



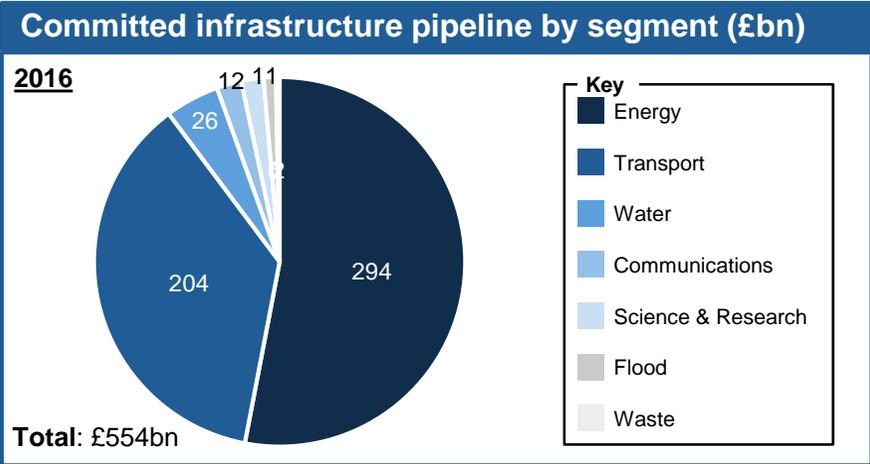
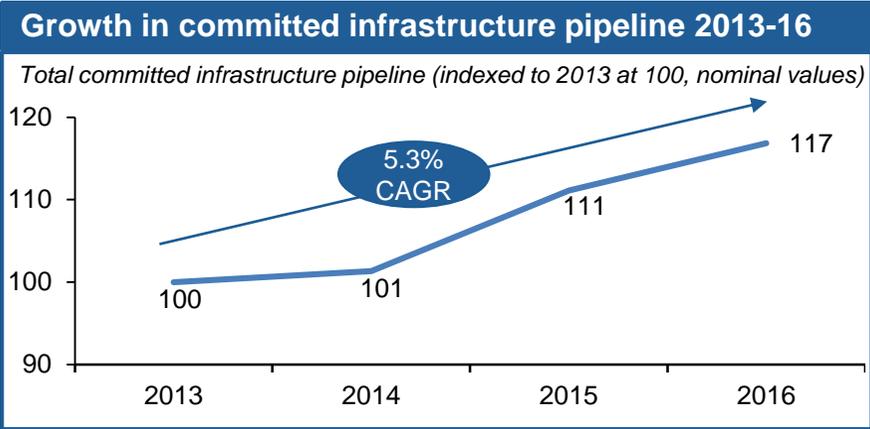
Credo TrueChoice: Winning the War for Talent

Real-time preference analytics
solutions for employee insight and
cost optimisation

March 2017



The UK is going through an infrastructure boom, with an increased focus on public investment to drive growth and employment



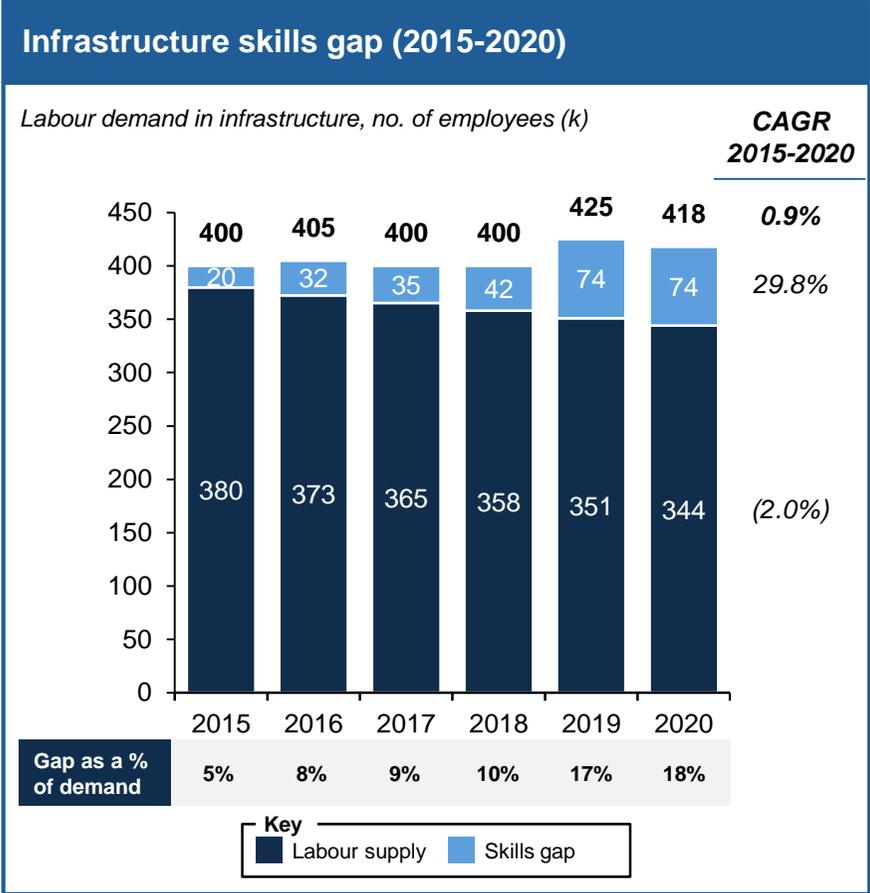
- The total UK infrastructure pipeline, set out by the National Infrastructure Plan, has grown significantly from £474bn in 2013 to £554bn in 2016
 - This was largely driven by a material increase in expenditure in the Energy and Transport sectors, which make up 90% of the infrastructure pipeline
- Additionally, there has been a £40bn increase in forecast spend in the construction sector since March 2016, with a £12bn increase in Housing projects
- This is largely driven by a change in Fiscal Policy, with the new government looking to drive economic growth through increased public spending
 - Philip Hammond announced an additional £23bn infrastructure investment programme in the 2016 Autumn Statement
 - “Investing in our economic infrastructure can transform the growth potential of our economy.”*
Philip Hammond, Chancellor of the Exchequer (2016)
 - The previous government was more focussed on balancing the books and curbing national debt
 - “We must bring our national debt substantially down. Britain needs to run an absolute surplus in good years.”*
George Osborne, Chancellor of the Exchequer (2014)



