

A WorldatWork Survey Brief



The State of Electronic Communications in Compensation and Human Resources

A Survey of Members of WorldatWork
by WorldatWork and Buck Consultants
October, 2005

About WorldatWork and WorldatWork Membership Surveys



*The Professional Association for
Compensation, Benefits and Total Rewards*

WorldatWork is the world's leading not-for-profit professional association dedicated to knowledge leadership in compensation, benefits and total rewards. Founded in 1955, WorldatWork focuses on human resources disciplines associated with attracting, retaining and motivating employees. Besides serving as the membership association of the professions, the WorldatWork family of organizations provides education, certification (Certified Compensation Professional – CCP®, Certified Benefits Professional® – CBP and Global Remuneration Professional – GRP®), publications, knowledge resources, surveys, conferences, research and networking. WorldatWork Society of Certified Professionals and Alliance for Work-Life Progress (AWLP) are part of the WorldatWork family.

WorldatWork regularly surveys its membership of compensation, benefits and total rewards practitioners regarding current issues and topics, best practices and common professional practices. The majority of WorldatWork members are at the manager responsibility level or higher, have more than 10 years of experience in the human resources profession, and work in the corporate headquarters of a company based in North America with more than 1,000 employees. The association routinely receives a voluntary response rate from members in the 15 percent to 20 percent range, a response rate that generally ensures the respondents are representative of the WorldatWork membership as a whole.

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Buck Consultants offers a comprehensive range of HR and benefits solutions: Retirement; Human Resource Management; Health and Welfare; Compensation; Communication

As a part of ACS, Buck Consultants draws upon extensive resources through our internal expertise and extensive corporate partnerships. We serve clients across the United States and throughout the world including corporations, not-for-profit and educational institutions, and numerous state and local governments.

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Introduction and Methodology

In June 2005, WorldatWork and Buck Consultants jointly conducted a survey of electronic communication practices in compensation and human resources. Respondents were asked questions on the following topics: electronic inventory and priority, Web site/intranet uses, electronic communications policies and goal achievement. The survey is an expansion of electronic communication surveys conducted in 2001 and 2003 and provides updated perspectives on common practices and usage.

A random sample of 4,301 WorldatWork members received the survey and 530 participated, a response rate of 12 percent. The demographic profile of the survey's respondents is similar to that of the WorldatWork membership as a whole. The typical WorldatWork member (and survey respondent) works at the managerial level or higher in the headquarters of a large company in North America. Ninety-five percent of the *Fortune* 1000 companies employ a WorldatWork member.

Executive Summary

Today's workforce has witnessed an information and communication explosion with the introduction of electronic tools such as e-mail, intranet, and Web access. Sales and marketing agents can target their audiences with a click of a mouse and employees can expand where and when they work by "plugging in" from remote locations. What are the ramifications of introducing electronic tools for HR and compensation professionals? While the prevalence and frequency of electronic communications cannot be ignored, HR and Compensation professionals must contend with the good and bad outcomes of a wired workforce.

Highlights of the survey include:

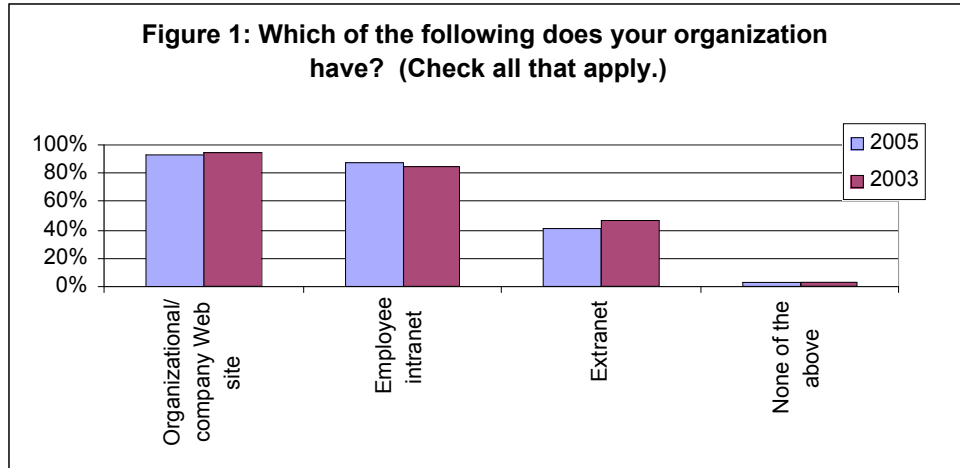
- Almost all employers have introduced some form of electronic communication. Ninety-three percent of participants have an organization or company Web site, and 88 percent offer an employee intranet.
- A majority of organizations surveyed (80 percent) reported that at least three quarters of their workforce has online access. Sixty-four percent of employers report employees rely on electronic tools for information essential to their job performance.
- HR and Compensation professionals place a high priority on the development or enhancement of electronic communications. Approximately 36 percent rank the issue at the top of their department's priorities, while 58 percent assign the issue at least some importance.
- With so much information available via e-mail and the Internet, the vast majority of employers have developed express policies discouraging certain types of online conduct, such as viewing offensive material or surfing the Web for personal use.
- Although employers had difficulty ascertaining the effect of electronic communications on some business outcomes, such as cost savings and level of competitiveness, the vast majority of employers are pleased with their organizations' efforts to deliver information electronically.

