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COMPENSATION

Regulatory Environments for Compensation Programs (C1)

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Accounting and Finance for the Human Resources Professional (T2)

May 5	Online Blended Learning Begins
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Quantitative Methods (T3/GR2)

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May 7-8	Parsippany, NJ
May 11-13	Sydney, NSW, Australia
May 15-17	Shanghai, China

Quantitative Principles in Compensation Management (C3E)

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Base Pay Administration and Pay for Performance (C4/GR4)

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EXECUTIVE COMPENSATION

SALES COMPENSATION

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May 17-20	Abu Dhabi, United Arab Emirates
May 18-20	Moscow, Russian Federation
May 20-22	Madrid, Spain
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International Remuneration – An Overview of Global Rewards (GR7)

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May 11-14	Abu Dhabi, United Arab Emirates
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EXECUTIVE COMPENSATION

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May 18 Columbus, OH

SALES COMPENSATION

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BENEFITS

Regulatory Environments for Benefits Programs (B1)

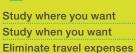
May 11-12	Kansas City (Overland Park), KS
Anytime	E-Learning

Benefits Outsourcing – Selecting, Contracting and Managing Service Partners (B12)

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May 13-14	Dallas, TX
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Much has changed in the way directors of public companies are selected and held accountable for their performance as a board member. Those tasked with helping boards develop and administer director pay programs should be mindful of the increasing scrutiny of board pay levels and to monitor evolving governance practices.

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ID Theft Protection Can Help Avoid Lost Productivity

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More companies are using performancebased awards in their long-term incentive programs, and the design of those awards is becoming more complex, according to the newest survey of incentive programs among 200 of the largest U.S. companies. BY JAMES REDA, DAVID SCHMIDT AND KIMBERLY GLASS

ARTICLE REVIEWERS

Saado Abboud, CCP, Keystone Compensation Group LLC

Chad Atwell, CCP, GRP, Oracle Nathan Aycock, CCP, Colas Minhas Bhojani, Aleon Laboratories Inc. Henry Federal, CCP, HLF Rewards Consulting LLC Alison French, CCP, GRP, *IBM*Kevin Garrett, CCP, *Genuine Parts Co.*Lori Glasgall, CCP, *Integrated Compensation*

Solutions Inc

Denise Hasskamp, CCP, Insight HR Solutions Eveylyn Johnston, CCP, Blue Shield of California Bob Jones, CSCP, Innovative Comp & Benefits Concepts

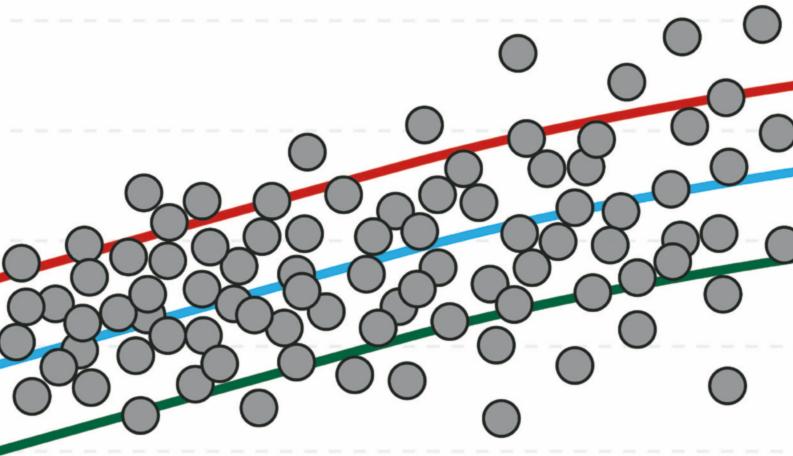
Mary Ann Lambrechts, CCP, Sandy Spring Bank Susan Malanowski, CCP, CBP, GRP, Wilson Group

Dianna Smith, CCP, CBP, Mercy Health Thomas Sondergeld, Walgreens Gary Starzmann, CCP, CBP, GRP, SPHR, Aon Hewitt

Guy Van Tiggelen, CCP, CBP, CPA, LifeBridge Health

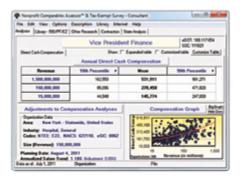
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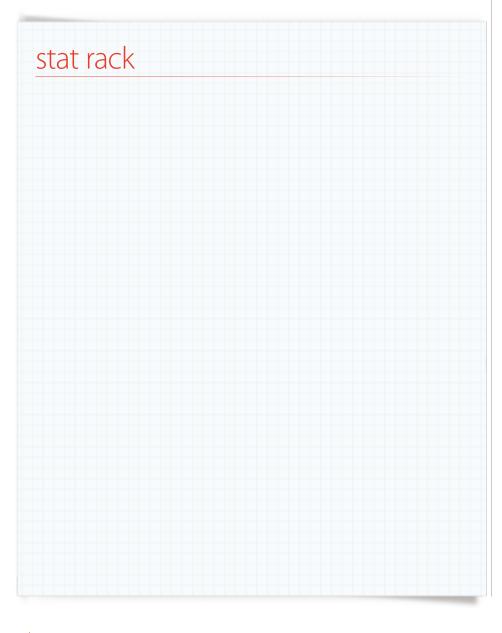
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EDITORIAL

Publisher

Anne C. Ruddy, CCP, CPCU

Executive Editor Andrea Ozias

Managing Editor

Jean Christofferson jean.christofferson@worldatwork.org

> Contributing Writer Iim Fickess

Review Coordinator/Permissions Editor

Wendy Anderson

DESIGN

Art Director Jamie Hernandez

Senior Graphic Designers Kris Sotelo Hanna Norris

CIRCULATION

Circulation Manager Barbara Krebaum, 480-304-6861

ADVERTISING

Display Advertising Representatives and Offices

Chris Martin worldatwork@networkmediapartners.com 410-584-1977

Network Media Partners 307 International Circle, Suite 190 Hunt Valley, MD 21030

Advertising Information Visit our website at www.worldatwork.org.

GLOBAL HEADQUARTERS

14040 N. Northsight Blvd. Scottsdale, AZ 85260 USA

WASHINGTON, D.C., OFFICE

1100 13th St. NW, Suite 800 Washington, DC 20005 USA

CANADA

P.O. Box 4520, Postal Station A Toronto, ON M5W 4M4

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from the leadership

Balance is the Key to Executive Pav



Steve Pennacchio, CPA, J.D.
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Pay, salary, wages, overtime, shift differential, bonus, stock options, restricted shares and performance shares are used to describe what employees receive in exchange for their services. The amount people receive as pay, and in what form, is an age old question that generates numerous headlines and conversations from the water cooler and dinner table to the golf courses and boardrooms.

Executive pay is a constant today. And it's often a front-page topic because the payouts can be large, and as with anything, large is a relative term. In this issue of *workspan*, we look at what is often the pay element that garners the biggest headlines — long term incentive (LTI) compensation. It is the form of pay that

can create significant levels of wealth. But for every headline award or payout, we see awards that do not pay out due to either poor performance and/or poor design. In the article starting on page 26, the authors challenge companies to examine their long-term programs, which is great advice.

Long-term pay has been around for decades and we have seen the pendulum for the type of instrument swing back and forth between full-value shares (often restricted shares) and appreciation instruments (stock options and stock appreciation rights). Long-term awards are intended to provide employees with alignment with shareholders by linking a portion of their pay, the proportion of which increases with rank within the company, to long-term company performance.

In my view, the "right" long-term program is designed to meet the company's goals and provide a balanced design. These programs should provide employees with the proper incentives to drive shareholder value through company performance. The levels received should align with the value delivered without losing sight of the need to pay competitively to retain the "right" talent.

Sincerely,

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Are you providing employee discounts to amusement parks for your employee, such as discounts to Holiday World or to Disney? If so, what are the pros and cons from your experience?

Anna Langford, CCP, GRP

All my previous employers provided these discounts. The only "con" was that someone had to be the custodian of the offerings.

- Edward W Smith

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The definite con is that this could be deemed as solicitation and you will be violating your own organization's solicitation policy. The result of that would be that unions may then be permitted to come in to your workplace to distribute literature. Employers cannot pick and choose what solicitation literature can be distributed. If it is allowed, you may be required to allow the union to solicit their literature or face an unfair labor practice complaint with the NLRB. (This is not limited to union environments, it also impacts non-union environments.) For example, if you allow employees to sell Avon, Girl Scout cookies, etc., in the workplace, you just allowed union solicitation in the workplace. Solicitation and distribution rules must be enforced against all entities, not just unions, to be valid. Here is an article on the subject: http://www.vmclaw.com/legal_updates/controlling_union_solicitation.html. Do not do this without first consulting your legal counsel. No good deed goes unpunished!

- Anonymous

If you allow employees to sell Avon, Girl Scout cookies, etc., in the workplace, you just allowed union solicitation in the workplace.



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workspan Vol. 58, No. 04/April 2015 (ISSN 1529-9465) is published monthly by WorldatWork, 14040 N. Northsight Blvd., Scottsdale, AZ 85260-3601, as a benefit to members who receive an annual subscription with their membership. Subscriptions in the United States and U.S. possessions are \$100 per year; in other countries, subscriptions are \$125 per year. Periodicals postage paid at Scottsdale, AZ, and additional mailing offices. $\overline{\text{POSTMASTER}}$: Send address changes to workspan, 14040 N. Northsight Blvd., Scottsdale, AZ 85260-3601; 480-951-9191. Canada Post (CPC) publication

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WorldatWork Post Organizational Culture: Measuring its Impact



Lenny Sanicola, CCP, CBP, CEBS, SPHR, WorldatWork

We often talk about the importance of "organizational culture" and how it, along with business strategy and human resources strategy, drives the direction for the total rewards strategy. This strategy ultimately

influences what the total rewards mix for an organization will be. Organizational culture is often difficult to describe; therefore, it becomes challenging to measure its impact on a company, its employees and its customers.

Culture determines how and why a company operates in the way it does, and typically includes a set of often unspoken expectations, behavioral norms and performance standards. It is a system of shared assumptions, values, and beliefs, which governs how people behave in companies. It is subject to internal and external influences, and significantly influenced by organization's leadership.

According to a recent Wall Street Journal article, culture is the buzzword of the moment at many financial institutions. With the turmoil of the last several years, financial firms, specifically the largest banks, are trying more than ever to monitor employee attitudes and values. In the article, it was stated that senior officials with the Federal Reserve and other agencies believe "bad behavior goes deeper than a few bad apples," and are advising firms to track warning signs of excessive risk taking and other cultural breakdowns." In a speech by New York Federal Reserve President William Dudley, the word "culture" was mentioned 44 times! Industry experts say

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how banks monitor and measure risks appear to be a greater focus this year in addition to the number-crunching aspects of the so-called "stress tests."

Many academics and consultants have tried to measure corporate cultures for decades, but getting valid data on this issue is very difficult. Bank regulators acknowl-

In a speech by **New York Federal** Reserve President William Dudley, the word "culture" was mentioned 44 times.

edge culture is a difficult thing to measure. Since the subject is by nature qualitative and subjective in many ways, some people are concerned that bank regulators will use "culture" to find fault with banks on a range of matters. U.S. Comptroller of the Currency Thomas Curry said in an interview that culture is a "critical component of a sound management team" and could significantly affect his agency's rating of a bank's strength. As a result, many U.S. banks are struggling with how they might measure culture.

According to the article, one large bank added questions to its annual employee survey to: understand whether employees refer the bank's products to friends and family; decipher their confidence in the firm; and measure employee satisfaction through what the CEO calls a "happy to grumpy ratio." The idea, executives say, is that happy employees, defined as ones who say they are satisfied, are more likely to act ethically, which then leads to better behavior. Do you think that "happy employees" are more inclined to act ethically?



Every industry considers itself unique. Banking, under today's American environment of tight bureaucratic government controls, is less risky now than ever before because risk-taking has been formally circumscribed by rules. Energy exploration and extraction is probably far more risky, as are many other less dramatic industries like entertainment and transportation where more variables of risk exist than ever occur in number-shuffling. No, what might be unique to some sectors (like banking, investment and government) is their potential leverage to wreak immense harm on the broader society.

That said, culture needs to be clearly defined before being cited as a regulatory barometer. Culture tends to be a sense of common identity that permeates a group, creating a distinct environment where certain learned behaviors are expected of all members. Love to see some federal agency establish objective measurable parameters to assess THAT. If you can't define, you sure can't clarify it or measure it!

eJames3

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Continuing the Conversation

Occupation, Experience and (For-Men-Only) Parental Leave

April is the month when, symbolically, women's average earnings in the United States catch up to men's from the previous year.

OK. Acknowledged. But let's not stop there. Last month's column from Mike Davis, former WorldatWork Board Chairman, discussed at length the gender pay gap and included a call to action for the compensation profession. To keep the discussion going on this important issue, let's reflect for a couple of minutes on what's new in the research about the gender pay gap that could aid those wanting to take up Davis' charge.

What We Know

Let's start with being very clear about something we do know — that most statistics you hear about the gender pay gap, including the statistic that women earn 77 cents on the dollar to men, do not take into account the significant differences in factors that explain much of the gap, such as job rank, years of experience, occupation or industry. Alone, the industries and occupations women choose, or are channeled into, explain roughly half of the earnings gender gap for full-time workers. (Francine Blau and Lawrence Kahn, "The Gender Pay Gap: Have Women Gone as Far as They Can?" Academy of Management Perspectives, February 2007.)

