

PwC Saratoga is the human capital measurement and benchmarking arm of PwC. Using a proven global methodology developed over some 25 years, we identify connections between HR, people, functional and organisational performance, supported by a global repository of metrics and best practice information. Through quantitative and qualitative tools, we offer assistance in identifying globally used and recognised metric/KPI standards to support execution of business/HR strategy.

**PwC Saratoga**  
2012 European Human  
Capital Effectiveness  
Report

*Bringing objectivity  
and business  
alignment to  
human capital and  
HR delivery*



# The report – background

PwC Saratoga established the European human capital effectiveness report in 1994. It provides a portfolio of clearly defined quantitative workforce performance metrics together with comprehensive European benchmark data.

The report offers objective data to help organisations evaluate workforce performance and optimise their return on investment in human capital.

The report is broken up into sections, each addressing key workforce and HR function themes:

- **Human capital impact** financial impact, productivity and ROI of the workforce;
- **Human capital engagement** absence and turnover, recruitment, learning and development, compensation and benefits;
- **Human resource function** size and cost of the function, use of outsourcing, HR roles and remuneration; and
- **Workforce structure** diversity, percentages of management and professionals as a proportion of the workforce.

The data in this report is collated primarily from 900 client organisations from January 2010 to the autumn of 2011. The demographics for this data are shown in Figure 1.

## Who is it for:

- HR Directors
- People in HR management information or reporting
- Specialists in HR controlling, talent, L&D, resourcing and reward
- Those with Organisational Effectiveness roles.

Figure 1

Workforce FTEs	UK %	CEE %	Western Europe %
1 - 500	9.1	45.8	18.0
501 - 1,000	5.3	18.3	9.9
1,001 - 2,000	9.1	14.6	13.7
2,001 - 5,000	20.9	11.4	18.4
5,001 - 10,000	16.7	5.0	13.3
10,001 - 25,000	15.6	3.2	12.4
25,001 - 50,000	11.0	1.0	5.8
50,001+	12.2	0.7	8.6
All	100.0	100.0	100.0

Industry sector	%
Banking	10.9
Other finance	3.9
Insurance	5.4
Communications and media	6.8
Technology	6.2
Pharmaceuticals	6.4
Chemicals	5.0
Engineering and manufacturing	31.6
Utilities	4.6
Retail and leisure	5.6
Services	8.8
Public sector	4.8

## Report benefits

- Defines productivity standards
- Determines resource and budget requirement/allocation across functions and processes
- Determines effectiveness of various human capital interventions
- Identifies future focus area (in terms of cost/revenue per employee) to drive HCROI
- Guides on the selection and design of KPIs and measurement frameworks
- Provides a valuable practitioner reference resource
- Includes PwC Saratoga definitions allowing harmonisation of own reporting standards
- Provides a ‘How to’ guidance for applying and interpreting individual KPIs and benchmark data

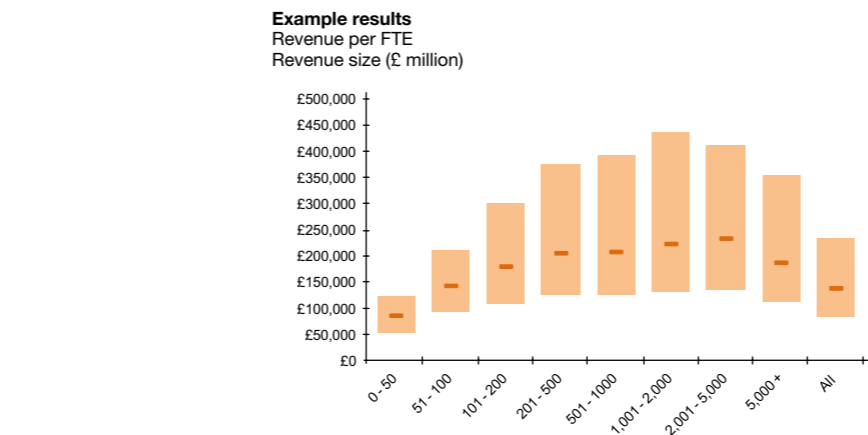
# The report

Each section of this Report has an introduction providing the following information:

- An introductory discussion of the metrics covered
- Key metric results: a quick reference to industry sector benchmark medians
- Trends and relationships – discussing the main European market trends observed and key drivers of organisational performance
- A list of ‘best’ practices from high performing organisations.

In the following presentations of individual metrics, benchmark data is accompanied by:

- The formula used to calculate the metric from component data elements
- Definition: summary definitions of the component data elements that comprise the metric formula
- Purpose and application: guidance on how to use the metric and considerations to be made in interpreting the benchmark results
- Target guide: a PwC Saratoga suggestion of target quartile performance versus a relevant benchmark group, if applicable
- Metric relationships: a list for cross-referencing to related metrics and additional information sources in order to develop deeper understanding of your organisational performance.



Revenue size (£ million)	10th percentile	25th percentile	Median	75th percentile	90th percentile
0 - 50	34,596	57,447	88,987	127,302	166,795
51 - 100	63,169	98,104	148,658	218,179	285,569
101 - 200	76,749	115,887	189,869	310,751	447,335
201 - 500	83,775	133,524	213,698	379,667	646,712
501 - 1000	85,664	135,955	223,195	411,835	769,036
1,001 - 2,000	93,187	145,961	240,822	442,026	1,114,085
2,001 - 5,000	102,106	156,990	246,648	442,352	1,187,349
5,000 +	77,604	132,213	207,636	418,354	1,063,032
All	54,281	88,797	145,061	243,130	411,028

# Key trends

Workforce reductions have brought stability to revenue per FTE, but profit performance is declining.

Productivity and Human capital ROI continues a 3-year decline in Western Europe, contrasting with gains in the CEE region.

Remuneration norms have climbed further due to structural workforce reductions at lower grades.

Recruitment activity has declined across most sectors - rising rates of candidate acceptances reflecting limited vacancy opportunities.

High performing organisations invest more in developing their managerial and specialist populations.

With reducing workforces, many HR functions are now emerging as larger and more costly on a ‘per employee’ basis.

The period of rising terminations may have peaked, but employee engagement is down - grievances are up and absenteeism is accelerating.