It does not appear that the extent of electronic communications will diminish in the near future. More than 70 percent of employers report the use of electronic tools is growing, and continued advancements in technology promise further increases. Fortunately some of the more salient legal risks such as breaches of confidentiality and privacy violations have not been realized for most employers participating in this survey. As the use of electronic communications continues to grow, however, HR professionals will evaluate ways to maximize the value and minimize the risks associated with electronic practices.

Detailed Survey Results

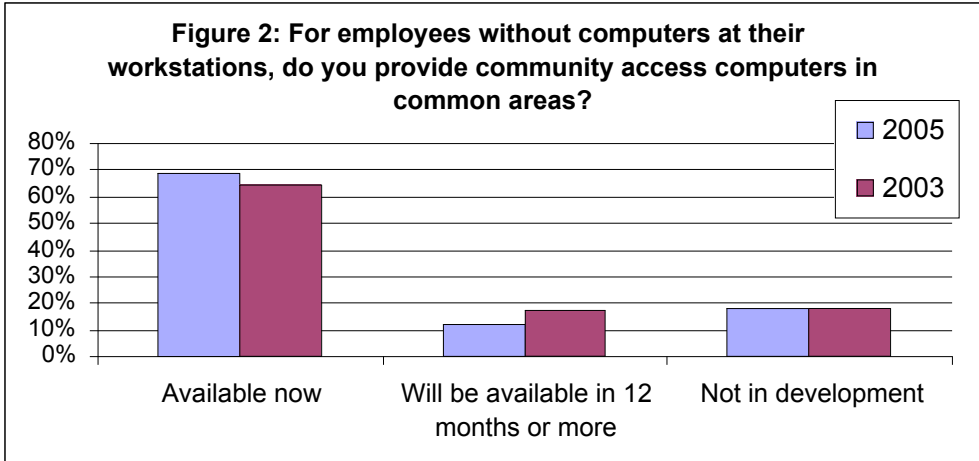
Electronic Inventory and Priority

Overwhelmingly the data in this survey confirm the significant presence of electronic communications in the workplace, a fact noted in the 2003 survey (See Figure 1). The most prevalent forms of electronic technology reported were organization Web sites (93 percent) followed by employee intranet (88 percent) and extranet (41 percent).

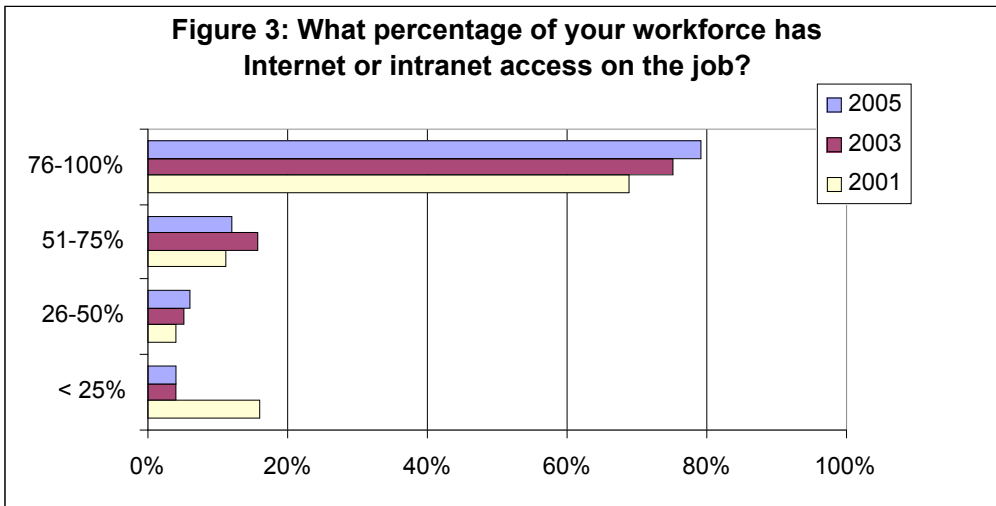


Access to computers in the workplace has remained fairly stable since 2003. (See Figure 2.) One in three organizations in 2005 provides personal computers to virtually all employees, eliminating the need for community access computer workstations.