Another very important factor is work experience. We know that women, on average, have less (and less continuous) work experience. Family-friendly policies, such as parental leave, are seen as one way to keep women in the labor force. Many organizations are offering parental leave benefits beyond those required by law, and more countries are expanding parental leave policies — all changes that offer opportunities for evidence-based learning on how workplace practices can affect the gender neutrality of pay outcomes.





Linda Barrington **Executive Director** Institute for Compensation Studies ILR School at Cornell University

Unintended Consequences

One thing we're learning from new research on changing parental leave policies is that such policies can have unintended consequences, potentially and paradoxically worsening the gender pay gap. For example, in "Female Labor Supply: Why Is the United States Falling Behind?" (American Economic Review, May 2013), Francine Blau and Lawrence Kahn assess the generousness of parental leave and part-time work regulations across countries in the Organization for Economic Co-operation and Development. Through this macro-level lens, they find that these policies do contribute to greater participation by women in paid employment outside the United States. But, this gain comes largely through working more in part-time jobs. This, they warn, could actually "reduce women's representation in high-level jobs, which generally require full-time, full-year, career-long commitments."

Analyzing rich micro-level work histories and family data from Sweden, Marie Evertsson and Ann-Zofie Duvander reach a similar conclusion. They find that women who took advantage of parental leave for 16 months or longer experienced a negative effect on future upward mobility when back at work. ("Parental Leave — Possibility or Trap? Does Family Leave Length Effect Swedish Women's Labour Market Opportunities?" European Sociological Review, August 2011).

Important to ask, and unanswered by the research to date: Is this worsening opportunity of promotion due to a real and unrecoverable loss of experience, or is it due to biased presumptions about the "seriousness" or potential of these women? These are the more murky complexities of the gender pay gap. Diving into the murky depths of a problem's complexity, however, is how progress gets made. And, there are two very interesting new studies that may shine some light for us here.

Getting Dads to Stay Home

Parental leave helps to keep women from dropping out of the labor force, but if they are more likely to use it than men, there's a limit to its impact on closing the gender pay gap. So, how can men and women be encouraged to take equal advantage of family-friendly policies? One answer, intuitively obvious perhaps but not easy to initiate: just get the ball rolling and others will follow. Gordon Dahl, Katrine Loken and Magne Mogstad estimate male employees of smalland medium-sized Norwegian companies are 11 percentage points more likely to take paternity leave if a male co-worker did, and 15 percentage points more likely to if a brother did. ("Peer Effects in Program Participation," American Economic Review, July 2014.) Additionally, they find that this peer effect "is amplified over time within a firm, with each subsequent

birth exhibiting a snowball effect ... through the firm network as the first peer interacts with a second peer, the second peer interacts with a third, and so on."

But how to get the ball rolling? Illuminating new research by Ankita Patnaik, a Ph.D. student at Cornell University, found that a "daddy quota" on parental leave improves the take-up rate by men and creates a lasting effect on the balance of household work. ("Reserving Time for Daddy: The Short and Long-Run Consequences of Fathers' Quotas," mimeo, Jan. 14, 2015.) In Quebec, a new parental leave benefit reserves five weeks for the father only. The family, mother or father, has 50 weeks of leave available, but an additional five weeks is available only to the father; he takes it or the family loses it. Patnaik statistically isolates the effect of the "daddy-only" label by accounting for available leave before or after the policy change and concludes that the "daddy-only label establishes a father's individual right to leave, removes the need to negotiate with his wife, and improves his bargaining position with employers and co-workers. It may possibly even introduce stigma against those who do not utilize this generous opportunity to spend time with their children."

The outcome was good for the mothers too. Working mothers dedicated more time to paid work, and "consequently earned significantly more." In other words, male employees appear more ready and willing to "lean in" at home, helping to shrink the gender gap, if a specific familyfriendly benefit is viewed as "for men only."

What's Next?

Setting aside the unlikely outcome that family leave benefits designated solely for male employees become wildly popular in workplaces across the globe, are there broader lessons to be learned from reflecting on the gender neutrality of our own organizations' total rewards practices? For example, in our workplaces, how much noncash compensation is left on the table, and by whom, because of assumptions or biases held by employees? How big are snowball effects among our employees and peers, and how can this peer effect be leveraged for better total rewards outcomes across all employees? Wading into the murk of gender pay neutrality can ultimately benefit our organizations overall.

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Exclusive

House Workforce Committee Leaders Share Their Priorities

Your WorldatWork public policy and public affairs teams work closely with the U.S. House Committee on Education and the Workforce on several issues important to your profession including providing information about bills affecting the workplace and total rewards.

workspan asked the committee's chairman, Rep. John Kline (R-Minn.), and the committee's ranking Democratic member, Rep. Robert C. "Bobby" Scott (D-Va.), about which workplace issues the committee will act on this session. Here's what they had to say:

Rep. John Kline (R-Minn.) Committee Chairman

workspan: What are some of the ideas you will promote this session to create jobs and raise wages for American businesses and their employees?

Kline: Job creation has been and continues to be a top priority for the committee. Last year, Congress passed the Workforce Innovation and Opportunity Act

[H.R. 803, P.L. 113-128], a comprehensive bill to reform the nation's broken job-training system and help put Americans back to work. At the law's core are provisions to get the federal government out of the way and return control to local stakeholders. Our future efforts to create jobs must start from this same approach, because no one knows better about the needs of the workplace than the nation's employers and workers.



Robert Baylor



workspan: Four states and several cities addressed the minimum wage in the last election. Will this have an effect on Congress' minimum wage efforts this session?

Kline: Far too many workers are struggling to pay the bills and provide for their families. Wages have been largely stagnant in recent years, thanks in no small part to bad government policies. Higher taxes and more punitive government regulations will not provide workers the jobs and income security they deserve. The best way to boost wages for all workers is to improve the economy. That must be the focus of policymakers this Congressional session. We need responsible reforms that will grow the economy and give workers the raise they've earned.

workspan: Work-life issues continue to expand in the workplace. How much attention will be paid to bills addressing compensatory time off or family-friendly work schedules?

Kline: As working moms and dads know, balancing the demands of family and work is often difficult. That's why, last session, the House passed the Working Families Flexibility Act [H.R. 1406], a bill to allow private-sector employees the choice of paid time off in lieu of cash wages for overtime hours worked. This common-sense legislation would have helped American workers better juggle the needs of family and the workplace. Unfortunately, the president and Senate Democrats refused to act. This Congress, we will continue to champion common-sense solutions that help make life a little easier for working families.

workspan: Confusion is growing over which federal laws govern employer-sponsored wellness programs. Will the committee hold a hearing on this important issue or mark up legislation sometime this session addressing this confusion? Kline: Employer-sponsored wellness programs benefit the workplace by improving the health of employees and helping to control health-care costs for employers. Unfortunately, we've seen efforts in recent years by the administration that would undermine the availability of wellness programs in America's workplaces. The committee will certainly continue to conduct oversight to ensure the federal government isn't standing in the way of these positive workplace policies.

workspan: Where do you see the biggest opportunities for compromise on the committee?

Kline: Our workplaces face a number of pressing challenges. Employers are worried new rules and mandates will make it even harder to run a successful business. Men and women are working more for less and fear their families are slipping further behind. But there is certainly hope for bipartisan solutions. Last Congress, the committee reached agreement on a host of key issues, including legislation to reform the nation's outdated job training system and a bill to strengthen multiemployer pensions. There are a number of areas I'm optimistic we can reach consensus, such as enhancing career and technical programs, strengthening education and modernizing our pension system. On these and other issues, we owe it to America's employees and employers to find common ground, and that is what we will try to do.



Rep. Robert C. "Bobby" Scott (D-Va.) Ranking Democratic Member

workspan: What are some of the ideas you will promote

this session to create jobs and raise wages for American businesses and their employees?

Scott: Despite recent gains in the economy, wages have stagnated and too many working and middle-class families are struggling to make ends meet. We must make sure all workers see the country's economic improvements reflected in their paychecks. It is well past time for Congress to raise the national minimum wage, so that no one who works full time has to live in poverty. To further address income inequality and improve the economic security of families nationwide, we must also expand job training opportunities; strengthen workplace protections, including enforcement of wage-and-hour, workplace-safety, civil-rights and pensionsecurity laws; and enhance the rights of workers to collectively bargain and have a voice on the job.

workspan: Four states and several cities addressed the minimum wage in the last election. Will this have an effect on Congress's minimum wage efforts this session?

Scott: In last fall's election, voters in a number of states and municipalities added their voices to the nationwide demand for a higher minimum wage. But that still leaves minimum wage workers in 21 states stuck making \$7.25 an hour, which isn't enough to feed a family. Unfortunately, congressional Republicans continue to block consideration of legislation that would raise the minimum wage. After the election, Republican leaders called for bipartisan action on issues that matter to Americans, so raising the minimum wage should be the No. 1 item on their agenda. I look forward to my Republican colleagues joining Democrats to give hard-working families a raise.

"Our country is behind the rest of the developed world when it comes to flexible, family-friendly workplace policies. We are the only industrialized nation that does not require paid parental leave to its employees."

workspan: Work-life issues continue to expand in the workplace. How much attention will be paid to bills addressing compensatory time off or family-friendly work schedules?

Scott: Congress must make work-life balance issues a top priority. To the detriment of families, businesses and the larger economy, workers are too often forced to juggle their responsibilities at work and at home. This simply should not be the case. In his 2015 State of the Union address, President Obama recognized the need to bring our workplaces into the 21st century with family-friendly policies. His proposals to expand paid sick leave and paid family leave are a great start. The president has opened up the conversation about how we can help millions of Americans better manage the needs of their job, their family and their health — but we must do more.

workspan: Do you plan to work on legislation updating the Family Medical Leave Act to cover paid time off for things like maternity or paternity leave and/or some form of paid sick leave?

Scott: Last Congress, I supported a number of legislative proposals to increase workplace flexibility for American workers. My Democratic colleagues and I are continuing to promote workplace flexibility in the 114th Congress. Rep. Carolyn B. Maloney's The Federal Employees Paid Parental Leave Act [H.R. 532], a bill on which I was an original co-sponsor, would bolster the Family and Medical Leave Act by providing federal workers with six weeks of paid leave for the birth, adoption or foster placement of a child. This bill takes a much needed step toward helping nearly 2 million federal employees balance work and family.

Unfortunately, our country is behind the rest of the developed world when it comes to flexible, family-friendly workplace policies. We are the only industrialized nation that does not require paid parental leave to its employees. I will continue to work in this Congress to bring our nation's workplace policies into the 21st century.

Strengthening the middle class has always been a top priority of mine, and this Congress is no exception. I am going to work to ensure that working families are better able to balance their responsibilities at home and on the job. I look forward to investigating sound, evidence-based solutions to these problems and working with my colleagues on both sides of the aisle to advance family-friendly work policies in the 114th Congress. Ws

Robert Baylor is a public affairs manager at WorldatWork in Washington, D.C. He can be reached at robert.baylor@worldatwork.org.

For more information, log on to www.worldatwork.org and scroll down to Public Policy Watch.

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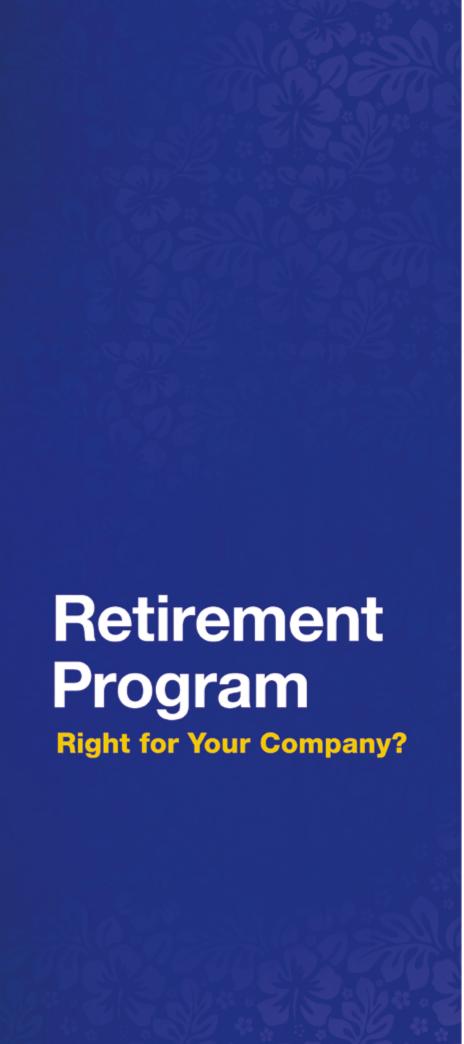
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AS the largest generation in U.S. history enters retirement, the workforce is experiencing a shift in how people retire and how companies respond. Phased retirement is one solution companies have started using to address issues accompanying the retirement of the Baby Boomer generation.