Infrastructure and construction expenditure is set to continue to increase over coming years, with a material increase in public investment under the new government

This infrastructure boom is contributing to a significant skills shortage, which is expected to worsen as the labour pool shrinks

- Over recent years a gap has emerged between the supply and demand of skilled labour in the market. Whilst common across a number of areas, the infrastructure and construction sectors are particularly impacted
 - The infrastructure skills gap is currently forecast to grow at 30% p.a. from 5% of total demand in 2015 to 18% in 2020
- The growth in the committed infrastructure projects is increasing the demand for labour by an average of 1% per year between 2016 and 2020
- At the same time, labour supply within the infrastructure sectors is expected to fall at 2% p.a. due to various factors
 - “We are in the grip of our worst construction skills crisis in almost 20 years.”*
Amanda Clack, Royal Institution of Chartered Surveyors President
- At a macroeconomic level, uncertainty around Brexit and its potential impact on net migration continues to effect the labour market
 - “The prospect of EU workers leaving the UK at a time when employers are already facing severe skills shortages is particularly concerning because it’s a risk we cannot afford. We need EU workers in many sectors across the economy, including construction.”*
Keith Green, CEO of Recruitment & Employment Confederation



The skills gap within the infrastructure sector is projected to widen to c.18% of total demand by 2020

There are a number of factors shrinking the labour pool, and thus worsening this skills gap

1 Aging workforce

- A large proportion of the workforce is approaching retirement age
- Retiring employees are often highly specialised individuals with valuable expertise and skills

2 Fewer new entrants

- Attracting young people into industry is a key challenge which industry and Government has struggled with over recent years
- The number of apprenticeships available has declined in recent years

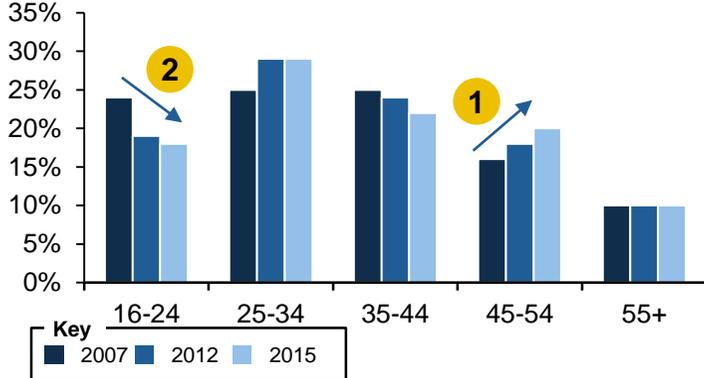
3 Employees leaving the sector

- The construction industry is acutely affected by the 2009/10 recession with significant job loss
- The cyclical nature of construction makes it difficult to get those staff to return into the sector as they may have found more secure jobs in other sectors

4 Uncertainty in migrant labour

- Industry is dependent on foreign talent, as it has enabled the industry to plug the skills gap
- Brexit continues to cause uncertainty in the labour market about the supply of future migrants into the industry
- Higher pay overseas encourages skilled workers to emigrate

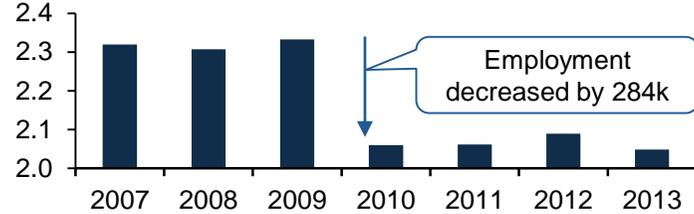
Proportion of workers by age



“The aging population is negatively affecting the construction industry and the biggest reduction is in the total workers occurs in the under 30.”