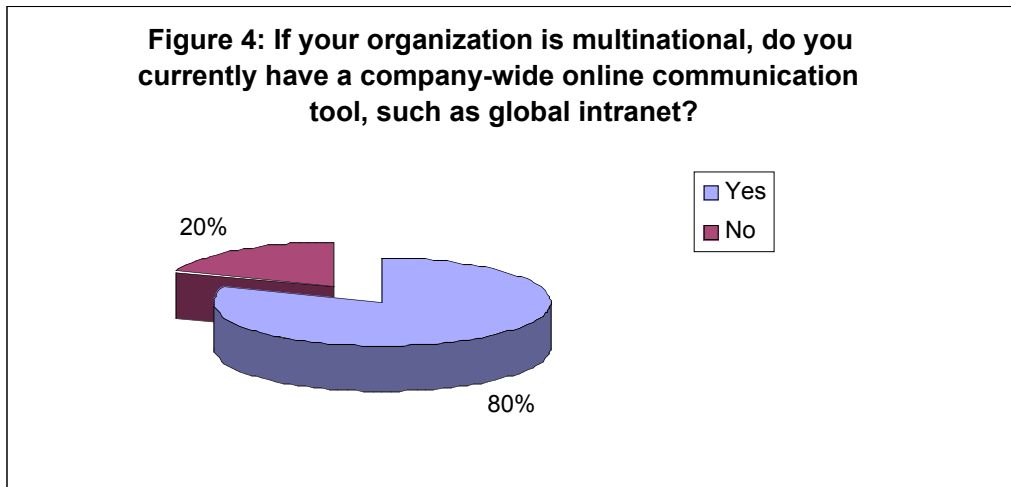
For those employees without personal machines at their disposal, 69 percent of employers supply community access computers, and an additional 12 percent plan to install common workstations in the future. Only 18 percent of respondents report that their organization does not currently possess, nor plan to develop, community access stations for employees without computers.



Online access for employees continues to be a reality for a majority of today's workforce. (See Figure 3.) According to this year's survey, at least three in four employees can get online at work in 80 percent of organizations surveyed. (See Figure 3.) Nine out of 10 organizations have online access for over half of their workforce, an increase of 10 percentage points since 2001.



About 46 percent of survey respondents classified themselves as multinational. Of that group, the vast majority (80 percent) communicates company wide using a global intranet, while approximately 20 percent do not. (See Figure 4.) Although the majority of survey respondents did not classify themselves as multinational (54 percent), global intranet usage may climb as organizations expand beyond their countries' borders and require a method of consistent, efficient communication.



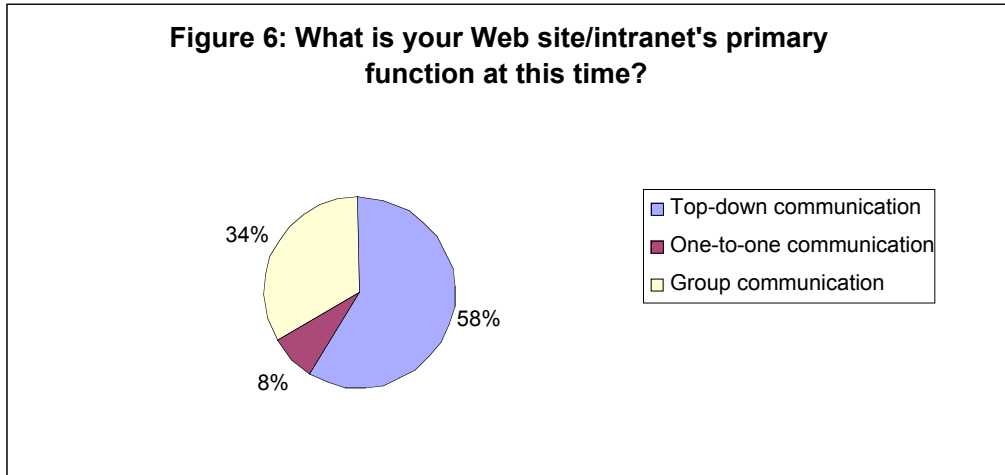
Given the myriad demands on HR and compensation professionals, it is not surprising the issue of electronic communications has found its way onto department agendas. As shown in Figure 5, the development or enhancement of electronic media holds a top spot on the department's priority list for a sizable minority of participants (36 percent). About 58 percent recognize electronic communications as important, but below other responsibilities, while only 6 percent of HR/compensation departments label the issue as insignificant to their organization.