However, most phased retirement programs are informal, if they even exist. Surveys vary when determining how many employers offer phased retirement programs. MetLife found that 17 percent of surveyed employers offer phased retirement. But the Society for Human Resource Management (SHRM) found that only 4 percent of surveyed employers have formalized programs and 11 percent have informal offerings. A more optimistic survey found that 21 percent of employees say their employers offer phased retirement programs. These low numbers suggest the majority of employers have yet to offer phased retirement.

By Sara Sutton Fell, FlexJobs



As an employer, the U.S. government will require phased retirees to spend AT LEAST **20 PERCENT** OF THEIR TIME **MENTORING** YOUNGER **EMPLOYERS.**



What exactly is phased retirement, and how is it used by organizations to manage an aging workforce? This article will look at the definition and current forms of this HR tool, companies using phased retirement, the benefits and drawbacks, and steps to implement a program.

Defining Phased Retirement and Its Purpose

The Sloan Center on Aging and Work at Boston College defines phased retirement as "a transition period during which a worker reduces the numbers of hours worked until retirement." Though programs are administered differently by individual companies, the concept is the same: older employees reduce their hours over time into a part-time schedule until they retire fully or leave to pursue work elsewhere.

The purpose of phased retirement is twofold. For employers, the gradual nature of phased retirement helps avoid an abrupt brain drain that happens when a large portion of skilled, experienced workers suddenly ages out of their jobs. Typically, phased retirement programs allow eligible employees to start several years before retirement age, giving everyone a chance to adjust slowly.

For employees, phased retirement is a way to ease into retirement while retaining some salary and benefits. Today, people nearing

In 2020, 1_{in}6 **Americans** will be older than 65.

retirement either want or need to continue working — a trend known as semi-retirement. According to the Intuit 2020 report on business and employment trends, in 2020 one in six Americans will be older than 65. And the Trasamerican Center for Retirement Studies says that 65 percent of Baby Boomers plan to work some hours after age 65, or don't plan to ever retire.

The demand for phased retirement comes from both companies and employees. But what are the benefits and drawbacks of phased retirement programs?

Benefits of Phased Retirement for Employers **Monetary Benefits**

One of the biggest benefits of phased retirement for employers is cost reduction. For example, about 31 percent of the federal civilian workforce, 600,000 people, will be eligible for retirement by 2017. In response to what some see as a retirement crisis, the federal government announced

Phased retirement resources

For more information on implementing a phased retirement program, go to:

- http://assets.aarp.org/ www.aarp.org_/articles/ money/employers/ phased_retirement.pdf
- http://m.kiplinger.com/ article/retirement/ T020-C000-S004-ease-
- the-wav-from-workto-retirement.html
- I http://www.bankrate. com/finance/ retirement/5-factorsabout-phased-retirementpackages-1.aspx
- I https://workfamilv.sas. upenn.edu/archive/links/ aarp-society-humanresource-management-2006-phasedretirement-andflexible-retirement



65% of Baby Boomers plan to work some hours after age 65.

it would offer phased retirement. The program, which launched in the fall of 2014, allows participants to work half time while collecting half of their pensions after they reach the eligible retirement age. The Congressional Budget office says about 1,000 workers annually will use the program, which will "cut required contributions to the government's pension system by \$427 million from 2013 to 2022, and boost worker contributions by \$24 million."

Workforce Retention

Some organizations have large groups of older workers expected to retire in the near future. To avoid a sudden drop-off in skilled labor, companies use phased retirement to retain employees as they work to fill vacancies and train less experienced employees. Cinergy, an Ohio-based energy company acquired by Duke Energy in 2006, knew 50 percent of its workforce would be eligible for retirement over the next seven years, so it implemented a phased retirement program that allowed employees to reduce their hours.

Business Continuity and Institutional Knowledge

When older workers leave a company, they take with them years of experience, job skills and institutional knowledge. Phased retirement helps companies transition without depleting them of these vital resources.



"The employer can make proactive staffing decisions versus reactive staffing decisions," said Sharon DeLay, president of consulting company BoldlyGo Career and HR Management. "Along the way, the person retiring can transition the responsibilities over to others and train them, theoretically allowing for it to be seamless."

For example, the federal government will require phased retirees to spend at least 20 percent of their time mentoring younger employees.

Drawbacks of Phased Retirement for Employers Determining Benefits

Eligibility and Collection

Benefits packages and pensions need to be redefined and redesigned for semi-retired workers, and union issues will also impact the process. Employers need to account for legal, compensation and institutional implications of any proposed phased retirement program, in addition to making sure such a program is a good fit for their workforce.

For example, Aerospace Corp. in El Segundo, Calif., created a pre-retirement program where employees work part time, 20 to 40 hours per week, or take a leave of absence before retirement. If an employee chooses regular part-time work or takes a leave of absence, he/she cannot collect retirement benefits. But Mitretek Systems of Falls Church, Va., allows its phased retirees to collect partial benefits, make retirement contributions and

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Enticing workers into phased retirement can be difficult. Older workers, though interested in reducing their hours, are also CONCERNED ABOUT IMPACTING THEIR BENEFITS, PENSION PAYOUTS, ETC.



receive matching contributions at a reduced rate. Each company needs to decide the best course for its business and employees.

Addressing Manager Assumptions about Flexibility

Furthermore, managing a flexible workforce will require a shift in

managerial thinking and best practices. Some business managers think part-time employees won't be as committed as full-time workers. "From my clients, the lack of ownership thinking scares them," DeLay said. "They translate (flexible work) into someone who might only show up when the mood strikes them, or they might not have the passion for the job that a full-time employee might have."

Best practices for managing workers with flexible hours by avoiding discrimination on the basis of age and applying the program consistently and fairly need to be established from the start.

Finally, enticing workers into a phased retirement can be difficult. Older workers, though interested in reducing their hours, are also concerned about impacting their benefits, pension payouts, Social Security and years of service.

St. Mary's Medical Center in Huntington, W. Va., found the major barrier it had to overcome in attracting retirees was modifying the defined benefit plan from being based on the last five years of service to the five highest years of service.

Benefits of Phased Retirement for Employees Monetary Benefits for Employees

People look at retirement as a time of enhanced leisure and enjoyment. But with the economic downturn of the 2000s, retirement savings were severely reduced or lost entirely. Through phased retirement, employees collect a regular paycheck, continue paying into retirement plans, collect benefits

such as health insurance and will likely be better able to afford full retirement when and if they choose to take it.

Rice University created a threeyear phased retirement program that allows faculty to enter gradually into retirement. Faculty reduce their workload by 50 percent immediately, but gradually step down their salaries, collecting 80 percent in year one, 70 percent in year two and 50 percent in year three.

T. Rowe Price, a global investment management firm, agrees that phased retirement can maximize a person's retirement income in the long run, suggesting "pre-retirees (ease) into retirement by halting retirement plan contributions and delaying Social Security while (working) at least part time."

Lifestyle Benefits for Semi-Retirees

It's difficult to go from full-time work to full-time leisure in one swoop. The flexibility of phased retirement lets people get used to a new lifestyle.

Arnim Meyburg, a Cornell University professor, used the organization's phased retirement program to ease into retirement. "I have so many hobbies and unfinished business; I wanted to use my healthy years to accomplish that," Meyburg said. "But I didn't want to go from 100 miles per hour to zero in one shot. (Phased retirement) was absolutely perfect."

Steps to Implement a Phased Retirement Program

How can a company create a successful phased retirement program? The more research and groundwork done, the more effective a phased retirement program will be.

Analyze current and projected staffing needs.

What is your workforce's makeup? How many are planning to retire over the next decade? How will that impact business continuity? Not all companies will find phased retirement necessary.

Assess employee interest and preferences.

How many are interested in phased retirement? Is the interest enough to make a program worthwhile? And what do employees want phased retirement to look like? Employees may be interested in other flexible options.

"Reduced schedules, telecommuting, job sharing and flexible hours can give retirees the security of financial stability without the burden and stress of rigid full-time employment," said Emma Plumb, director of the 1 Million for Work Flexibility. "It allows them to address health concerns, accommodate disabilities and continue to enjoy a meaningful career while having time for other passions."

Companies should consider every option as part of their strategies.

Meet with top-level decision makers.

A large-scale change such as phased retirement needs management buy-in to be effective. Consult top-level managers to gain their support. Demonstrate the bottom-line impacts of a phased retirement program. And be prepared for pushback.

"Sometimes there are institutional or administrative restrictions," said Kevin Cahill of the Sloan Center. "And some employers may have good reasons not to offer flexible hours."

Determine eligibility requirements.

Read case studies such as those from AARP to see how other businesses have handled phased retirement. Consult HR administrators and legal counsel for benefits, pensions and legal implications.

Prepare employees.
When announcing a phased retirement program, stress its voluntary nature and offer financial

consultants to help people determine the benefits and drawbacks for their personal situation.

Conclusions about Phased Retirement

While phased retirement specifically helps workers at the ends of their careers, it's ultimately part of the rise in flexible work policies in general.

"I think it's important to know that phased retirement is just another way of saying flexible work. Whether employees are retiring or not, many are looking for flexible working opportunities," DeLay noted.

If a company is already implementing policies such as telecommuting, flexible schedules, job sharing and part-time work, phased retirement is simply another option to add to the mix.

Sara Sutton Fell is founder and CEO of FlexJobs and is based in Boulder, Colo. She can be reached at sara@flexjobs.com.

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Updating Data from 2013, a New Survey Looks at Where We Are Now

Finding the right balance is key to your long-term incentive plan.

ompanies continually search for the right performance measures to balance rewards with stock price. Although they are increasingly using total shareholder return (TSR) as one performance measure, they are reluctant to use it as the only one, given its drawbacks which are discussed later in this article. Other measures such as earnings per share and return on invested capital are more closely connnected to stockprice performance. Companies also can use more fundamental measures that are factors in calculating earnings per share and return on invested capital, since they indirectly drive stock prices.

With say-on-pay legislation and the evolving standards of Institutional Shareholder Services Inc. (ISS) now

entrenched in the psyche of compensation committees, improving the disclosure of long-term incentive (LTI) plans should continue to be a priority for all public companies. Such disclosures should include the measures used, the values associated with those measures, and how they can be expected to drive performance.

To review trends in LTIs, particularly the underlying incentive design, Arthur J. Gallagher & Co. conducted its "Study of 2013 Shortand Long-Term Incentive Design Criterion Among Top 200 S&P 500 Companies." The study, in its sixth year, surveys compensation data as disclosed in 2014 annual proxy statements for 200 of the largest U.S. companies.

By James Reda, David Schmidt and Kimberly Glass, Arthur J. Gallagher & Co.

Findings from the previous year's study were featured in workspan magazine's December 2013 edition, in the article, "How Does Your Long-Term Incentive Program Measure Up?"

That study found that the use of stock options had decreased and value had shifted to performance-based stock awards. More companies were linking pay with performance by using performance-based awards, and for the first time ever, performance-based awards made up 50 percent of the total LTI award.

This article updates how the same companies are structuring LTI programs one year later. It covers what has changed since findings were last published in workspan.

Figure 1 illustrates how four major trends in LTI design have changed from 2012 to 2013.

LTI Plans Keep Becoming More Complex

The shift away from appreciation awards, such as stock options and stock appreciation rights, and toward performance awards, or those earned based on achieving performance goals, continued in 2013. For the fourth consecutive year, grants of performance-based awards were more prevalent than grants of timebased appreciation awards, and the gap continues to grow. Since 2009, when the two were about even, performance-based awards have increased to 27 percentage points higher than stock options and stock appreciation rights (93 percent vs. 66 percent).

As they become more prevalent, LTI pay plans also are becoming more complex. The average number of performance measures being used has risen in lockstep with the use of performance-based awards over the past five years. This increase is occurring because of decisions to align pay with overall performance and to avoid placing too much weight on one measure.

Performance-based awards, which averaged 41 percent of the LTI mix in 2009, increased to 56 percent in 2013. On the other hand, stock options and stock appreciation rights, which

averaged 37 percent of the mix in 2009, now average just 26 percent.

The number of performance measures has increased steadily over the past five years. The shift away from using only one measure in a LTI plan continues, as the share of companies using two or more measures increased from 54 percent in 2009 to 72 percent in 2013. The average number of performance measures used increased to 2.2 measures per company in 2013, up from 1.7 measures in 2009. This is likely a response to U.S. Securities and Exchange Commission concerns about the risks associated with single performance measures, especially if the same measure is used in both short-term and LTI plans.

Figure 2 illustrates how performance measures have increased in line with performance-based awards.

The collective use of performancebased awards (performance shares or units, performance-based restricted stock, performance stock options, premium stock options and long-term cash plans) totaled 93 percent in 2013,

Figure 1

2012 vs. 2013 Gallagher Studies - Major Trends

Gallagher 2012 Study



Performance-based awards were at least 50 percent of the total LTI award value for the first time ever.



LTI programs continue to become more complex and diverse, with more companies granting at least two types of LTI awards. In addition, the number of performance measures being used in performance share or unit plans has increased, from an average of 1.6 in 2008 to 2.1 in 2012. The inclusion of relative measures has also increased during this time period.



While stock options continue to be popular and part of the LTI mix, performance-based awards have become a larger part of the LTI mix (to the detriment of stock options).



