

# Pulse Survey Report: Reconnecting people to your business

## Flash survey – key findings The Netherlands

### Introduction

Watson Wyatt's September 2009 Pay Pulse survey into reward, talent and engagement trends was completed by over 700 organisations across EMEA, making it one of the most comprehensive reports into how organisations have managed during the recent recession. This report highlights the results for the Netherlands, covering 25 international operating companies from sectors including FMCG, manufacturing, finance, ICT and media.

**Key findings:** Half of all organisations believe results will improve by the end of 2009 although the other half believes results will not pick up until the middle of 2010 or beyond. This is in line with the EMEA findings (see figure 1). It is obvious that the German economy is picking up: 61% of German companies think that the recession will end this year which is good news for the Dutch economy which is closely related to the German's.

Dutch companies state that they have taken compensation measures over the last six months such as: hiring freeze, reduction temps and lay offs and do not expect that any of these measures will be needed in the near future.

### Pay

It seems that the Netherlands is in much calmer water than its surrounding countries. During the last six months 32% of companies introduced a salary freeze (the lowest percentage in Western Europe) but salary reductions

have not been widely applied as in the rest of Western Europe. The survey shows that the salary increase budget for 2009 at median level was 3%, a drop from only 0.5% from the 2008 forecast. Looking at various employee groups we see that executives and top managers are taking the greatest reductions in salary increase (see figure 2). The actual bonus payments in the Netherlands are still high: varying from respectively 20-25% for executives and top management, to 8-10% for middle management and professionals.

It would seem that annual incentives have not been adjusted to the alignment of the company performance in the Netherlands compared to Western Europe.



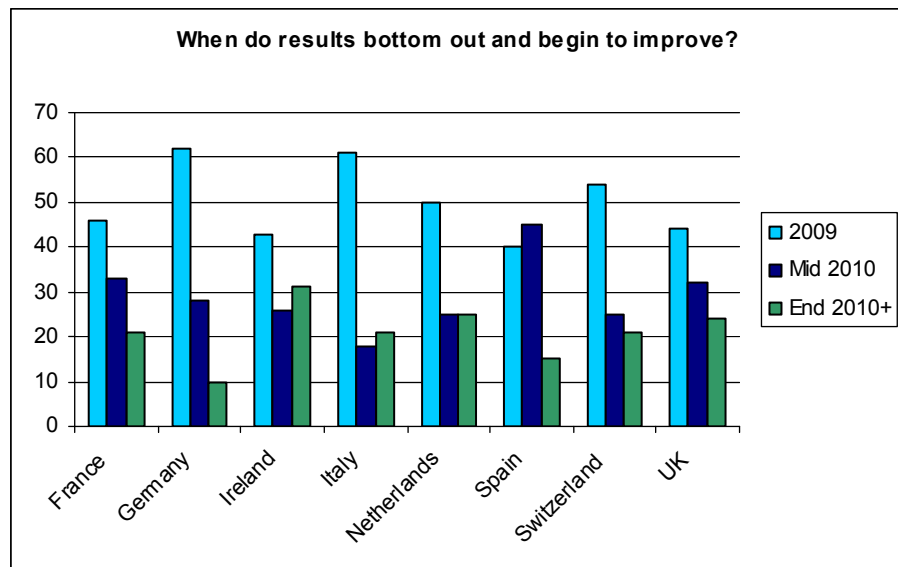


Figure 1

## Organization restructuring

The survey illustrates that the economic downturn started relatively later in the Netherlands, as 35% have made changes recently, but 58% intends to make organizational structure changes within the next six months.

While other countries have made small or minor changes in the way jobs are redefined, 50% of the Dutch have made no changes at all and 42% won't make any changes for the next half year. However, 38% say that they will make these changes within the next six months with regard to role accountability, skills and competencies.

The most dominant practices for organisation restructuring in the Netherlands of the past six months have been: hiring freeze (80%), reduction in temporary employees (64%) and layoffs in permanent employees (52%). The hiring freeze is less popular in other countries with a max of 64%. For 2010 the hiring freeze is still the highest in the Netherlands (56%). Most companies in the Netherlands see little in restructuring the HR function. Only 4% have stated that still will be undertaken, which is the lowest in Europe. 44% says layoffs in permanent employees will still be an issue for the next six months (this is one of the highest in Europe along with France and Ireland) while in Germany the outlooks are much more positive (15%).