Figure 5: How would you characterize your HR/compensation department's priority regarding the development or enhancement of electronic communications?

It is among our highest priorities	36%
It is important but other needs must come first	58%
Not a significant interest for my organization	6%

Web site/Intranet Uses

It is clear that employers are using electronic technology to communicate with their employees. What form does this communication typically take? For 58 percent of participating employers, the Web site or intranet chiefly promotes top-down communication. Slightly more than a third of employers predominantly rely on the medium for group communication, while only 8 percent identify one-to-one communication as the principal function.



Since 2001, Web site and intranet content has dramatically increased. (See Figure 7.) For example, almost nine in 10 employers post general benefits information in 2005, up from just one in four in 2001. Eighty-six percent currently provide links to health-care provider directories and employee wellness information. And three in four employees can link to benefits vendors on their companies' Web sites or intranet, an increase of 60 percentage points from four years ago. Although less common than benefits information, almost half of employees can view their organization's compensation philosophy and general information pertaining to base or incentive pay. Slightly more than one in two organizations provide personal pay stub data. Employers are less apt to include department/unit performance goals, individual performance goals and detailed base or incentive pay information on their Web sites or intranets.

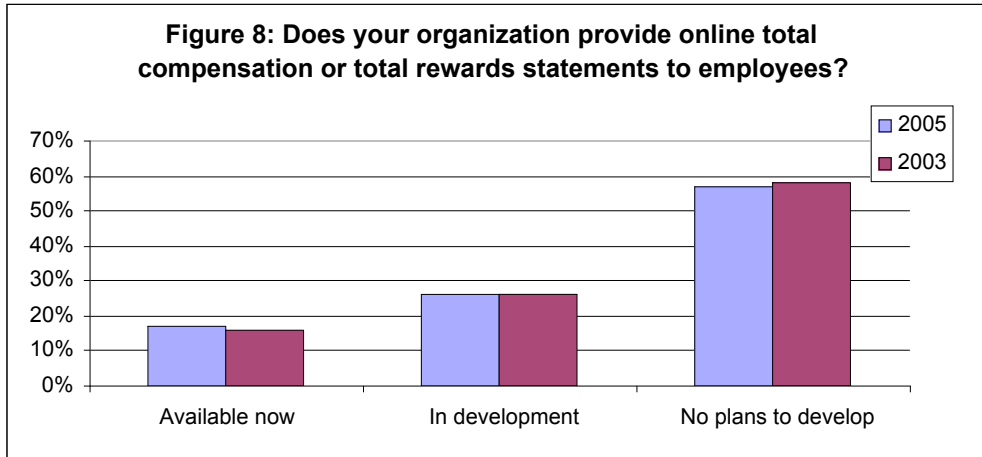
Figure 7: Which of the following is (or will be) available to employees through your organization's Web site or intranet?

	Available Now			In Development			No Plans to Develop		
	2005	2003	2001	2005	2003	2001	2005	2003	2001
General benefits information	88%	81%	24%	6%	10%	38%	6%	9%	39%
Links to health-care provider directories and employee wellness information	86%	*	*	7%	*	*	8%	*	*
Links to benefits vendors	78%	76%	18%	8%	10%	40%	14%	15%	42%
Savings plan provider information	77%	*	*	7%	*	*	17%	*	*
Summary plan descriptions	76%	52%	24%	10%	21%	38%	14%	28%	39%

	Available Now			In Development			No Plans to Develop		
	2005	2003	2001	2005	2003	2001	2005	2003	2001
Retirement planning information, tools or links	72%	69%	*	11%	12%	*	16%	19%	*
Training and e-learning programs	71%	52%	17%	13%	21%	41%	16%	27%	43%
Performance appraisal process tools	63%	*	*	17%	*	*	20%	*	*
Library of resources for employees	62%	*	*	17%	*	*	22%	*	*
Health care enrollment	60%	50%	8%	20%	28%	46%	20%	23%	46%
Savings plan transaction capability	60%	*	*	9%	*	*	31%	*	*
Organization charts	58%	50%	*	16%	12%	*	26%	38%	*
Links to other resources	58%	55%	14%	11%	13%	42%	31%	32%	44%
Personal benefits information	57%	47%	11%	18%	24%	43%	25%	30%	46%
Employee information updates	55%	38%	8%	23%	36%	46%	22%	26%	46%
Employee surveys	55%	*	*	13%	*	*	32%	*	*
Employee orientation information	53%	45%	5%	19%	26%	47%	28%	29%	47%
Organizational performance goals	53%	48%	19%	14%	13%	40%	34%	38%	41%
Employee health and welfare benefits transactions or self-service	52%	41%	8%	24%	33%	46%	24%	26%	46%
Personal pay stub data	51%	31%	*	19%	23%	*	31%	47%	*
General base or incentive pay information	49%	40%	22%	13%	11%	38%	38%	49%	41%
Project work groups and collaboration tools	48%	*	*	12%	*	*	40%	*	*
Compensation philosophy	48%	39%	*	21%	15%	*	31%	45%	*
Electronic "hotline" for employees	45%	*	*	14%	*	*	42%	*	*
"Virtual" meetings	40%	*	*	12%	*	*	48%	*	*
Decision support tools	34%	*	*	18%	*	*	48%	*	*
Department or unit performance goals	31%	27%	*	16%	15%	*	53%	58%	*
Detailed base or incentive pay information	26%	22%	*	15%	9%	*	59%	70%	*
Individual performance goals	24%	13%	*	16%	10%	*	61%	77%	*