Chartered Institute of Building

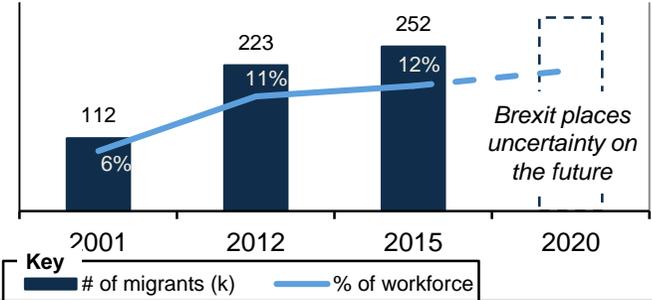
Number of construction workers (m)



“Workers left the industry after the recession. The pipeline of talent has dried up.”

Carillion

Number of migrant construction workers

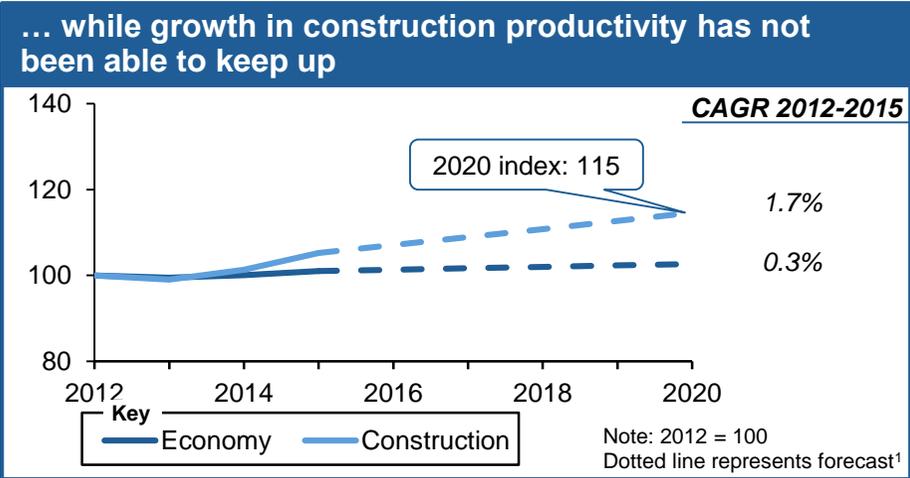
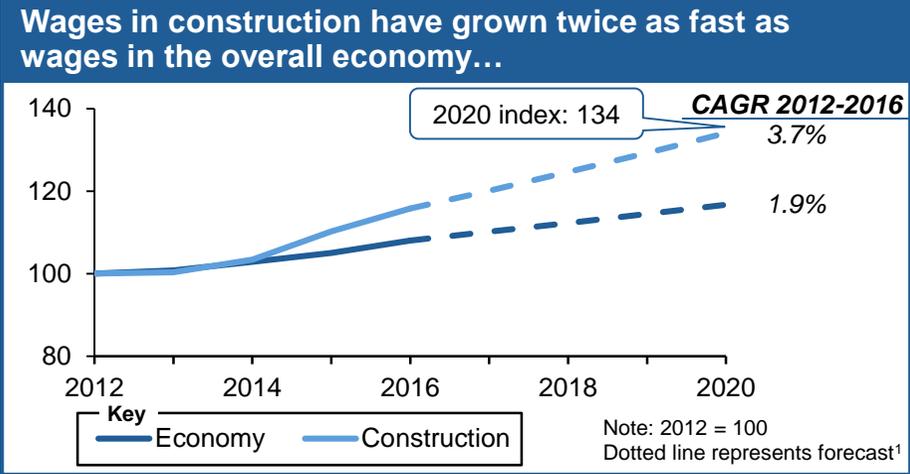


“Migration within the labour force facilitates rapid growth, and enhances the talent pool making the UK more effective in construction-related services.”