173 of 200 companies had a LTI plan in 2012. Of these 173 companies, 58 percent used relative measures and 45 percent used relative total shareholder return (total shareholder return). At 45 percent, relative total shareholder return represented 79 percent of all relative measures used

Gallagher 2013 Study

The momentum continued in 2013 with the average value of performance-based awards jumping to 56 percent of the total long-term incentive award.

The number of performance measures continues to increase, with an average of 2.2 measures seen in 2013. This is likely a response to Securities and Exchange Commission concerns about the risks associated with single performance measures, especially if the same measure is used in the annual incentive plan. Companies using three or more measures have increased from 17 percent in 2009 to 32 percent in 2013.

Performance-based awards continue to increase in both prevalence and value with the opposite occurring for stock options/stock appreciation rights. As performance-based awards increased again in 2013, both time-based stock options and restricted stock or units declined three percentage points each.

The number of companies with LTI plans increased from 173 to 185 (of 200), as say on pay has led to stronger pay-forperformance links. The number of companies using relative measures increased to 61 percent, with 49 percent using relative total shareholder return. At 49 percent, relative total shareholder return represented 81 percent of all relative measures used in 2013. We believe that this is due to Institutional Shareholder Services' use of total shareholder return to evaluate pay-for-performance alignment.

up from 76 percent in 2008. On the flip side, the prevalence of stock-option and stock appreciation rights grants, in total, has declined steadily from 82 percent in 2008 to 66 percent in 2013. (These figures exclude the two companies that made no LTI grants in 2013.)

The shift from appreciation awards to performance awards has been strong over the past two years, with the share of companies awarding stock options and stock appreciation rights dropping 9 percentage points and those making performance awards increasing 11 percentage points. This is attributed to the impact of say on pay and the influence of Institutional Shareholder Services (ISS), particularly its classification of time-based stock options as non-performance-based grants. Not surprisingly, the prevalence of time-based restricted stock or units also dropped in 2012 and 2013 after reaching a high in 2011.

Figure 3 illustrates the prevalence of grant types from 2008 to 2013.

Performance Measures Mean Variety of Choices

Almost all companies use performancebased compensation to balance executive pay with corporate and individual performance. A fair balance can be struck between the goals of shareholders and senior management under the oversight of the board of directors, but

the task is not simple. Selecting performance measures and corresponding performance levels can be one of the most difficult aspects of designing an incentive compensation program.

Goals should be reasonable and aligned with the business plan and investor communications. The threshold payout for an incentive plan also should be adjusted to be fair to both executives and shareholders.

Because the relationship between pay and performance is often complex, communicating the purpose and design details of the executive performance program is challenging. However, despite changing disclosure expectations and interpretations, the interest in pay-forperformance continues to grow and will remain a focus of the SEC, proxy advisers and shareholders.

Performance can be measured against a fixed goal, such as an earnings target, and/or a relative goal, such as the performance of a peer group of companies or an index. LTI plans often use relative measures (used by 61 percent of companies in 2013) but short-term plans rarely include relative measures (used by 8 percent of companies in 2013). Performance measures also can be segregated into two main categories: market-based, such as stock price or total shareholder return, and financialbased, such as earnings per share, return

The interest in pay-forperformance continues to grow and will remain a focus of the SEC, proxy advisers and shareholders.

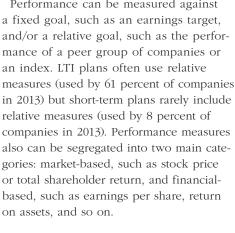
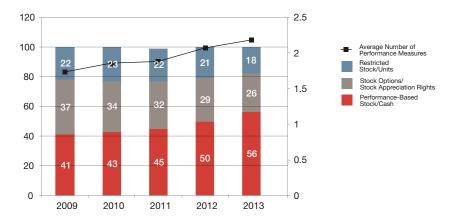


Figure 2 Long-Term Incentive Weights for Large Company CEOs vs. Complexity of Plans



Source: Gallagher 2013 Study



44% of the companies used a CAPITAL EFFICIENCY MEASURE IN 2013.



More companies use financial-based measures, but market-based measures are gaining ground. In 2013, 81 percent of companies used at least one financial-based measure, and 55 percent of companies used at least one market-based measure, which most often was total shareholder return.

Ideally, a balanced incentive program (including short- and long-term incentives) should include financial goals, stock-appreciation goals, absolute goals and relative goals. Thus, if the company does well against its business plan, but underperforms in its industry, the incentive payout will fairly reflect overall

performance. On the other hand, if a company does not hit its internal goals but outperforms its peers and/or the broader stock market, then some level of payout might be warranted. The study found:

- Total shareholder return is the most commonly used performance measure in LTI plans. Some 55 percent of the firms used the measure in 2013, up from 51 percent in 2012 and 46 percent in 2011.
- Income-based measures are the second most commonly used measures. Some 53 percent of companies with LTI plans used at least one measure of income in 2013, up from 52 percent in 2012 and 50 percent in 2011. Of the income measures, earnings per share was used most often but has been declining, to 57 percent usage in 2013 from 62 percent in 2010.
- I Some 44 percent of the companies used a capital efficiency measure in 2013, up from 31 percent in 2009. This category includes return on invested capital, return on equity, return on capital, return on net assets, economic profit and economic value added.
- If the use of revenue measures decreased slightly to 18 percent in 2013, from a high of 21 percent in 2011.
- I Cash flow measures were used at 13 percent of companies with performance plans in 2013. That usage has remained relatively flat over the last three years.
- The vast majority, 87 percent, of LTI plans includes the common design

Figure 3 Prevalence of Long-Term Incentives

Grant Type	Percent of Companies Making Grants					
	2008	2009	2010	2011	2012	2013
Appreciation Awards	82%	76%	75%	74%	68%	66%
Stock Options	76%	71%	71%	71%	64%	62%
Stock Appreciation Rights	6%	5%	4%	4%	4%	4%
Restricted Stock or Units	48%	55%	57%	60%	55%	49%
Any Type of Performance-Based Award	76%	75%	77%	82%	88%	93%
Performance Shares or Units	55%	54%	60%	65%	72%	80%
Performance Restricted Stock or Units (performance hurdles)	11%	13%	11%	15%	13%	13%
Performance or Premium Stock Options	3%	3%	2%	2%	3%	4%
Long-Term Cash	20%	20%	18%	17%	16%	16%
Source: Gallagher 2013 Study						

Figure 4	Performance Measures (Percent of Long-Term Incentive Plans)

Performance Measure	2009	2010	2011	2012	2013
Income: EPS, net income, EBIT/EBITDA, operating income, pretax income	54%	55%	50%	52%	53%
Total shareholder return: Stock price appreciation plus dividends (relative and absolute), stock price	45%	45%	46%	51%	55%
Capital efficiency: Return on equity, return on assets, return on investment, return on capital, return on sales, economic value added	31%	41%	36%	40%	44%
Revenue: Revenue, revenue growth	14%	18%	21%	20%	18%
Cash flow: Cash flow, cash flow growth	13%	13%	14%	12%	13%

Source: Gallagher 2013 Study

of threshold, target or maximum performance and payout levels. The remaining 13 percent incorporate performance through the use of a performance hurdle.

I Some 71 percent of performance periods reported covered three years. Usage of threeyear periods has rebounded after falling from 70 percent in 2010 to 68 percent in 2012. Figure 4 illustrates the use of performance measures as a percentage of LTI plans.

For a few reasons, the rise in performance-based plans has led to a consistently high use of relative total shareholder return as a performance measure. Overall, this measure is easy to use because it is based on one very important factor to shareholders (namely, the value of their holdings), and it is self-adjusting and not tied to budgetary or business condition concerns. Also, some institutional investors prefer relative TSR because it is the best indicator of the stock-specific investment of the investment sector. Typically, institutional investors first invest by sector and then by specific stock. Institutional investors who had alternative investment choices in a sector find it comforting that the LTIs will be paid out according to how well the stock pick turned out.

However, using relative total shareholder return has potential drawbacks compared to using company financial performance measures. The pitfalls of total shareholder return plans include:

- I No line of sight to corporate performance. That is, participants in LTI plans do not see the direct link between their performance and stock price movement. This is compounded when the return is measured against that of a basket of companies.
- I Outcomes can be at odds with long-term sustained performance.

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Financial studies have reinforced earnings per share AS THE BEST CORRELATION WITH STOCK PRICE PERFORMANCE.



- I Small variations in calculation methodology can lead to significant differences in payouts.
- I Total shareholder return is an end-toend measure and therefore is subject to temporary stock price swings.
- I Unfavorable accounting treatment.
 - Like stock option awards, relative total shareholder return plans are expensed whether or not the award is achieved.
- The amount expensed usually is larger than the face value of the award, due to the stochastic nature of stock price movements and the upside potential (typically 150 percent to 200 percent of target). Financial-based measures such as earnings per share and return on invested capital are expensed.

To mitigate the drawbacks of relative total shareholder return performance, more companies are using the measure as a modifier to payouts, which are initially or maybe primarily based on financial goals such as earnings per share or return on invested capital. In 2013, 9 percent of companies used a modifier based on total shareholder return to adjust the final performance result. That

is an increase from the 5 percent of companies that used such a modifier in 2012 and 4 percent that used it in 2011. The authors expect this trend to continue.

As an earlier article has shown and financial studies have reinforced, earnings per share has the best correlation with stock price performance, and return on invested capital has the second-best correlation. However, these correlations differ among industries, and there are multiple definitions for return on invested capital. Return and invested capital are calculated numerous ways to adapt to various industries, and large stock buy-backs that have recently been commonplace might exaggerate the earnings-per-share performance. Even with these pitfalls, earnings per share and return on invested capital can be broken down into their underlying financial components and can be very helpful in providing an excellent target for senior management. For example, return on invested capital is simply operating margin (net income divided by sales) divided by capital turns (sales divided by invested capital).

Figure 5 illustrates how these measures affect stock price.

and shareholders will push incentive design to become even more complex and better representative of company performance. The authors expect this trend to continue, particularly with the continued pressure on companies due to "say-on-pay" votes.

LTI plan design should consider financial performance measures that drive stock performance and are in the line of sight of senior management. Management and shareholders alike will win, and the accounting expense will be aligned with the payouts derived from these plans.

James F. Reda is a managing director, executive compensation, for the human resources and compensation consulting practice of Arthur J. Gallagher & Co. in New York City. He can be reached at james_reda@ajg.com.

David M. Schmidt is a senior consultant, executive compensation, for the human resources and compensation consulting practice of Arthur J. Gallagher & Co. in New York City. He can be reached at david schmidt@aig.com.

Kimberly A. Glass is a principal, executive compensation, for the human resources and compensation consulting practice of Arthur J. Gallagher & Co. in Atlanta. She can be reached at kim_glass@ajg.com.

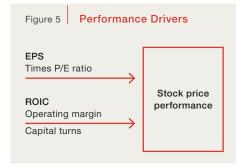
The design of LTI plans will continue to evolve, and it should. Over the past five years, these plans have become more complex and are focused on financial performance as well as general stock market performance. The quest of compensation committees to find the perfect formula that will be fair to managers

Conclusion

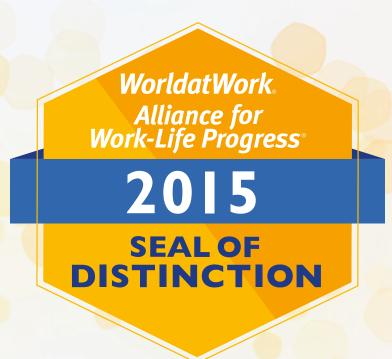
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Learn the three keys to setting pay levels.

Setting target pay levels — one of the most important components of sales compensation plan design — is part art and part science. But problems arise when the art overwhelms the science. When plan designers base their decisions more on their emotions than the facts, it's difficult to gain consensus.

Properly setting target pay levels requires moderating the emotional portion of the process and applying as much science as possible. Keys to success include:

- Establishing a compensation philosophy that clearly articulates the organization's position and its compensation goals
- Developing a pay positioning statement on how the organization wants to pay compared to the market

Acquiring and using market pay data on benchmark jobs.

This article examines these three factors in more detail.

Establishing a Compensation Philosophy

A well-written compensation philosophy that defines the organization's approach to pay takes the emotion and the guesswork out of pay analysis. It safeguards decision making against the possible bias of one or more vocal sales managers or design team members.

To develop a compensation philosophy, the organization's design team should create a set of guiding principles that will act as a "stake in the ground" for what the organization believes is most important and where it stands on compensation. Table 1 provides a list of principles to discuss and include in creating a compensation philosophy.

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\$45.00 \$55,620 \$122,468 \$32,453 \$102 Science \$52.60 Make for Better Pay Levels \$62,255 \$88,090 \$62,255 \$62,255

Establishing a compensation philosophy early in the plan-design process will provide a strong foundation on which to build the entire plan. It also will make the design task easier.

Developing a Pay Positioning Policy

Although all the principles in an organization's compensation philosophy are significant, the pay positioning policy is especially important because it directly affects how pay is delivered and what sales representatives can earn. Pay positioning defines what the organization wants to pay relative to the market. Many organizations pay at the median or 50th percentile — right in the middle. High-performing companies might wish to pay at the 75th or even the 90th percentile. Still others prefer a lower profile and set pay below competitive levels because they place greater value on other elements, such as affiliation, culture or company brand.