Note: * indicates data was not collected in these years.

Similar to the results in 2003, a majority of participants still refrain from posting employees' total compensation or total rewards statements online. Only about 17 percent of our sample organizations currently offer online total rewards statements to employees, although a total of 26 percent are in the process of making them available. In contrast, 57 percent do not currently publish or plan to develop online rewards statements in the future.



For those organizations that currently provide online access to total rewards statements or plan to do so in the future, Figure 8a depicts the common elements that are included. The most common elements appear to be information about base pay (57 percent), health and well-being benefits (56 percent), retirement account match details (55 percent), flexible spending accounts (52 percent) and paid time off (51 percent). Least frequently, online statements include total compensation letters for recruits (4 percent), user specific language options (6 percent), aggregate data analysis (7 percent), and wealth-analysis information (10 percent).

Figure 8a: If available now or in development, does your total rewards program include the following?

	Available Now		In Development	
	2005	2003	2005	2003
Base pay	57%	48%	40%	49%
Health and well-being benefits	56%	53%	41%	46%
Retirement account match	55%	51%	34%	33%
Flexible spending accounts	52%	48%	38%	37%
Paid-time off	51%	47%	39%	45%
Retirement benefits to date	50%	48%	37%	35%
Incentive pay	49%	41%	44%	45%
EAP	48%	45%	27%	33%
Stock options	43%	35%	36%	30%
Retirement benefits projected to retirement	43%	37%	30%	31%
Stock purchase	41%	34%	29%	14%
Work-life offerings	39%	39%	28%	33%
Tuition reimbursement	31%	41%	35%	32%
Retiree benefits	29%	28%	26%	27%

	Available Now		In Development	
	2005	2003	2005	2003
Manager access to total compensation of direct reports	26%	*	29%	*
Employer paid training	25%	27%	21%	22%
Employer paid seminars, conferences	21%	19%	21%	24%
Year-over-year compensation analysis	16%	*	25%	*
Country-specific plan detail (if applicable)	16%	*	18%	*
Total wealth accumulation	15%	*	21%	*
Pre-populated financial planning tools	13%	*	17%	*
Year-over-year wealth analysis	10%	*	17%	*
Aggregate data analysis	7%	*	23%	*
Wealth accumulation data extracts to spreadsheets for financial planning software	6%	*	12%	*
User-specific language options	6%	*	17%	*
Online total compensation letter for recruits	4%	*	23%	*

Note: *Indicates data was not collected in this year.

Figure 6 showed that participants identified top-down communication as a primary function of electronic communications. Since managers must ensure accurate and timely dissemination of a variety of information, we asked participants to identify what responsibilities managers can carry out via electronic means, as shown in Figure 9. Completing performance appraisals, merit pay increases and recruiting were the top-three-reported managerial functions that could be performed electronically. Fewer than half of managers can plan performance, administer paid time off and set up new hires electronically. Even fewer managers are able to administer leave, allocate bonus pay, and administer separations electronically.

Figure 9: Does your organization provide managers with electronic tools for the following actions?

	Available Now	In Development	Not in Development
Performance appraisals	68%	15%	17%
Recruiting	52%	16%	32%
Merit pay increases	51%	19%	30%
Performance planning	46%	18%	36%
Paid time off administration	45%	18%	38%
New hire setup	43%	21%	37%
Bonus pay allocations	38%	17%	45%
Leave administration	36%	20%	44%
Separation administration	28%	13%	53%

Electronic Communications Policies

For the majority of the workforce represented in this survey sample, online access is a common reality as well as a potential distraction. Are employers defining what online conduct is permissible during work-time? Figure 10 illustrates that employer policies heavily discourage unproductive or inappropriate online activity. For example, 95 percent of respondents had policies discouraging access to offensive material. Two thirds of respondents specifically discourage work-time personal e-mail use and 70 percent openly discourage non-work related Web surfing.