Chartered Institute of Building, 2015

Source: CITB Mobility in the UK Construction Sector Report 2015; CIOB Impact of the Ageing Population in Construction 2015; UKCES Sector Skills Insights: Construction Jul 2012; ONS; Credo research and analysis

As a result of this skills shortage, companies are facing increasing cost pressures as wages are increasing at double the UK average



- Wages in the construction industry have been rising significantly faster than the overall economy, reflecting the industry's shortage for skills
 - Average construction wage growth of 3.7% p.a. from 2012 to 2016 was nearly double the UK average of 1.9% p.a. in the same period
 - In relative terms, the average weekly earnings of workers in the UK construction industry was c. 24% more than the average UK worker in 2016, up from c. 16% in 2012
 - “Jobseekers often have the pick of two or three jobs, they get snapped up quickly by employers and they often receive a counter offer from their current employer, pushing salaries up even further.”*

Andrew Bredin, Managing Director of Hays UK

- Although productivity in the construction sector has increased, it is only growing at less than half that of wages
 - By 2020 wages would have increased by 34% (since 2012) whilst productivity only by 15% in the same period
- While wages have been used to make construction jobs more attractive to workers, companies cannot afford to continue adjusting wages only
 - Industry profitability has fallen from 10% in 2009 to 2.5% in 2016
 - Companies are unable to rely on productivity growth to overcome increasing cost pressures due to the labour-intensive type of work



Industry pressures are increasing the need to augment existing methods of retaining and attracting employees

The government has recognised this skills shortage and has developed a long-term plan to address it know as The National Infrastructure Plan for Skills

The National Infrastructure Plan for Skills

Action	Description
New leadership	<ul style="list-style-type: none">• Increase focus on developing a strategy to address the skills shortage
Better visibility	<ul style="list-style-type: none">• Provide suppliers with greater clarity around resource requirements and project timelines
Apprenticeships	<ul style="list-style-type: none">• Incentivise employers to provide more apprenticeships. The government has set the following targets for 2020<ul style="list-style-type: none">– 30k in the road and rail industry– 3m across the entire economy
Workforce mobility	<ul style="list-style-type: none">• Increase emphasis on up-skilling and retraining the existing workforce to encourage mobility between adjacent sectors
Education	<ul style="list-style-type: none">• Increase focus on STEM subjects in schools and provide easier pathways to industry in further and higher education



This long term industrial strategy will not deliver immediate effects. Large employers need to take action now to address this skills shortage

Employers also have a number of tools available, but these differ significantly upon whether the focus is upon retaining, attracting, or developing talent

- Most firms recognise that increasing base salary alone is not enough to differentiate
 - There is a range of other tools available to employers to help differentiate
 - The effectiveness of these tools will vary on whether the focus is upon retaining, attracting or developing talent
- Despite this, few firms recognise the value of varying the reward mix by employee group. Doing so could lead to significant personalised employee benefits at minimal cost
 - In a recent survey, almost half of companies wanted to improve their ability to retain or attract talent
 - However, only 6% stated that segmenting rewards by employee groups was a priority and only 8% were prioritising introducing more choice

Example drivers for maintaining sufficient workforce supply

	Retain	Attract	Engage/Develop
Key drivers	<ul style="list-style-type: none"> • Senior leadership decisions • Necessary tools/resources • Competitive healthcare benefits • Reliable workgroup • Career development • Recognition programmes • Manager effectiveness • Support and coaching of staff • People-oriented culture • Stress management • Wellness programmes • Financial planning/education 	<ul style="list-style-type: none"> • Competitive base pay • Competitive health care benefits • Competitive retirement benefits • Financial stability of company • Long term financial incentives • Flexible work schedule • Competitive vacation/time off/volunteerism benefits • Reputation • Challenging work • Company culture 	<ul style="list-style-type: none"> • Clear career path • Training and learning • Management involvement • Necessary tools/resources • Career development • Teamwork • Motivational managers • Appropriate decision-making authority • Healthcare benefits • Advancement opportunities
Methods of acquisition	<ul style="list-style-type: none"> • Dissuade employees to leave for competitors or adjacent sectors • Delay retirement through flexible working or phased retirements 	<ul style="list-style-type: none"> • Poach from competition • Repatriate workers who have moved abroad • Focus on talent from adjacent sectors 	<ul style="list-style-type: none"> • Reach out to young people through schools and apprenticeship programmes • Increase diversity • Recruit internationally

Companies need to be strategic about what benefits and features they market to which groups