Seven factors come into play when determining pay positioning. Focusing on these factors will take the emotion out of the conversation

DEFINITION

Table 1

PRINCIPLE

Internal/External

by forcing the design team to answer specific questions to determine the pay positioning.

- 1 | Organization stability. How solid is the organization? Typically, startup companies have to pay more to attract top talent due to the implicit risk of a new venture. The more risk, the more reward is expected. More stable companies, or those with longevity and a proven business case or track record, might have less risk. Stability offers value, which is reflected in the total rewards strategy, allowing the organization to consider lower targets.
- 2 | Desired results. How likely is the organization to meet its business goals? If goals are easily attainable, it makes a case for setting target pay at median or below. If performance goals are tougher, companies are more likely to pay much more when those results are achieved.
- 3 | Expected performance. What is the sales rep's performance level? As with the previous factor, the tougher the goal, the higher the opportunity generally will be.

- 4 | Productivity. How productive is the organization? Productivity primarily is defined through margins or profit. Organizations that are profitable and sell or service products that generate large profits are more than likely to pay for that through higher targets.
- 5 | Talent supply. How abundant is the talent required for the job? Is it hard to get talented people? If yes, higher targets might be necessary to attract and retain them.
- 6 | Employee mobility. How stable or tenured is the salesforce? Are the sales representatives a group of "hired guns" who frequently move from organization to organization chasing higher pay or new business opportunities? Or are they more tenured and loyal and likely to stick it out for the longer term? The answer will significantly affect the organization's positioning philosophy. Tenured employees typically have a different mindset and value "other rewards" such as benefits, organizational culture and peer relationships. Whereas more aggressive hunters or "hired guns" typically seek additional opportunity for higher incentive earnings.
- 7 | Staffing. What is a rep's typical workload? Do representatives work in teams? Having multiple representatives perform the same job can lessen the workload of one individual or group of individuals. Similarly, working in teams spreads accountability, possibly giving each individual less influence over a sale. In such cases, target pay might be set lower. Conversely, in a very lean organization, the workload might be greater, requiring higher targets for greater effort and responsibility.

The role that pay, including financial and non-financial rewards, plays Role of Pay in the organization's Employee Value Proposition and in driving desired performance results and behavior. The performance categories (e.g., revenue, profit, units, activities) that Performance are reinforced through compensation and the strategies for linking pay/ Criteria performance to contribution. The categories will vary based on the nature of the employee and the organization's segmentation.

The Guiding Principles of Compensation Philosophy

Value plans at competitors) in the valuation process. The level of compensation delivered relative to the peer companies in the Pay Positioning organization's competitive framework. The degree to which the organization needs different competitive programs for different employee segments.

The basis for valuing work and jobs. Defines the emphasis of internal factors

(e.g., cost of labor or cost of sales) versus external factors (e.g., similar pay

The desired mix and relative prominence of fixed (base salary) and variable Mix of Pav (annual and long-term incentives) compensation.

The clear definition of roles, responsibilities and decision rights for the Governance and design, approval and management of compensation programs. The way **Decision Making** overall compensation levels are managed to a budget.

The way the organization's compensation strategy, programs and processes Communication are communicated to participants.

Source: Sibson Consulting

Using Market Pay Data

An important input when setting target pay levels is the competitive pay data that reliable surveys and industry reports provide. They offer

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Achieve your objectives. Design a program that meets your employees' learning needs and your organization's business goals.





intelligence on the going rates in the market and an array of pay information for benchmark positions — those commonly found in most organizations (e.g., sales rep, account executive and district manager).

The process of matching an organization's jobs to those in the surveys and reports and obtaining competitive pay data — often called benchmarking or market pricing — helps ensure that an organization is aware of the external market and uses it as an input in setting its pay levels. Benchmarking should occur at least every two years, if not annually, to keep abreast of changes in the market.

Effective benchmarking requires good data from reputable sources. It is important to consider these factors when deciding on sources of benchmarking data:

- Data quality. Selecting surveys from reputable associations or consultants is important.
- Data age. Most surveys are conducted every year or every other year. The fresher the data, the better. Some organizations "age the data" by bringing data from all sources to a common date. When doing so, it is important to use an industry standard for the year(s). If a survey is too old, the data will be suspect, even if it has been "aged."
- Data reliability and validity. The survey source should have a history of reliability and include appropriate participants

(e.g., the right industries — the same type of business and people competitors — and companies of comparable size and reputation) and a sufficient number of participants. The better the group of participants, the better the data.

- l Types of jobs. Job matches must be "apples to apples." If a survey description differs significantly from the organization's benchmark position, the organization should consider adjusting the data (plus or minus) or using another source. A 10 percent adjustment is typical; if more than 20 percent is necessary, it is probably a bad match.
- I Cost. Surveys can be expensive, but discounts usually are available for participants.
- Ease of use. Look for surveys that provide data by percentile and by scope (e.g., organization size) and that use a clear methodology.

 Because compensation plan designers might have to defend their market analysis, it makes sense to ensure they can document and support their choices. Table 2 outlines the pros and cons of typical sources of competitive pay data.

Even with data from reliable sources, benchmarking is part art and part science, overlaid with significant emotion. Because it is impossible to fully understand all the dimensions of the emotions that come into play, it is critical to debate the strategy, not the emotion. A good rule of

thumb is to obtain as much survey data as possible, use examples and identify all findings and approaches. Moreover, always link discussions and decisions back to the organization's business strategy, job roles and compensation philosophy.

Conclusion

Although setting target pay levels is not an exact science, the less emotion and the more thought, input and vetting an organization uses to determine the best levels, the better. Creating a clear compensation philosophy, deciding how the organization wants to pay compared to the market and making the best use of market pay data will help the organization determine the proper pay levels. Moreover, it will allow the compensation plan designers to explain and, if necessary, defend why the organization pays at the levels it does.

Joseph DiMisa, CSCP, is a senior vice president and leader of Sibson Consulting's Sales Force Effectiveness Practice in Atlanta. He also is the author of two books on salesforce effectiveness. He can be reached at jdimisa@sibson.com.

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- Target + sales + compensation
- Pay + levels
- I Sales + compensation.

igure 2 Pros and Cons of Typical Sources of Competitive Pay Data

✓ Generally conducted and published by professional organizations (e.g., an industry)

association or consulting firm).

Published Surveys

➤ Some surveys are available only to participants. Others can be purchased. (Participants typically receive a substantial discount.)

Customized Surveys

- Commissioned for a specific purpose or a highly customized cut of a published survey.
- ✓ Price varies by survey scope, type of analysis and overall sophistication of the final product.

Trade Associations

- ✓ Specialized associations or groupings of similar organizations that make data available for members.
- ✓ Data is usually very good, comes directly from members and is managed by members.

Professional Recruiters

- ✓ Employment recruiters are a great source of information for hard-to-find jobs and/or organizations on which data is hard to come by.
- X However, the data likely has not been vetted, so it might be suspect.
- X This data can be used to confirm other sources, but it should not be a sole source.

Source: Sibson Consulting



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Director Compensation Under Scrutiny

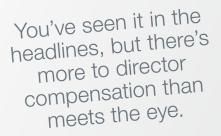
By Sandra Pace and Steven Hall Jr., Steven Hall & Partners











For many years, the compensation paid to executives at public companies has been a topic of great interest to investors, shareholder advisory firms and the media. While the interest in executive pay has not diminished, there is a new part of the compensation puzzle that has begun to attract interest, namely the amounts paid to members of the board of directors of public companies. Unfortunately, much like executive pay, the topic is often sensationalized and seems to miss the full extent of the responsibilities, time commitments related to such work and the background of those serving in such roles.

In Steven Hall & Partners' recently completed annual study of director compensation among the 200 largest public companies in the United States, as shown in Figure 1, median director pay was \$268,333, an increase of 2.7 percent over the prior year, which is consistent with the growth observed



over the past five years. Giving consideration to studies reporting that directors work between 250-300 hours a year, this translates to about \$1,000 an hour.

As with other areas of compensation, director pay is correlated with the revenue size of the company. Companies with revenues less than \$17.5 billion reported median pay of \$257,083 for an average director, while companies with revenues in excess of \$100 billion reported median pay of \$293,333. (See Figure 2.)

Structure of Director Compensation

While the structure of board of director pay has remained largely unchanged over the past five years, we have observed subtle shifts as boards move to address changing governance standards.

Elimination of Meeting Fees Offset by Higher Retainers

One shift we have witnessed is the elimination of meeting fees, which is often offset by increases in retainers. A median board meeting fee of \$2,000 was paid by 24 percent of companies in 2013 compared to 39 percent in 2008. While this shift benefits companies by simplifying the administrative process, challenges often arise when boards are faced with special situations, such as merger and acquisition activity, unplanned CEO departures or instances of financial distress. An alternative approach for those companies interested in eliminating meeting fees, but concerned about unpredictable increases in the workload could use a hybrid approach, where directors would receive fees for attendance at meetings in excess of a pre-determined number.

Approximately 75 percent of the three major committees (audit, compensation and nominating/governance) are not paying any meeting fees to their directors. Among those companies that do pay meeting fees, the median meeting fee among all committees was \$2,000.

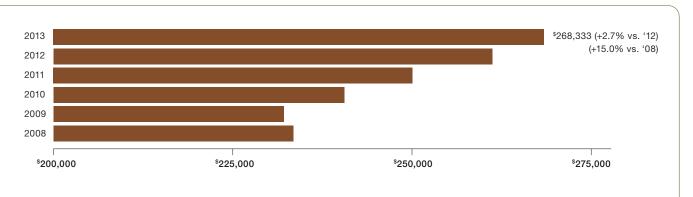
Pay Mix Relatively Unchanged Over Past Five Years

Almost 90 percent of director pay is comprised of fees earned for board service, with the remainder representing fees earned for committee service. As shown in Figure 3 chart below, this board /committee mix has remained relatively constant over the past five years.

Committee Chair Retainers Increasing in Size and Prevalence

Although committee meeting fees are not widely prevalent, all but 5 percent

Changes in Average Director Median Total Compensation Values 2008-2013 Figure 1



Director Compensation and Company Revenue Figure 2

Revenue Range	Median Compensation - Average Director						2013 Growth	
	2008	2009	2010	2011	2012	2013	1 Yr	5 Yr
< \$17.5B	\$222,897	\$216,333	\$226,667	\$237,917	\$249,695	\$257,083	+3%	+15%
\$17.5B - \$25B	215,833	228,000	235,000	239,167	253,333	261,000	+3%	+21%
\$25B - \$50B	235,833	235,000	250,000	253,333	255,333	266,500	+4%	+13%
\$50B - \$100B	250,000	262,083	268,333	268,333	276,667	281,667	+2%	+13%
> \$100B	266,667	266,333	246,667	271,667	272,500	293,333	+8%	+10%
TOTAL SAMPLE	\$233,333	\$232,083	\$240,417	\$250,000	\$261,333	\$268,333	+3%	+15%

More than 80 percent

of equity awards made to directors in the top 200 companies vested either immediately or within one year of grant.



of companies pay their committee chairs additional fees for service, typically in the form of a chair retainer. In general, prevalence of committee chair retainers has increased since 2008, as has the amount paid, reflecting the increased workloads associated with committee responsibilities over the past several years. The audit committee chair retainer continues to be the highest (\$23,000 at median), followed by the compensation

committee chair (\$20,000) and the nominating/governance chair (\$15,000).

Majority of Pay Delivered in Full-Value Equity

Among the top 200, 55 percent of total pay is delivered in equity, a best practice widely believed to align director interests with shareholder interests. (See Figure 4.)

Today, the majority of equity is delivered in full-value shares, not stock options. Full-value shares are thought to be the more appropriate vehicle for directors as they create an immediate ownership interest and direct alignment with shareholders.

Short Vesting Periods Mitigate Governance Concerns

More than 80 percent of equity awards made to directors in the top 200 companies vested either immediately or within one year of grant, eliminating any concern that director pay requiring future service might handcuff directors to boards they either wish to leave or situations in which they should leave.

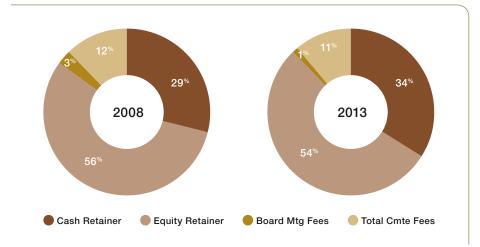
Equity Awards Denominated in Dollars, Not Shares

Additionally, most companies (91 percent) denominate equity awards as a dollar value versus a fixed number of shares. By comparison, in 2008, 68 percent of companies granting equity determined awards based on a fixed cash value rather than a fixed number of shares. This practice allows companies to provide market-based compensation that is not distorted by fluctuations in stock price.

