent.
- They increase the "return on reward" of investments.
- They create global consistency and governance while supporting needed local flexibility.
- Their costs are in line with those of competing organizations.
- They strike an appropriate balance between pay and performance.

Mercer's results are consistent with

ASTD's own findings. Andrew Paradise, research analyst and principal author of the 2007 *State of the Industry Report*, says, "Mercer's findings come as no surprise to us. ASTD estimates that U.S. companies spent nearly $130 billion on employee training and development in 2006, continuing a longtime upward trend."

Paradise also notes that figures for training and development expenditures on a per-employee basis have been trending upward, and that figures from 2006 were up 1.8 percent from 2004 (the last year such data was gathered).

Paradise believes that the data tells a larger story. "Our results indicate a changing employer view: that workplace learning and performance has become an integral aspect of organizational spending, rather than a necessary evil," he says. "Training and development is ready for widespread acceptance by employees who view comprehensive career development as an attractive benefit."

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WHAT'S IN IT FOR ME?

Characteristics of a fully aligned rewards program from the employee perspective

- Rewards are marketplace competitive.
- Growth opportunities and future with employer are known.
- Rewards seem in line with the company's priorities and direction.
- Programs meet employee needs.

Source: Courtesy of Mercer. Mercer's "2007 Total Rewards SnapShot Survey" report is available online at www.mercer.com/compensation2008.

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