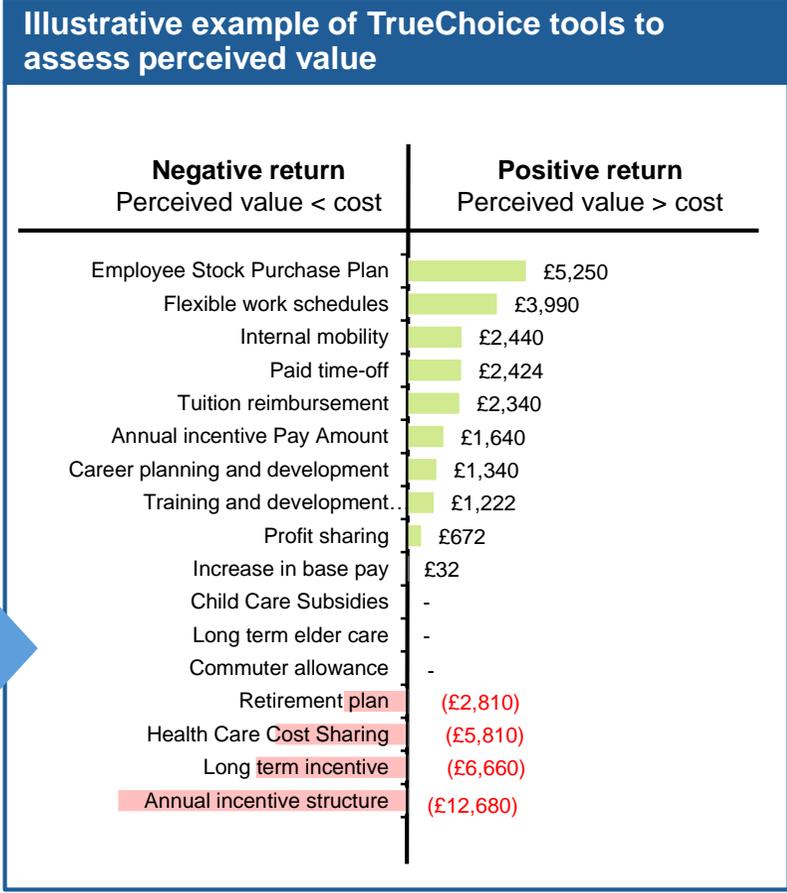
Employers need to understand what drives their employees to stay, move to competitors or retire and how employees value their different employee benefits

Employee preferences are evolving...

- Employees are becoming increasingly heterogeneous in their preferences
 - i.e. some value compensation and others prioritise work/life balance
- Consistent with broader shifts towards a digital society, expectations are high and employees expect personalisation and near-instant gratification
- Preferences are becoming increasingly dynamic and change as a function of external factors (e.g. company stock price, competitive offers, economic factors, personal situation, etc.)
 - Accordingly, employers need a real-time finger on the pulse of their employee population