Figure 10: What is your organization’s policy on employees using work-time for the following activities?

	Policy discourages work-time usage	Policy allows work-time usage	Policy does not specify	No policy
Transmitting, viewing or storing offensive material	95%	<1%	2%	3%
Employee use of email for personal communications	76%	11%	6%	6%
Employee access to non-company sites for personal use	70%	12%	6%	11%
Employees conducting benefits transactions	4%	29%	22%	45%
Employee research and education	4%	24%	23%	50%

Goal Achievement

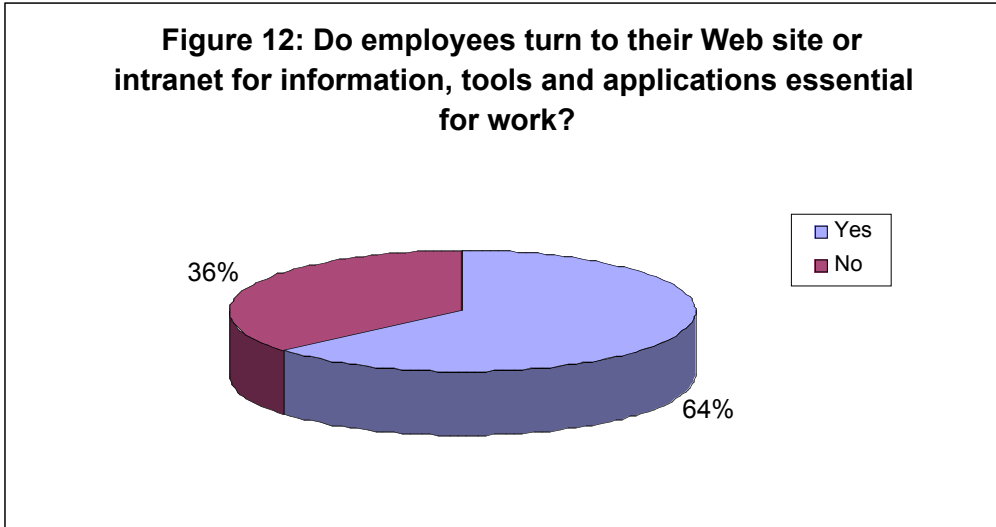
The electronic age has not only facilitated business operations in marketing and sales, but has bolstered internal communications and made flexible work arrangements, like telecommuting, more accessible. While the tangible presence of electronic communication can be felt by counting e-mails in the inbox, or surfing through Web sites on a google search, can the impact on business outcomes be as readily perceived? As with any business decision, cost reduction is a frequent consideration. More than half of participants (55%) report at least some impact on cost reduction. (See Figure 11.)

Although a majority of employers see at least some impact on most business outcomes, a number of respondents see little or no impact or are unsure of the impact. For example, 75 percent of employers report at least some impact in fostering a better understanding of the organization. Seventy-three percent perceive some impact or substantial impact on administrative efficiency, while roughly one quarter of the respondents see little or no impact or are unsure of the impact. Fewer than half see electronic communications as helping them keep up with competitors (44 percent) or improving employee understanding of total compensation (41 percent).

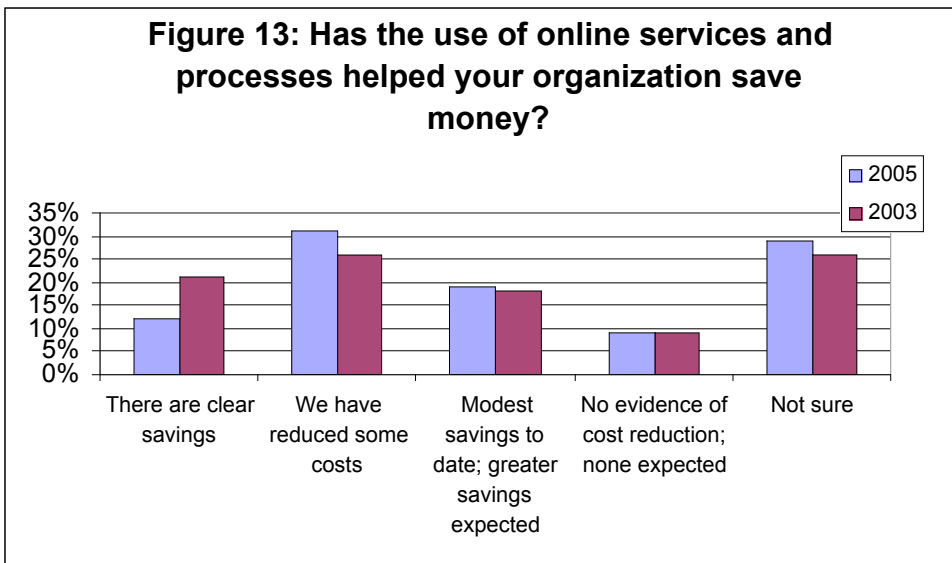
Figure 11: Impact of implementing electronic communication tools on outcomes

