

# 6<sup>th</sup> European HR Barometer

## HR leaders' confidence rises for 2011 but tougher people challenges are ahead.

*'This year's Barometer shows well the contribution made by HR to overcome the past crisis and keep on track the people agenda for recovery. Meanwhile, the study shows that the increasing internationalisation of business and the emergence of new corporate and employee expectations requires a more pro-active and efficient HR function.'* - **Jean-Dominique Perret, Executive President European Club for HR and Group Senior Vice President HR for Rexel**

### Results in a nutshell

- New prospects for growth and employment
- Greater focus on key human capital assets
- Better tracking and tackling of employee engagement
- Deploying and leveraging HR IT integration
- Improving assessment and communication on the value of HR programmes
- Substantial HR delivery gaps not yet addressed
- Struggling to anticipate and address emerging issues
- Valued HR-CEO partnership, but HR cooperation networks remain too inward-looking
- Positive perception of EU activities in decline
- Lack of knowledge on key planks of EU policy but desire to know more and to influence the EU agenda

### Growth prospects

The study shows that HR professionals across Europe expect revenues and investment to grow at a much better pace in 2011 than in the last two years with only 2 percent of respondent organisations forecasting a decrease this year. Target increases for the majority of companies remain in the single digit range, but the proportion of those expecting revenue growth above 10 percent has jumped from 13 percent last year to 35 percent in 2011. Similarly, an increase in investment target above 10 percent is now planned by 25 percent of companies against 16 percent in 2010 and only 4 percent in 2009.

The more positive outlook for the year ahead is confirmed by the employment prospects. The proportion of companies foreseeing a reduction of

the workforce is significantly smaller now at 26 percent compared to 44 percent last year and 71 percent in 2009. Meanwhile, the proportion of companies that expect to add new jobs has increased to 28 percent in 2011, up from 20 percent in 2010 and only 8 percent in 2009. 46 percent of companies are expecting to maintain the same level of employment.

The impact of measures taken in 2010 to face the downturn and prepare for recovery has been assessed by almost all respondents and results seem to match target objectives. Only 4 percent of companies said that they missed their targets.

### Most Influential HR policy drivers

The difficulty of having a suitably qualified labour force, or in finding the right talent in the right place, emerges as this year's most influential factor when designing HR policies. "Talent shortage" jumps from fifth to the first position in 2011. Cost sensitivity loses its first place but remains a highly influential factor together with changes in the company culture and organisation. Challenging profit targets, product and process innovation and - more prominently than in previous years - the expansion of operations in new markets, make up the top tier of the list. These internal and external factors are expected to have an impact on HR processes, the way the HR function measures its added value to the business and on new business competencies to be developed by HR.

### Top HR policy priorities

The top three priorities on the HR agenda for the 2011-2013 period have remained stable over the last two years but with an even greater focus on core human capital assets, namely: leadership development (mentioned by 54 percent), employee engagement (50 percent) and talent retention (44 percent). As a 4th priority, the focus will be on implementing an integrated HR IT system throughout organisations. The reduction of labour costs remains among the top 10 priorities but is scaled down to the 9th position (8th in 2010).

### HR performance

When judging its own performance against business expectations, HR delivery has matched corporate targets more frequently than in previous years. Nevertheless, in 15 HR-specific activities the majority of respondents admit to performing below expectations. The most frequently mentioned areas of excellence continue to be those related to statutory compliance issues, such as health and safety at work, employee data-privacy, industrial relations and non-discrimination. The weakest fields where HR is looking for improvement are in relation to mapping and management of competencies, management of inter-generational diversity of the work force, and anticipation of employee expectations. In these areas none of the respondent organisations seem expect to deliver beyond targets. The widest gap between best performers and worst performers is in relation to work-life balance programmes (83 percent delivering below target) and in diversity of work force and management (75 percent delivering below target).

### HR-CEO co-operation

The CEO maintains the top position for the best level of cooperation established by HR leaders. The quality and level of cooperation with the lines of business and other key corporate functions such as Finance is also considered positively. The weakest level (or total absence) of cooperation in place remains with the function responsible for investor relations: 25 percent of respondents consider this relation as poor, while another 39 percent has no relationship at all. Cooperation with business schools and professional associations is also quite poorly rated by 37 percent of respondents. The quality of the level of cooperation with top business executives is reflected in the high perception of HR activities by the CEO. 83 percent of respondents think that their CEO has a high or very high perception of what HR does. This high level of appreciation is less widespread when asked about the perception that employees have of HR (only 43 percent of respondents indicate a high or very high rate).

### Expected changes

A majority of respondents expect significant changes in HR capabilities and competencies within the next three years particularly in relation to functional expertise on leadership and talent development (60 percent), change management (57 percent), and strategic advice to management (52 percent). By contrast, only 19 percent of respondents expect changes in risk management. This is an area that seems considerably under-estimated by HR leaders.

Companies would benefit from much greater attention than is currently the case given the broad spectrum of people-related risks that may undermine corporate reputation, performance and safety.

### HR satisfaction and engagement

The level of satisfaction of HR leaders with their role and employer remains high with seven out of 10 declaring that they like both and are not ready to make a change. However the proportion of those ready to change job and move away from HR has increased from 8 percent last year to 22 percent this year. The proportion of those aiming to change company has also increased from 13 percent last year to 29 percent this year.

### HR and the European Union

For the first time, HR executives who expressed a generally positive perception of the impact of the EU are no longer in the majority although they do remain twice as many as those with a negative opinion. The results also confirm the widening communication gap between business and EU policy makers on one of the most important EU policy initiatives under-development – those which aim to remove cross-border barriers and bottlenecks in the EU-wide Single Market.

#### About the Research

The 6<sup>th</sup> European HR Barometer survey was carried out by Aon Hewitt on behalf of the European Club for HR between December 2010 and January 2011. In this edition, fifty-two organisations completed the online survey. They operate in a wide range of sectors, generating together 400 billion euro of revenues and with a combined total of 2.2 million employees. 76 percent of participating organisations are listed companies. The majority of the companies' workforces are based in Europe. Survey respondents encompass 13 different nationalities. 52 percent are executives and directors with exclusive responsibility for HR at European or global level. 40 percent of respondents report directly to their CEO and 25 percent to another member of the Board.

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