...and employer value propositions are becoming more complex

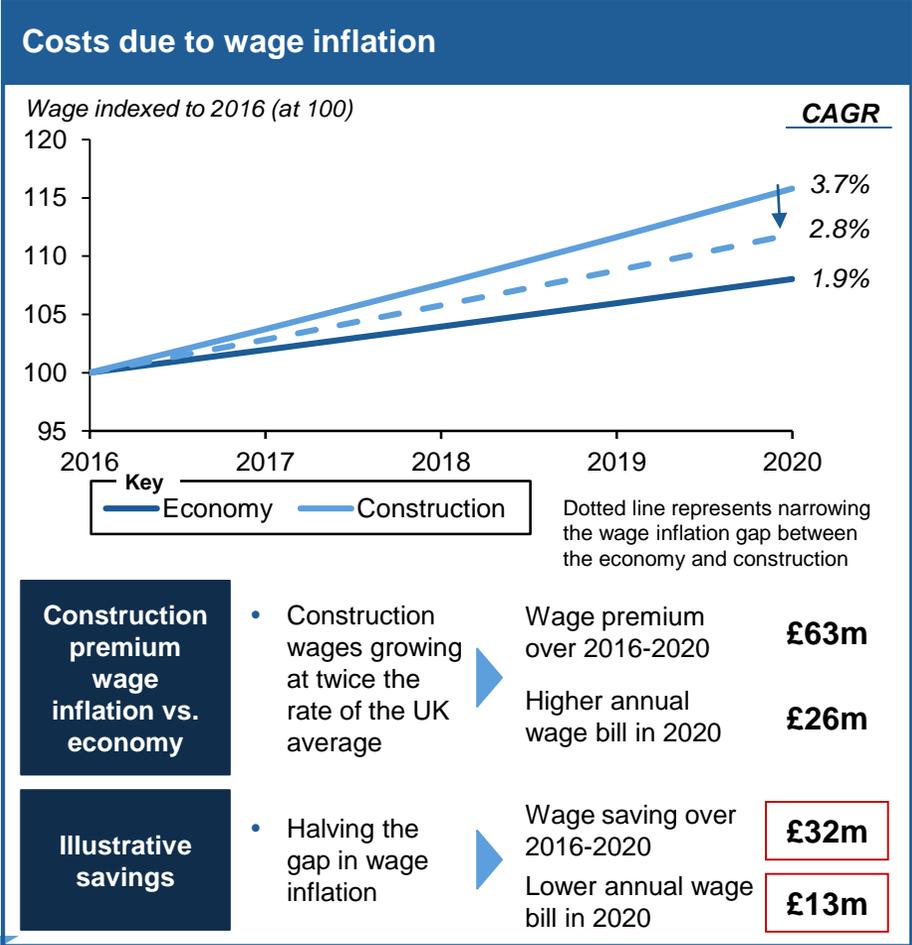
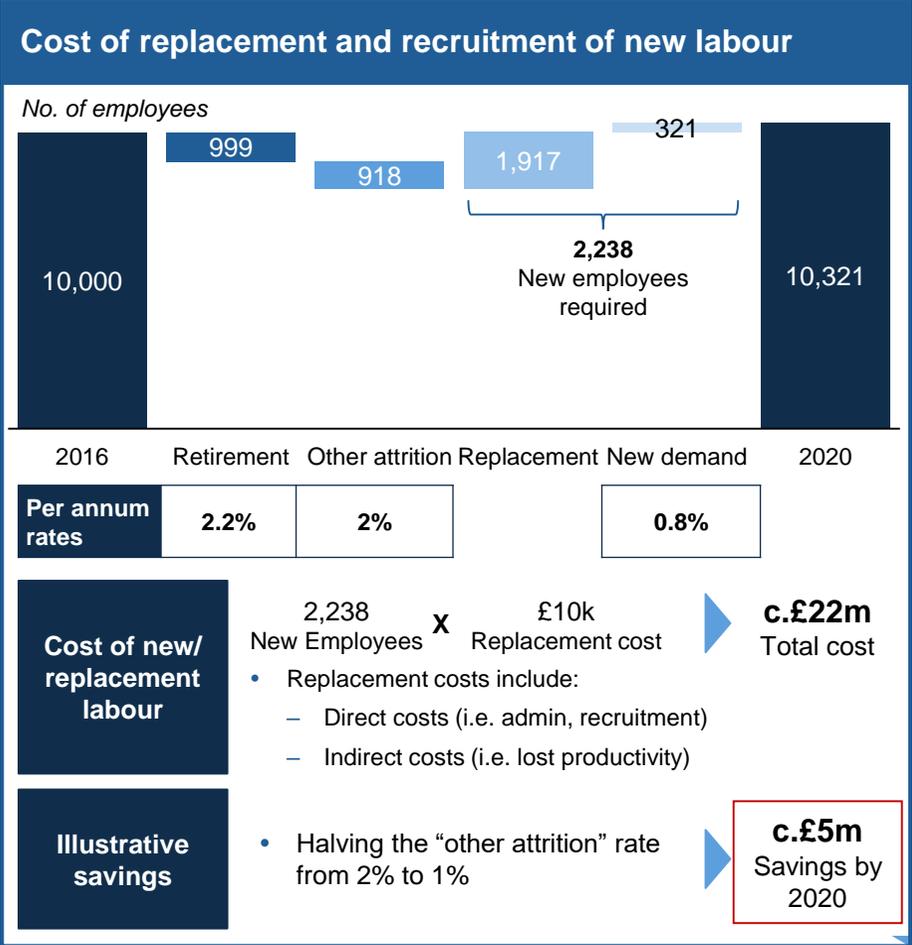
- Typical levers such as pay increases are still being used, particularly in industries with acute shortages (i.e. construction)
- However, in order to avoid wide-scale wage inflation and to most effectively target employees, the key is to better align offers with individual preferences
 - As a result, companies will see increased satisfaction, engagement, and retention, while optimising costs
- Comparing the cost to deliver each employee benefit with its perceived value to the employee allows for an assessment of the efficient use of resources, see right for example



Key to effective talent management is better alignment of employee preferences with employer value propositions (without which little can be offered aside from pay increases)

This better understanding of employees' perceived value in benefits, can reduce attrition and slow down wage inflation, leading to significant financial benefits

Illustrative potential cost savings for an infrastructure company with 10k employees



Restricting wage growth to half the construction average while actively managing attrition can add 20% to a company's profitability

Credo has been retained by some of the major infrastructure players and industry bodies to investigate the current challenges being faced

Credo Case Study - Assessing the capacity of Highways England's supply chain



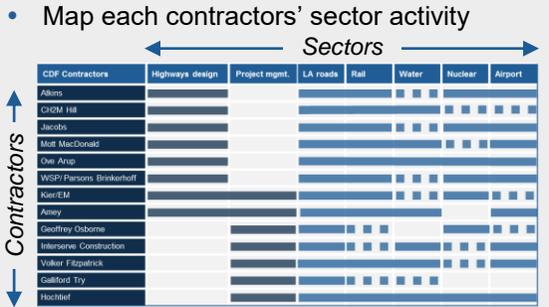
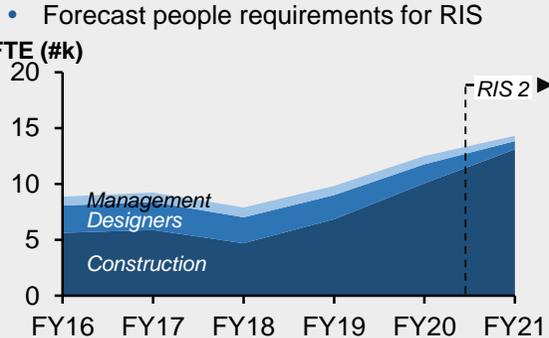
Objective and methodology