	Substantial Impact	Some Impact	Little to No Impact	Not Sure
Create 24/7 employee self-service opportunities	35%	33%	22%	10%
Improve administrative efficiency	32%	41%	18%	8%
Desire to be a progressive organization	22%	45%	21%	12%
Foster better understanding of the organization	20%	55%	15%	10%
Reduce costs	19%	36%	26%	18%
Reduce number of calls to HR/Compensation department	15%	42%	34%	9%
Enhance employee satisfaction	13%	47%	26%	14%
Keep up with competitors	10%	34%	28%	28%
Improve employee understanding of total compensation	9%	32%	42%	16%

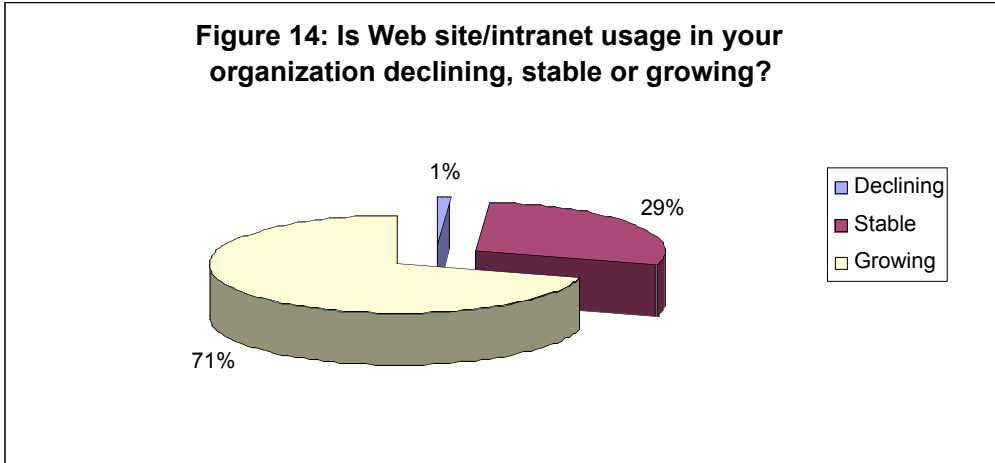
Although the impact on external business outcomes, like competition, may be difficult to measure, employers see a clearer impact on employee access to information. As shown in Figure 12, employers believe a majority of their employees (64 percent) rely on Web sites and intranets for information, tools and applications essential to their work.



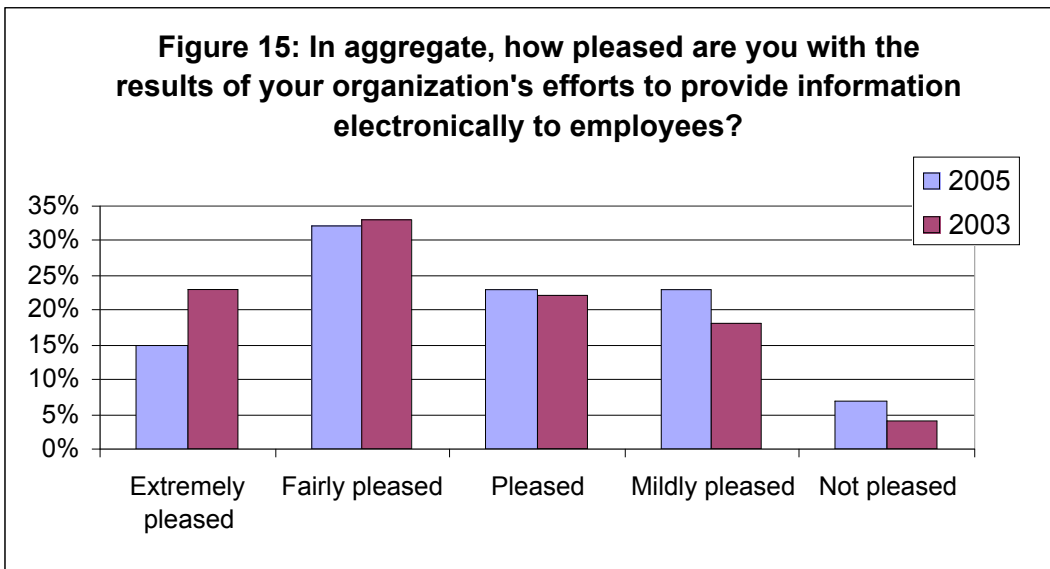
While more than half of employers believe electronic communications have at least some impact on cost reduction, Figure 13 shows that only about 12 percent report a clear savings and 31 percent see a partial cost reduction. In 2003, employers were somewhat more likely to report clear savings (21 percent) and somewhat less likely to report some cost reduction (26 percent). At this time, nearly 30 percent of employers report they are uncertain of whether online services save money, perhaps due to long-term or specific cost savings data being unavailable.