Share Ownership Guidelines for **Directors Increasing in Prevalence**

The use of share ownership guidelines has increased over the past five years. In 2008, 74 percent of the top 200 companies utilized guidelines, whereas today, 90 percent have guidelines reflecting the desire for directors to have significant equity holdings. Almost 75 percent of the group disclosed guidelines that required

Figure 3 **Board of Director Pay Mix**



Average Director Pay Mix. Cash vs. Equity 2008-2013

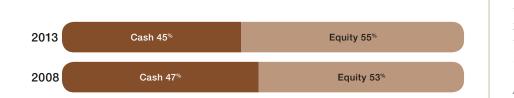
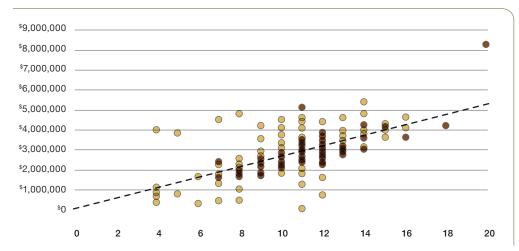


Figure 5 | Total Board Cost vs. Number of Paid Directors



ownership equal to five times or greater the cash retainer, considered "robust" by firms such as Institutional Shareholder Services (ISS).

Total Board Cost

In addition to what directors are paid individually, there is a growing focus among investors and the media on total board cost, the sum of all components (cash, equity, pension value changes and all other compensation amounts) paid to all directors.

In 2013, total board cost for the top 200 ranged from \$38,800 to \$8.2 million, with a median value of \$2.8 million. The number of paid directors ranged from four to 20, with a median of 11 paid directors. (See Figure 5.) As might be expected, we found that the number of directors sitting on a board greatly influences total board cost and that the size of the organization continues to be an important factor as higher total board costs at larger companies are the result of these organizations paying higher fees and having more directors than smaller companies.

Looking Forward: Important Governance Developments

Although director pay has historically not been a focus of public scrutiny, this appears to be changing. Recently, governance groups and some shareholder advisory firms

have turned their focus to director compensation and governance issues. ISS now includes relative director pay as a factor in its governance risk scoring system, measuring average director compensation as a multiple of median pay provided at peer group companies.

Additionally, there has been increased focus on the impact of extended director tenure. Shareholder advisory firms have begun to question whether longer tenure (greater than nine years) causes a potential independence issue. While new to the United States, other countries have already begun the process of limiting director tenure. In the United Kingdom, for example, listing standards already effectively limit tenure of independent directors to nine years. But even ISS admits that views on director tenure are divergent, citing in its QuickScore 3.0 Technical Document that a new director might easily "back down from a powerful chief executive" and long-tenured boards that have worked side-by-side with the same management team may reasonably be expected to agree to the management team's decisions more willingly.

Recent international developments should also be considered, as in our experience many international governance trends can serve as a harbinger of things to come in the U.S. While say-on-pay votes in the U.S. address only executive compensation, several countries have, or are considering, binding votes on compensation for directors in addition to executives. The Swiss Minder Initiative, a mandatory, binding vote on total executive and director compensation, became effective in 2015. This binding vote follows in the footsteps of India, Japan and South Korea, which also have binding say-on-pay votes for non-executive directors.

Don't Lose Sight of What Matters

Much has changed in the way directors are selected and held accountable for their performance as a board member. They are no longer golfing buddies of the CEO who serve as a rubber stamp. Today's directors are accomplished managers and business area experts whose role is to support and challenge management when necessary. The board evaluation process seeks to weed out those who do not add value.

Those tasked with helping boards develop and administer director pay programs would be well advised to be mindful of the increasing scrutiny of board pay levels and to monitor evolving governance practices both here and abroad.

Sandra Pace is managing director of Steven Hall & Partners. She can be reached at space@shallpartners.com.

Steven Hall Jr. is a consultant with Steven Hall & Partners. He can be reached at sehall@shallpartners.com.

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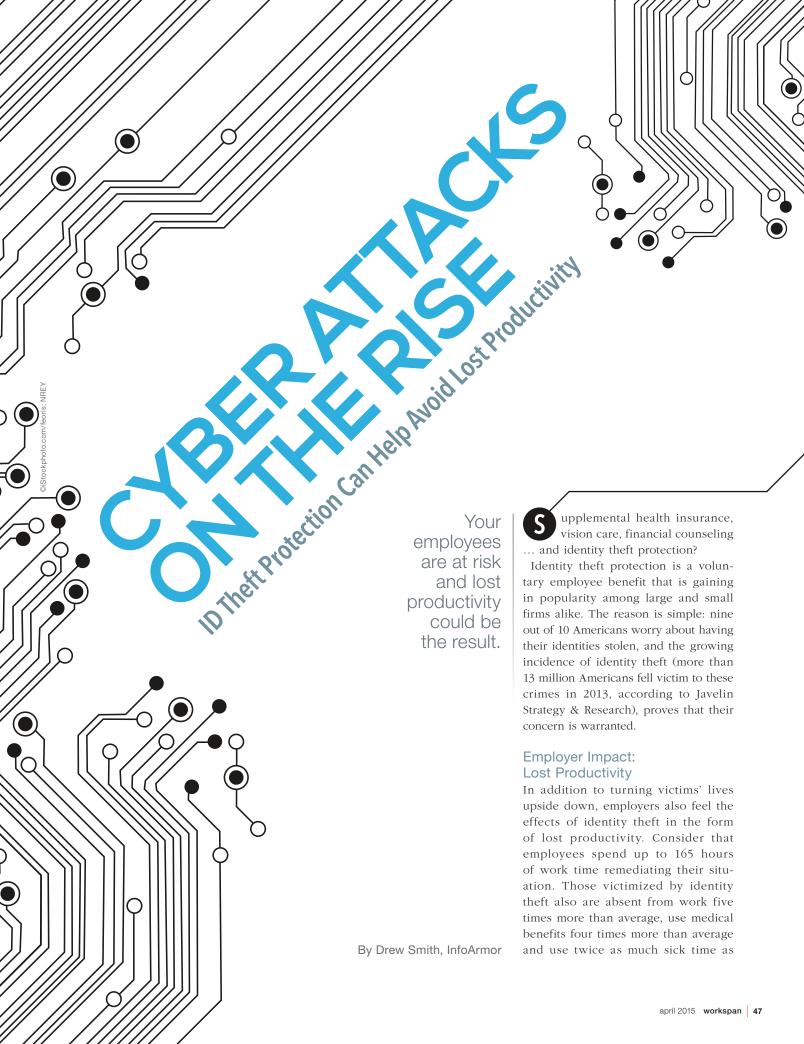
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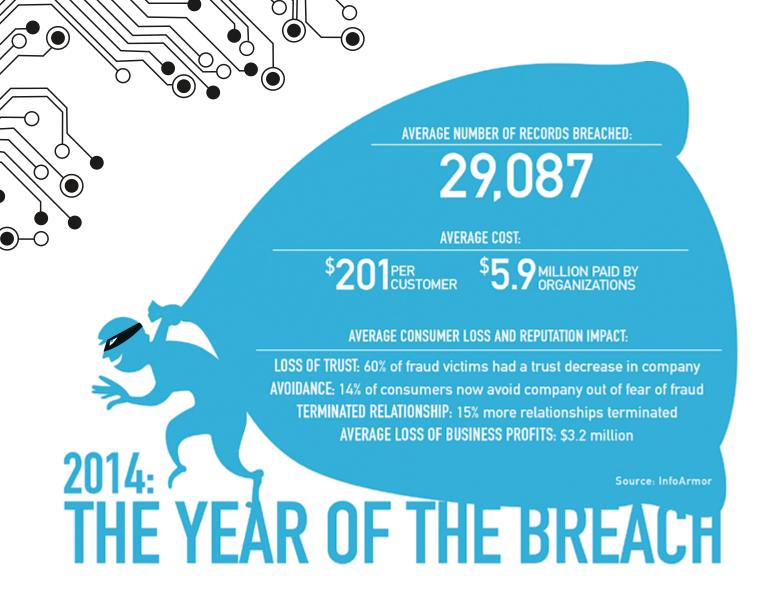
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an average employee, according to an LSK Associates Study.

A seemingly endless stream of high-profile security breaches involving big names such as Sony, Target and even the U.S. Postal Service have spawned massive amounts of free advice about how to avoid becoming the target of an identity theft scam. But in this data-driven world, it is difficult — if not impossible — to prevent this 21st century crime.

Rather than look for ways to stop identity theft from happening at all, it is more prudent to help your employees think of detection as the new prevention.

Everyone Is at Risk for Identity Theft

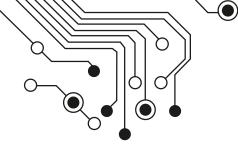
Not long ago, identity theft was regarded as a problem that happened to someone else. But today, with an identity stolen every two seconds in the United States, that couldn't be further from the truth. Data and security breaches are at an all-time high. Hacking has evolved from something a computer geek may have tried in a basement to a lucrative, underground profession. In addition to becoming more sophisticated, hackers are more efficient, too. Instead of infiltrating thousands of computers to get one-off information, they are targeting one system or company to gain access to millions of identities.

The threat of having one's identity stolen is more real than ever. For many, the devastating effects still linger long after fraudulent purchases are made using unsuspecting victims' credit cards, email addresses and more. In short, the problem is reaching epidemic proportions, with perpetrators using swindled information to get everything from tax refunds and jobs to mortgages and medical care.

Unfortunately, individuals aren't the only victims of identity theft; companies bear a major cost of the problem, too. Home Depot estimates a cost of \$62 million and possibly more for its breaches, while Target documented a cost of \$148 million in its second-quarter filing relative to its holiday 2013 data breach. Even Sony was aware of hackers downloading gigabytes of data dating back to 2011 and spent upward of \$1 billion to have an outside firm help plug the holes.

But if a company with the size and resources of a motion picture giant can be breached despite its seemingly tight security measures, what does it say for the dangers that most other companies face?

Breaches of this nature wreak unimaginable havoc. In the case of Sony, not only did the hack attack erode customers' trust in the company, it also threatened sales of



Tips to aid companies and their employees in privacy and ID fraud protection

1 Enforce mandatory password updates. Employers can protect their employees and their corporate infrastructure by requiring a mandatory password reset every 90 days (at a minimum). Allow only complex passwords that include at least eight letters, numbers and symbols. Also consider blacklisting common passwords such as "password123" or "mypassword." Instead, encourage employees to use a unique password for every personal and work-related account.

2 Use of encrypted email communication. Any email that includes personal information or intellectual property should be encrypted. Select a trusted email encryption software that is compatible with the company's corporate email solution. A hosted solution will require both the sender and recipient to be logged in to a secure portal to decrypt the message.

3 Provide identity protection as an employee benefit. Many progressive organizations offer identity protection as part of their innovative benefits package. This benefit has become a staple in the marketplace and signals value to employees. Many providers offer an employer-sponsored or voluntary benefit available through direct bill or payroll deduction.

4 Have a breach plan in place. In preparation for a data incident, it is important to put protection measures place. Such measures should be pre-determined well before an incident occurs.

its products, including a promising new Internet TV service that was set to launch last fall.

The unfortunate reality is that cyber attacks are becoming more commonplace and they cost companies more money than they realize. Companies take an indirect hit when identity thieves attack individuals because employee absenteeism rises and productivity plummets as they struggle to deal with the aftermath. The proof: victims of identity theft spend an average of 59 hours restoring their personal information and compromised credentials, and most of this time is spent during an 8-to-5 workday, as reported by the Identity Theft Resource Center's "Identity Theft: The Aftermath" report.

But that's not all. The gateway to an individual's identity records is often through their employer's corporate data security system. Employees who did their holiday shopping from their office computers and used their work email addresses as a point of contact for their purchases opened the floodgates to their firms' personnel records and other confidential information, raising the risk for both the individual and anyone with information stored on that company's network. As the saying goes, it only takes one bad seed to ruin it for everyone else.

How to Detect ID Theft Early

If there's a glimmer of hope, it's that new identity theft detection methods are helping find and rectify the problem sooner and without lasting consequences. That's a win-win for identity fraud victims who can minimize their time away from work and also for employers who can quickly and efficiently resolve the effects of data breaches to their firms.

This type of monitoring is increasingly being offered by companies as a voluntary employee benefit. It helps detect theft by alerting individuals to suspicious high-risk transactions and applications (e.g., new telecom accounts, payday loan applications and online account openings) occur.

The idea is to search proactively for information misuse to reduce the damage caused by identity theft or prevent fraudulent acts altogether. This is done through real-time surveillance of the "underground" economy. If suspicious activity is detected or sensitive information is exposed, the identity restoration process begins immediately.

This comprehensive approach to identity theft detection is in sharp contrast to traditional credit bureaubased monitoring, which informs victims once fraudulent activity impacts their credit file. In many cases, a fraudster will create a synthetic identity — pairing the victim's Social Security number with a fictitious name — that goes completely undetected. The problem is exacerbated when the affected individual doesn't become aware of the situation until the malicious activity is posted to his/ her credit file. That's when the timeconsuming process of recovery begins.

HR, Benefits and IT to the Rescue

Without a doubt, harvesting identities is lucrative and the methods used are evolving at a breakneck pace. Individuals and companies may want to be more proactive and not only offer ID theft protection, but educate their workers about risks.

What benefits and other HR professionals can do is to gain a better understanding of the issues at hand, and employ cutting-edge privacy management solutions, to tackle this growing issue head on. ws

Drew Smith is founder and CEO of InfoArmor in Scottsdale, Ariz. He can be reached at drewsmith@infoarmor.com.