- Highways England (HE) faced a challenge in delivering a material increase in new roads projects as part of the Road Investment Strategy (RIS) (2015/16 – 2019/20)
- The organisation oversees a complex, 3-tiered supply chain, and wanted to understand the key capacity constraints
- Credo adopted an iterative 3-pronged approach to inform and refine our assessment of these constraints:



- An extensive fieldwork campaign, interviewing 40+ key suppliers across the supply chain
- Quantitative analysis based on case studies to model the demand for labour, plant and raw materials
- Assessment of demand from adjacent industries during the same time period

Examples of analysis conducted



Conclusions

- Supply chain capacity assessment
 - People present the strongest capacity constraint
 - Industry needs to do more to address availability of skilled resource and industry attractiveness for new entrants
- HE's engagement with supply chain
 - HE should develop a more detailed forward visibility of demand to share with suppliers
- HE and ORR's monitoring of progress
 - A concise set of measures are to be developed to monitor process of RIS 1, adjacent infrastructure sectors and future risks

Credo understands the infrastructure supply chain and has extensive experience in helping clients to identify key constraints and how to address these

We have formed a strategic partnership with TrueChoice, a market leading insight tool, to help companies understand what this workforce wants

TrueChoice overview

- TrueChoice is a leading New York-based analytics company that is employed by many FORTUNE Global 1000 clients
- The company is highly specialised in preference measurement - quantifying *what* employees value and identifying perceived value and value gaps
- These insights allow clients to adjust to an increasingly digitised recruitment pathway by providing a tailor-made value proposition for job candidates and existing employees
- The technology behind TrueChoice is powered by over 460 patented algorithms and is delivered as a bespoke Software-as-a-Service (SaaS)
 - This means that the platform is fully customised to client requirements

TrueChoice Case Study

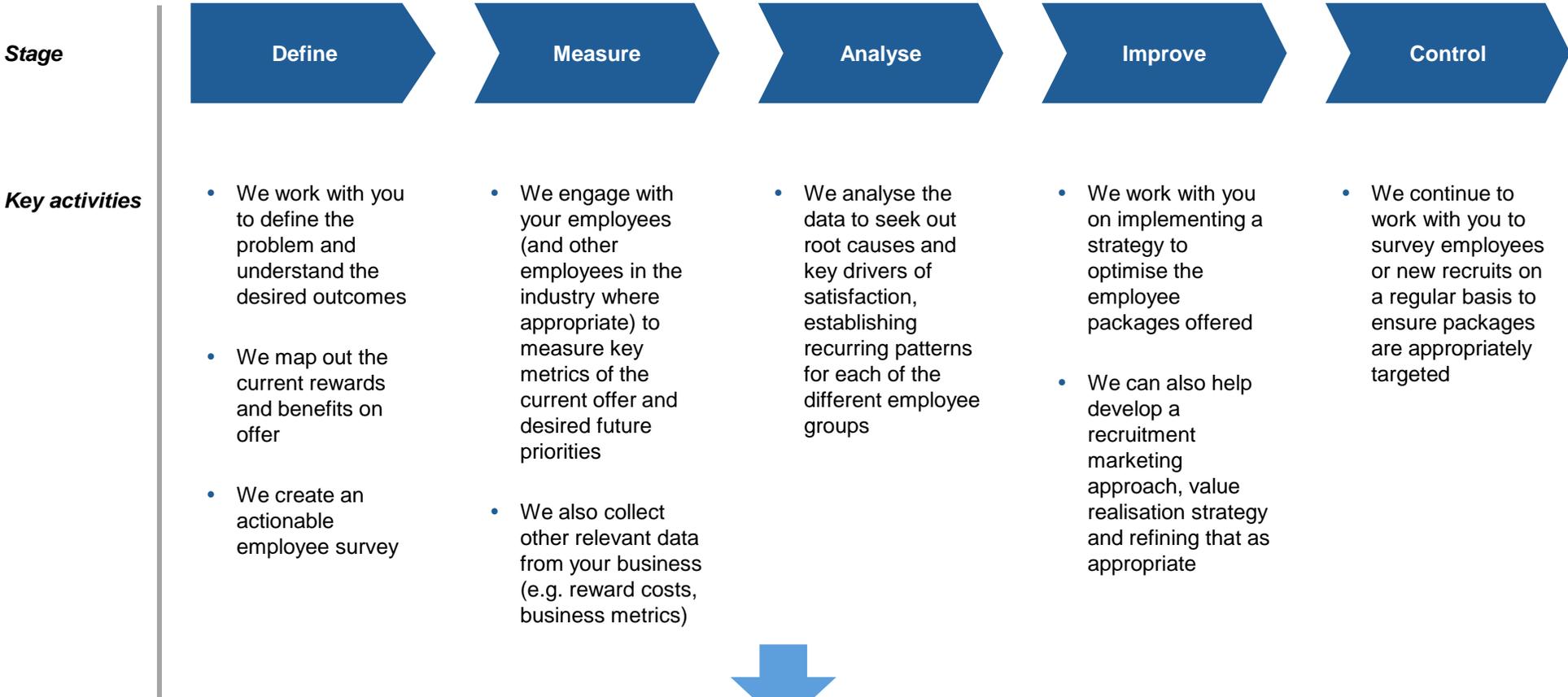
Talent optimisation for a major utilities company