Despite some variation in the ratings of success of electronic communications on outcomes, a strong majority of employers report Web site/intranet use is growing in their organization. (See Figure 14.) Another 29 percent indicate use is stable, while only 1 percent of respondents have witnessed a decline.



Although complications and adverse effects may arise from the implementation and use of electronic communications, a majority of employers state they are pleased to a certain degree with their efforts to provide information electronically — although perhaps not as pleased as they were in 2003. (See Figure 15.) In 2003, 56 percent of organizations reported being at least fairly pleased compared to less than 50 percent in 2005. As the novelty of electronic communications wears off and employers focus on trouble-shooting or system improvements, problems may be more visible than they were in the early stages of implementation.



The electronic communication age holds both promise and risk. Employees can rely on electronic tools to do their jobs better, but they could also use the same tools to detract from productivity. Figure 16 demonstrates that the most frequent negative consequence employers have faced is employees abusing electronic tools for personal use (50 percent). A far smaller percentage of employers reported training difficulties (18 percent) and excessive downtime due to system failure (10 percent) as other negative consequences. About 12 percent of respondents said they faced other challenges including high costs, lack of access for some employees, problems associated with implementation and employee frustration at the lack of “personal touch” in electronic communications. Breaches of confidentiality and privacy violations carry the most volatile legal implications, and fortunately, were reported by the smallest percentage of employers, at 3 percent each.

Figure 16: Have there been any of the following negative consequences from the introduction of electronic communication tools?

Abuse of electronic communications for personal use	50%
Training difficulties	18%
Excessive or inopportune downtime due to systems/tools	10%
Higher than expected maintenance	5%
Breaches of confidentiality	3%
Privacy violations	3%
Other	12%

APPENDIX: Respondent Organization Characteristics

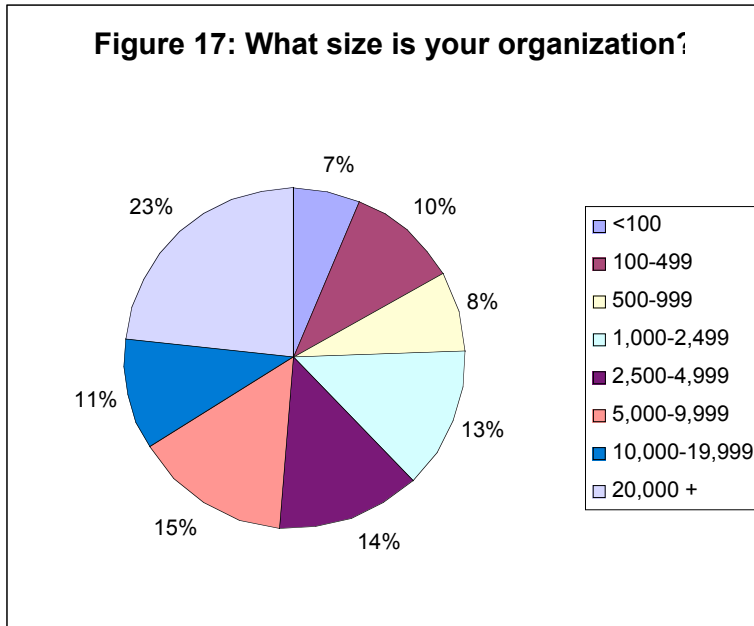


Figure 18: Type of Industry

Finance and insurance	18%
Manufacturing	13%
Professional, scientific and technical services	13%
Other	12%
Health care and social assistance	10%
Utilities	6%
Information	6%
Retail trade	4%
Other services (except public administration)	3%
Educational services	3%
Public administration	3%
Construction	2%
Transportation and warehousing	2%
Accommodation and food services	2%
Wholesale trade	1%
Mining	<1%
Real estate, rental and leasing	<1%
Management of companies and enterprises	<1%
Administrative support, waste and remediation services	<1%
Arts, entertainment, recreation	<1%