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A Population Health Improvement Case Study



The team modeled the program from the theories and practices used within residential and outpatient drug and alcohol treatment programs and driven by social-cognitive psychology.

require entirely new ways of thinking in order to fully change. To this point, the key predictor of continued health engagement, self-efficacy, comes primarily from intrinsic (internal) beliefs, motivation and skill building, and not so much from extrinsic (external) stimuli or coercion.

Recently, though, one employer piloted a novel approach to treating obesity, tobacco use and chronic health conditions in its workforce by adapting the principles of drug and alcohol treatment and recovery. This program, grounded in the evidence base for employee health improvement and human behavior change, put its primary focus on each employee's sources of beliefs, attitudes, motives, influence, thinking patterns and coping mechanisms — in many ways the root causes of disengagement and poor health.

There is a parable, which has taken many forms throughout public health and various story-telling channels. The story is set on a river where a few friends are taking a leisurely walk and they observe a drowning person being swept down the river. They rescue the individual only to see several more people drowning as they rush past in the whitewater. The friends go to great lengths to rescue and provide care to the victims — they even try to assemble a net to catch the victims as they go by, but the net can't hold the growing number of people and more slip by toward rougher waters. Although their hands are full trying to save as many as they can, one of the rescuers breaks ranks and heads upstream to

perhaps find out why these people are in the water in the first place. Soon she sees something unusual a nice wading pool safely off the river with a sign that reads, "DANGEROUS CURRENT: NO SWIMMING." Acting quickly, she grabs the sign and heads further upstream, where her forward thinking pays off. She observes several people jumping carelessly into some particularly rough waters. Before them stands a sign, "SWIM-MING HOLE." She switches the signs, regroups with her friends, who were exhausted from all their downstream efforts, and they get back to their leisurely walk. Had they continued to work exclusively on the problems downstream, there would be no end in sight.

Returning to the program, the approach goes beyond the symptoms, and aims to identify each person's unique determinants of health — to treat the source of each person's problems. To this end, it is an "upstream" method for health improvement.

Background

A Texas-based hospital system with more than 20,000 employees had been struggling to implement meaningful health-promotion and chronic-condition-management programs for years. Health costs were exceedingly high, absences were disruptive to care delivery in the hospital and there were concerns about productivity due to the prevalence of unmanaged chronic conditions, obesity and tobacco use. Paradoxically, in a culture focused on exceptional patient health care, there were few health-promotion or wellness efforts available to the workforce.

The organization previously ran a weight-management program comprised primarily of a carrot incentive of cash rewards for meeting certain weight-loss goals. After several years, the evaluation showed that many of the participants were collecting rewards each year for achieving similar weight loss to the previous year — actually getting rewarded for a roller-coaster diet lifestyle. In an effort to retire this program, the organization first piloted a traditional health-coaching program, but again saw no measurable impact on health status.

An innovative HR leadership team had some ideas about an entirely different approach — a longer-term, structured program using a behavioral science model. Leadership reached out to its behavioral science experts from the hospital system's residential drug and alcohol treatment center for guidance and input. A multidisciplinary team comprised of behavioral health clinicians and workplace health professionals was created to design a new health improvement program. The team modeled the program from the theories and practices used within residential and outpatient drug and alcohol treatment programs and driven by social-cognitive psychology.

As Stanford's Albert Bandura developed, Social Cognitive Theory (SCT) posits that a person's behavior is determined by a complex interplay between the individual's thinking,

behaviors and environment. When all of these key determinants are aligned, an individual can gain a level of selfefficacy sufficient to meet and sustain personal health-improvement goals.

The Social-Cognitive, Chronic Condition Recovery Approach to Health Improvement

The program rationale is simple. Similar to a person with alcoholism or other drug addiction, a person who is obese, has metabolic syndrome, and/ or other health risks, tobacco use or chronic conditions, didn't get that way overnight. It took years. Most who have these problems require not only efforts in personal introspection and skill building, but also professional counseling, social support, environmental management and repetition over time (at least six months) to make the health and lifestyle changes stick. The evidence clearly demonstrates that most (over 90 percent) who achieve initial success in attempting diets, tobacco cessation or other healthchange efforts, will relapse to the previous behaviors and health status. Primary areas of focus in drug and alcohol treatment and recovery are:

- I To help patients better understand their thinking patterns and emotional responses to stimuli in order to build skills in cognitive restructuring, which will help in developing healthier patterns of behavior.
- I To help patients build their personal, social and structural support in a way that enables them to stay committed and engaged in health-improvement efforts, even after a slip to previous patterns of behavior occurs. This is known as "recovery capital."

This recovery framework, driven by SCT, was central to the program's theory and rationale. So what is the SCT? According to Bandura, it's a theory of human behavior, primarily health behavior that explains psychosocial functioning in terms of the dynamic interplay between a person, the environment and the person's

behavior. SCT looks at the age-old question of "Is it the person or the environment?" from a much broader and deeper perspective.

Figure 1 illustrates the important interplay between the person, the environment and behavior. It is adapted from Bandura's "Social Cognitive Theory of Mass Communication" that was published in 2001 in Media Psychology.

The development team employed a program framework that leveraged an evidence-based approach intervention mapping to target a set of sequenced interventions and therapy methods. It was delivered by licensed therapists (also trained as health coaches) in both one-on-one and small-group settings. It was through this intervention mapping that SCT was selected as the foundational theory supporting the program's framework while also supported by other psychological

theories. This program is essentially a patient-centered process with a defined structure designed to engage employees' personal-improvement efforts, which they otherwise would not have thought meaningful or relevant to improving their health. These upstream sources of influence, which through the appropriate processes can be mapped and transformed into recovery capital, are termed "healthimprovement capital" in this article.

The program was piloted to 160 employees over an initial six-month period, then evaluated through an impact assessment.

Certain program structure elements were critical to program delivery:

- On-site/worksite-based, face-to-face interventions, with an emphasis on assessment of health risks with direct feedback and action planning.
- I Highly structured sequence of interventions throughout the

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The aim is for participants to develop skills in areas that are interesting and engaging to their personal needs, and to promote autonomy, self-efficacy and engagement.

initial program phase, along with a series of predetermined checkpoints and milestone targets throughout the one-year program to promote continued engagement.

- Licensed, experienced behavioralhealth counselors delivering care and engaging participants in exploring core issues that contribute to their health status while working with each person's unique situation.
- Extensive training and credentialing in health coaching as well as regular intervention-specific team-based training in therapy methods for all team members.
- Behavioral-health, clinical teambased care with staffing and collaboration, consultation and referral through individual and

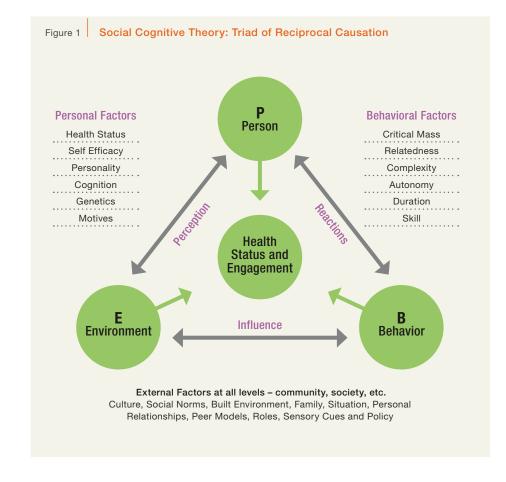
- group sessions to incorporate all elements of the Chronic Care Model and leverage the hospital system's accountable care organization (ACO).
- Intensive group counseling with a peer-support promotion structure, including peer-led groups, peer-sponsorship and accountability partner assignments, as well as champion credentialing to recognize achievements and promote growth and sustainability.
- Simple messages and language around an integrated approach to nutrition, physical activity and sleep behaviors an approach that can be easily understood and used with many commercial programs. Instead of promoting specific diets or exercise programs, counselors

encourage participants to pick their own activities and prepare their own meals. They write their own action plans, along with support and gentle guidance from their counselors. The aim is for participants to develop skills in areas that are interesting and engaging to their personal needs, and to promote autonomy, self-efficacy and engagement in related peer-support networks to build their health-improvement capital.

Results

The program's impact and outcomes are prospective at this time because the initial one-year pilot will not be completed until July. However, the initial observations are promising:

- Participants who regularly attended the weekly skill groups were most likely to sustain change at six months.
- At 60 days, more than 80 percent of continuing participants reduced their Body-Mass Index (BMI) (1.2 point average).
- I More than 90 percent of those who reduced BMI at 60 days and continued to attend weekly groups, sustained or improved their changes at six months.
- I At 60 days, nearly all participants demonstrated measurable improvements in health behaviors such as diet, physical activity, prescription-drug adherence, sleep, rest, stress management, alcohol use and tobacco, as well as psychosocial variables including beliefs, attitudes, self efficacy, motivation, engagement and employer connectivity elements.
- All of those who continued to participate in weekly groups through six months (about 50 percent of those who started) scored considerably higher (+47 percent average) on their follow-up health engagement



- scores than they did at baseline. Group attendance was strongly associated with improved scores.
- I Observationally, the program counselors documented positive transformations in responses about their employer (with exceptionally high levels of gratitude), engagement in work and overall connectivity with their employer.

Outcomes

The pilot showed this program design works and that such a program can deliver measurable improvements in workforce health and productivity. There was initial skepticism by some team members toward the program's behavioral-health elements. Would employees find value in, and be comfortable with, speaking freely with other employees in small groups? Interestingly, many participants, both male and female, became highly engaged in the weekly groups and found these to be essential elements that helped them sustain the initial lifestyle changes they made.

This is the heart of Social Cognitive Theory, which emphasizes peer modeling, observational learning and collective efficacy as being key constructs within its framework. Delivery team members observed this almost immediately. They knew the program was a success when they saw the initial participants interacting, sharing their challenges, helping each other and speaking the same language of health improvement beyond the sessions.

In anticipation of potential concerns about Health Insurance Portability and Accountability Act (HIPAA) privacy rights, the development team developed specific HIPAA procedures and training, and created a consent-to-participate form along with a notice of privacy practices, which the delivery team discussed individually with each participant at orientation. Additionally, having had much experience discussing very personal subject matter while working in behavioral-health

They knew the program was a success

when they saw the initial participants interacting, sharing their challenges, helping each other and speaking the same language of health improvement beyond the sessions.

settings, program counselors took steps to minimize disclosure risk at all opportunities.

Another area of concern was around the usual stigma that comes with seeing a therapist. Ultimately, those who participated found great value in having a health counselor rather than just a health coach. One participant stated that he explored issues with his health counselor that were never discussed in years of therapy. Successful participants explored the root causes of their unhealthy lifestyles and were able to develop new coping skills, healthier patterns of behavior and a better attitude toward themselves, their work, their employer and their lives.

While traditional health-coaching programs use a more downstream approach, in that they primarily focus on peripheral elements (e.g. diet, exercise, etc.), this approach, with its primary focus on individual sources of beliefs, attitudes, motives, influence, thinking patterns and coping mechanisms, is truly an upstream method for health improvement.

Discussion

Can the upstream approach work for other employers? Other industries? A key objective throughout the program development and pilot phase was to create a scalable program that could be duplicated in other employer settings with a qualified implementation team and leadership support. While the health-care provider setting may appear to be advantageous, it has its own challenges when adopting a behavioral

health-driven model. The employerspecific challenges are not so much industry specific as they are associated with each employer's readiness for innovation and transformation to a program that challenges the status quo at both the organizational and individual levels. Diffusion of good ideas into practice takes time, even when scientifically validated. It took decades, and an act of Congress or two, for the concepts for health-delivery transformation and payment reform to finally gain traction and become the ACO model of today. Consumer-driven health care is still trying to find its way toward full diffusion into the community.

The upstream approach is simply a new setting for tried-and-true, evidencebased interventions that have been in practice for decades. The upstream approach is for those who can recognize the value of using behavioral health to change health behavior. ws

Steven Halterman is a director of health and productivity for Buck Consultants at Xerox. He can be reached at steven.halterman@xerox.com.

Melinda Balezentis, Ph.D., is a director of health and productivity for Buck Consultants at Xerox. She can be reached at melinda.balezentis@xerox.com.

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WorldatWork Recognizes the Support, Strength of Volunteers

WorldatWork is observing National Volunteer Month by recognizing the hundreds of HR professionals who carve time from their busy lives to contribute to the association.

"For the many professionals with whom we work, none are more valuable than the individuals who volunteer their time for WorldatWork, said Anne Ruddy, CEO of WorldatWork. "Without reviewers, presenters, authors and other contributors, WorldatWork's presence and impact in the HR space would be so much less significant."

Bob Roesch, CCP, SPHR, has experienced the value of WorldatWork volunteerism. "Over the years the time I have spent as a volunteer with WorldatWork has paid me back many times over. It has been a good investment in my career as I have been able to expand and develop my skills working in different roles outside of my normal work environment," he said. "I have learned many things from other volunteers and the staff at WorldatWork, not only in the technical aspects of total rewards, but in general business acumen. I find the experience away from my normal work to be invigorating, and almost as good as a vacation (well, pretty close)."

Roesch and other members share with workspan their perspectives on the rewards that come with volunteering for WorldatWork.

Sincere thanks to those who have contributed, and continue to contribute, to advancing the profession.

Why do you find time to volunteer your services and expertise to WorldatWork?