The figures above show that companies within the Netherlands have been affected rather late by the crisis and as a result of this companies expect some measures will have to be taken for the upcoming months.

The reason that Dutch companies made such few changes to job definitions could be the result of the Dutch "poldermodel", where it is difficult for companies to make swift changes as many parties are involved in the change process. Change tends to be implemented when it is necessary – however, unless the case is well made, extensively discussed and openly agreed upon limited action tends to be taken.

## Reward and talent systems and processes

The Dutch have the highest percentage of companies that have not renewed their reward strategy during the past six months (61%), which is substantially higher than other countries. However, 48% says there will be some changes within the next half year which is rather high compared to the UK (11%), Italy (15%) and Ireland (18%) where most changes have already been taken. This is another indication of the delayed impact of the crisis on the Netherlands.

With regard to the talent management strategy little has changed. 52% says no changes have been made and although the economy is still uncertain 22% says limited or some changes are to be expected for the coming six months. This is a recurring picture in Western Europe.

Training and development creates a mixed picture for the Netherlands. Even though 60% of the participants say that they have reduced their training budget, 40% states to have increased this. In Europe with the exception of Ireland, all countries will increase their training & development budget for the next six months.

Companies should not underestimate the importance of aligning human capital decisions with business strategies, the operating environment and organisation's culture. The road to recovery will involve the right balance between cost control and maintaining employee engagement whilst preparing for future staffing challenges. It is important that organizations balance short-term reality and long-term opportunity.

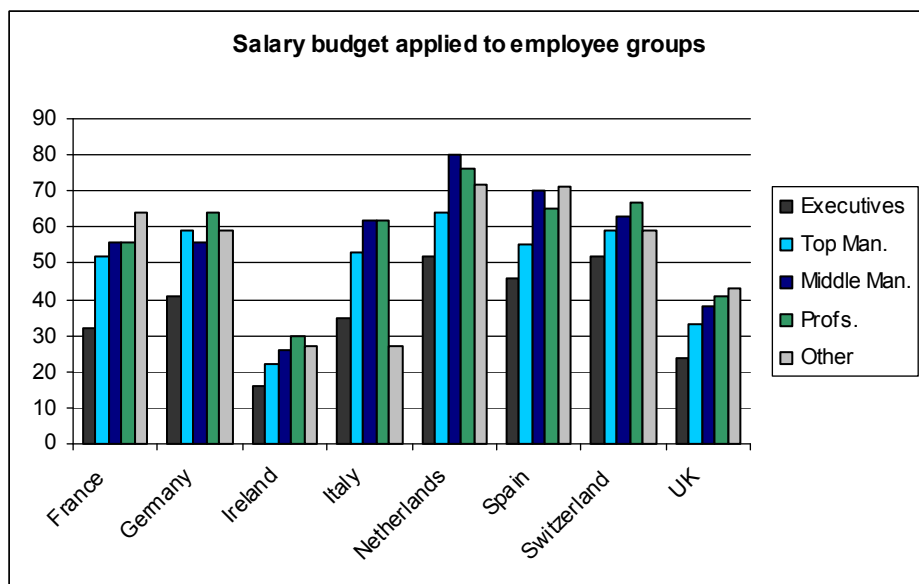


Figure 2

## Employee Value Proposition (EVP) and engagement

Every organization has an EVP, the question is whether they are proactively communicating and managing this. This is reflected in the results showing that 48% responded as not having an EVP for the past 6 months, while 42% state that they will not have an EVP for the coming six months.

Employers can shape the organisation's EVP through talent and reward programme design that is aligned with both their culture and current/future employee expectations. Following on from this 39% stated they they coped well during the previous six months while 50% expect that the EVP will cope positively for the coming six months.

Companies should be asking themselves whether the employment deal is still good enough for their key talent when the market starts to pick up and more opportunities arise.

Two measures that companies have taken to engage their employees stood out: increased communication on both business results (64%) and changes in the business (56%). The remainder of the options chosen was diverse, as in the rest of Europe. The emphasis will be on these two issues for the coming six months as well as more frequent feedback on performance.

Continue to communicate clearly and reinforce the goal-related messages with frequent and straight forward communication particularly in difficult times. Effective performance management creates engageable moments for managers and supervisors to reinforce the employees' understanding of how their performance links to their rewards while creating value for the company.

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