Guy Van Tiggelen, CCP, CBP, CPA

Director of Total Rewards and Employee Services. LifeBridgeHealth; Faculty Member, Reviewer

"I believe it's important to give back to our communities, and the WorldatWork community of which I've been a part for over 20 years is special. It has helped

my professional growth, and I hope others will volunteer their time to assist their peers. I remember "jumping the fence" from finance to human resources at one point in my career and WorldatWork (actually American Compensation Association at that time!) was extremely beneficial during my transition."



Cathy Peffen, MCCP, CBP, GRP, WLCP, CSCP

Vice President, Global HR Services and Executive Compensation, Marriott Vacations Worldwide Corp.; Advisory Council Member, Reviewer, Faculty

"WorldatWork was instrumental to me when I was beginning to specialize in compensation. National

conference, certification courses and local events were critical in giving me the grounding I needed to build my expertise in compensation and benefits. I want to share my knowledge and experiences as many individuals did for me early in my career. And, as WorldatWork depends on its volunteers, I want to ensure that the organization continues to thrive."



Carol Anderson, CCP, SPHR

Principal, Anderson Performance Partners LLC; Reviewer

"Years ago, I learned the value of getting actively involved in my professional association. My first board position gave me the opportunity to see the financial and operational workings of an organization at the

macro level — something I couldn't see from my position as compensation analyst. As an introvert, it also opened up opportunities to get to know more people comfortably, not just sitting in meetings at the same table with everyone I already knew. Finally, it allowed me to build an incredible network which has served me well for many years."

What is the main piece of advice you would give fellow HR professionals considering volunteering their time and expertise as a WorldatWork faculty member?



Jennifer Loftus, CCP, CBP, GRP. SPHR

National Director, Astron Solutions; Advisory Council Member, Reviewer

"Be prepared for anything! Questions and situations always arise that are

different from those encountered during the last volunteer experience. Stay flexible to address the matters at hand while staying on track with overall goals. Also, know ahead of time who can handle a situation or address a question if something is outside your experience base!"



Penny Opalka, CCP, CBP, SPHR

Director of Benefit Services, Select Medical Corp.; Reviewer, Author

"Find your passion and do something that you like. Take the time to volunteer in an area where you have expertise

or knowledge. Consider writing an article or becoming a reviewer for workspan magazine. You could contact WorldatWork and discover in what areas volunteers are needed and what kind of assistance you can offer. The rewards of giving back to the profession are endless for you both professionally and personally. I can't remember how long I have been volunteering for WorldatWork in one way or another, but it is something I have enjoyed doing for years. Many times my efforts are quietly behind the scenes and only a few people know that I volunteer. Still, it feels great to know that I have helped benefit professionals move further along in their knowledge and expertise."



Vivian Jennings, CCP, CBP, GRP

Manager of HR, Emergency Medical Care Inc.;

"Everyone has almost something to contribute. With WorldatWork, many volunteers are certainly leaders in the

field - nationally and globally so many feel only those professionals are considered. Not true! Sharing your knowledge, providing insights, asking questions and participating in WorldatWork is all part of being a volunteer and can be at every level! It makes the entire association more valuable experience. Everyone contributes and great way to be recognized!"

What is the biggest benefit you receive from volunteering with WorldatWork?



Jim Covington, CCP, CBP

HR Specialist, Total Rewards, Covington Trust;

'Confucius is credited with saying "do something you love and you will never work a day in your life." I have been

fortunate to have been able to do something I love - and do something that I think, when done correctly, can add tremendous value to an organization. Being a WorldatWork volunteer has allowed me to learn and take back to my organizations knowledge and information that I would not have been able to acquire in any other manner."



Richard Dauphinais

President, Strategic Compensation Partners;

"Mostly the satisfaction from knowing that for these several years that I have been involved in the volunteer program,

my experiences are still being utilized to help others in my peer group. Having spent half of my career in corporate America with named firms and the remaining half as a compensation consultant, I appreciate the importance that a well-designed compensation program's strategic design, execution and maintenance does add significant value to all types of organizations globally. Being included as a valued contributor to WorldatWork helps me feel appreciated. I also never hesitate to be able to quote WorldatWork resource data as fact to my client base. I am pleased to continue my volunteer efforts with this organization until I officially retire."



Bob Roesch, CCP, SPHR

Director of Human Resources, UCAR: Faculty Member

"I learn something new every time I teach a WorldatWork class or interact with other members of WorldatWork. Some-

times it is a new technique or way of doing things in total rewards. Other times, I see new perspectives that expand the way I think about work, employees and the world in general. I couldn't ask for more."

National Volunteer Month is a great time to consider joining the corps of members who contribute their time and talents to WorldatWork.

"These volunteers make WorldatWork loom large, add to the body of knowledge and help us develop future leaders who will shape the future of work," Ruddy said. Thank you to everyone one of them from a most grateful staff!" ws

Interested in volunteering? Explore volunteer opportunities by going to worldatwork.org/myprofile, "My Tools," and clicking "Volunteer."

profiles in excellence

Jeff Robinson Practices the Power of Proactivity



Jeff Robinson, CCP, CBP Manager, Compensation & Benefits Genesis HealthCare System

What is the No. 1 element that propelled your career forward?

A boss very early in my career. He was an incredibly talented and experienced compensation and benefits professional. He had an opening for a benefits analyst that I was hired into and over the next two years, I learned a tremendous amount from him. In addition to being an excellent professional mentor, he was a terrific leader. Both of these allowed me to learn in a wonderful environment and solidified my interest and growth in the profession. Getting an early start with benefits and then compensation really solidified my interest in this specialty field of human resources.

What role has professional development played in your career?

The opportunity to obtain the professional certifications of CCP and CBP has meant learning beyond my regular work and job each day. More importantly, it has helped me apply the learned principals and tools to my work. I also completed my master's

degree three years ago. It had been something I wanted to do for a long time. Now that WorldatWork has expanded the compensation certification programs under the WorldatWork Compensation Institute, I am looking forward to continuing toward the higher-level certifications.

How has the use of analytics evolved over the past 10 years? What impact has it had on your career?

We can get to so much more detail in our analysis today. Earlier, I had to rely on a TPA to provide some kind of claims experience report to understand where health-benefit dollars were being spent. Today, I have at my desktop access to data and reporting tools that allow me to zero in on claims right down to the diagnosis related group (DRG) and/or current procedural terminology (CPT) code level. Various analysis tools help with targeted communications and plan design changes, including high-dollar claims, risk index and care gaps. This provides the ability to focus efforts on the areas where the organization can get the most impact with changes that may need to be made to a health plan or its coverage. Most of these systems also provide a comparison of your organization's data to industry and national norms.

Why are adaptability and flexibility important characteristics for rewards professionals?

This is a characteristic that helps in our role because of the ever-changing world in which we work. The Patient Protection and Affordable Care Act (PPACA) is an example of a legislative change that requires flexibility in the workplace. We must always be on the lookout for best practices that allow us to identify opportunities for improvement and stay informed of issues and trends related to our profession.

What are the qualities organizations look for when they want professionals with strategic business understanding?

Organizations need to have total rewards staff who is knowledgeable about financial statements and financial impact of plans to the bottom line. In addition, effective communications skills, problem solving, creativity and technical literacy are all important.

What does continuous learning for a rewards professional look like? Why is it important to an organization?

We learn from every experience and project, whether it's a success or failure. But more than that, we need to proactively find opportunities to enhance our learning and understanding. For me, this has been keeping an active membership with WorldatWork and taking advantage of the information available on its website and through publications such as workspan Also, the annual WorldatWork Total Rewards Conference is a wonderful opportunity to learn and network with other total rewards professionals. I encourage individuals to be active in local associations and groups, whether a Group

Partnership Network associated with WorldatWork or other groups of HR professionals. This benefits the organization because the individual has learned skills and tools that can be put into practice.

Why is proactivity an important characteristic for rewards professionals? How did it benefit your organization(s)?

Not spending time reacting to things is a luxury we can treat ourselves to if we are diligent. Benefit plan changes, reporting requirements and other issues under the PPACA are examples of that. Because we tried to be diligent in gathering and working to understand the different components of the regulation, we have been able to stay on top of these requirements. I would have had a very upset boss and CFO had I not provided an estimate of what our payment will be for the Transitional Reinsurance Fee well in advance of January 2015. This is a significant payment and we needed to be prepared.

Name a characteristic or skill set that sets a total rewards professional above the rest.

A combination of communication and effective analytical skills. Total rewards professionals are salespeople and we must be able to communicate effectively to all levels of staff inside and outside the organization. The analytical piece is required because of the specific data and detail we work with. We must be detailed and thorough. The very first vice president I worked for handed me a document that talked about "Completed Staff Work." He expected his staff to be very detailed in our analysis, understand the situation and then come up with solutions, or at least ideas, not problems. This has served me well throughout my career. ws

WorldatWork Career Excellence Model

for Total Rewards Professionals™



back to

Evolving from Wellness Into Well-Being

Today, the body of knowledge regarding wellness is evolving into a broader concept that includes, but goes beyond, simple physical health to treating the whole individual.

This integrated well-being approach typically includes several components, which are listed below. WorldatWork has developed these categories along with the potential programs.(See

- Physical health (enhancing one's physical fitness)
- Mental/emotional health (resources to balance one's self, situations and others)

- I Financial health (tools to attain financial freedom and success)
- I Spiritual health (defined as one's strong sense of self or purpose through beliefs, principles, values and ethical judgments).

Others have created their own definitions, but primarily cover the same essential concepts. There are aspects of one's self that, when tended to, eliminate stressors that may otherwise impact one's ability to focus and contribute to his/her job.

Organizations that have already adopted this concept have found that by focusing programs and initiatives within the areas mentioned above and by communicating it under a "wellbeing" umbrella, they help employees understand the value of addressing them in a holistic and respectful manner.

There are four key areas that organizations with effective well-being programs and initiatives have in common that have the biggest impact of success as seen in such areas as lower turnover and higher employee engagement and satisfaction. They are:

- Organizations with well-being programs have been working on a well-being strategy longer than those with just wellness programs. Their strategies have been in place three years or longer.
- They feature their well-being programs prominently in their attraction efforts.
- They communicate the programs on a frequent and ongoing basis.
- I They empower their managers and supervisors to support employees who participate in well-being initiatives.

Integrating the well-being components pays off for organizations in several areas. Not only do these organizations feel their employees are more highly engaged and satisfied with their work, they also feel that this focus on well-being helps reduce health-care costs — a common strategic objective for all U.S. organizations. ws

Rose Stanley, CCP, CBP, WLCP, CEBS, is a total rewards practice leader for WorldatWork in Scottsdale, Ariz. She can be reached at rose.stanley@worldatwork.org.



Back to Basics is intended to provide entry-level information on issues relevant to compensation, benefits and the work experience. Though factual in nature, nothing herein is to be construed as legal, accounting, actuarial or other such professional advice.

Potential Programs for Integrated Well-Being

Health Related

- I Immunizations
- Physical fitness
- I Mental/behavioral health coverage
- Diet and nutrition
- Smoking cessation
- I Disease management
- Health risk assessments
- Biometrics

Retirement Related

- Financial education (primary focus on retirement/investment education)
- Financial advice (primary focus on retirement/investment advice)
- I Financial wellness (debt management, budgeting, etc.)

Work-Life Balance

- Encourage use of vacation time
- Flexible schedules
- Community involvement programs
- I Child-care assistance
- Elder-care assistance
- Caregiving assistance
- Work overload

Workplace Environment

- Ergonomics
- Workplace safety

Skill-building Education

- I Parenting skills
- Healthy personal relationships
- Healthy workplace relationships



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research in brief

April Is National Volunteer Month

Volunteers are the lifeblood of any association. More than 500 WorldatWork members serve in a volunteer capacity for the association, from providing resources and insights for their peers in the Online Community to helping develop certification courses. Following are ways WorldatWork volunteer members have served the profession in the past year.

VOLUNTEER LEADERSHIP



Members serving on advisory councils as strategic thought leaders and acting as advocates for the profession and WorldatWork



Members of the WorldatWork Society of Certified Professionals Board of Directors, which is responsible for overseeing the advancement of WorldatWork's professional strategy; members serve as the voice of the profession



Members of the WorldatWork Association Board of Directors, who provide oversight of the organization's operational and financial matters, future strategic resource investments and succession planning

PUBLICATIONS



243

Active volunteer reviewers who conducted blind peer reviews of manuscripts for workspan magazine, WorldatWork Journal, the Focus line of e-newsletters and WorldatWork Press books

132

Volunteer authors, both members and nonmembers, who contributed to workspan magazine, WorldatWork Journal and the Focus line of e-newsletters

91

Volunteer member authors who contributed to workspan magazine, WorldatWork Journal and the Focus line of e-newsletters

115,000

Average total number of words written by volunteer authors, both members and nonmembers

EDUCATION



154

Faculty members who teach courses online and around the world



Subject matter experts who contribute to course content development, reviews and updates; and who facilitate contentspecific online events, including webinars

CERTIFICATION



WorldatWork-certified subject matter experts who define and update the bodies of knowledge for each certification designation; develop test blueprints, write and review official certification exams; and write and review practice exams

ONLINE COMMUNITY



11

Online Community members who posted to the discussion boards more than 20 times



3

Online Community members who posted to the discussion boards more than 200 times



1

Online Community members who posted more than 500 times



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