- As part of a cost savings programme, a large US utilities company wanted to review its benefits and rewards scheme
 - A key concern was to retain IT and sales talent
- TrueChoice was hired to identify areas where savings could be made while continuing to offer benefits that employees valued
- It did this by implementing an engaging online feedback portal designed to analyse and quantify employees' preferences and value drivers
 - The tool also provided employees with personalised information regarding their existing benefits package

- Recommendations led to a saving of \$800 - \$2,000 per employee
- At the same time, the company maintained employee retention, engagement and satisfaction

TrueChoice provides a market-leading analytics tool that quantifies the relative value of preferences and allows clients to identify key drivers of employee satisfaction and engagement

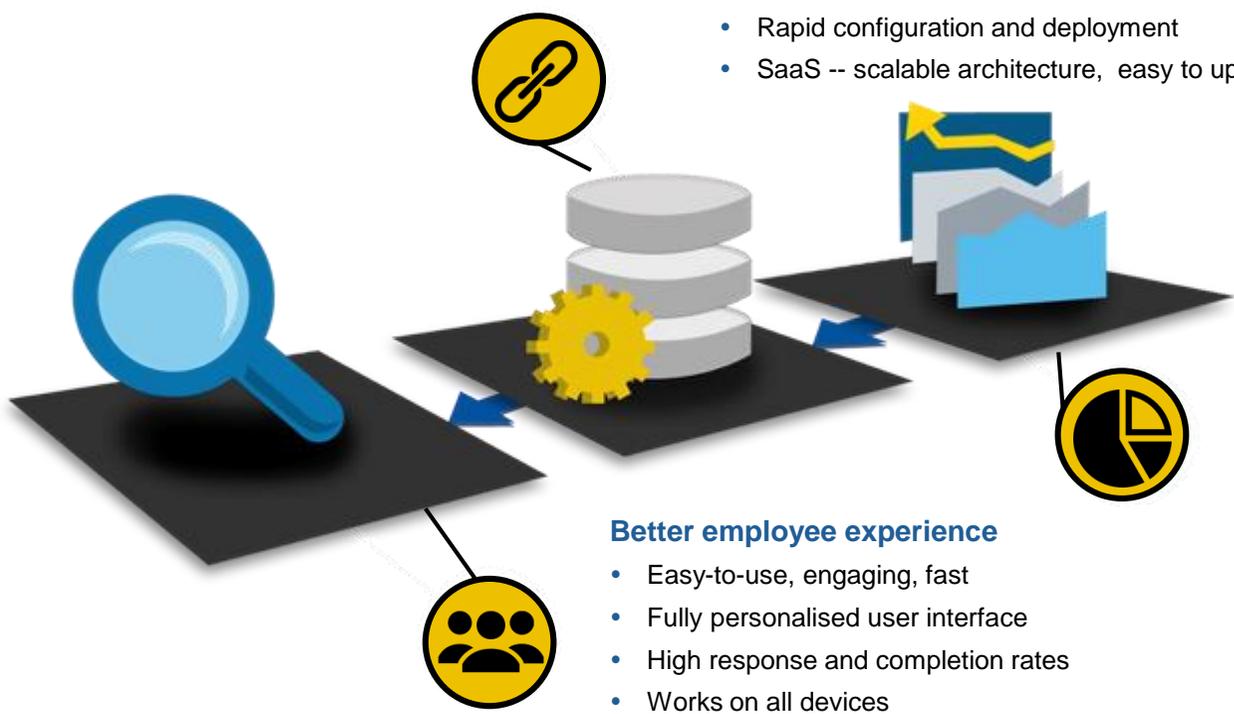
Using insight gained from the TrueChoice analytics, we can help you shape a differentiating recruitment and marketing strategy which will give you a first mover advantage in winning the war for talent



Working with Credo TrueChoice analytics solutions will allow for collection and collation of valuable employee insight and development of actionable strategies to tackle the skills shortage challenges

TrueChoice's patented real-time preference analytics tool is a best practice for employee insights, engagement management and cost optimisation

Benefits of Credo's TrueChoice analytics tool



Better technology, better process

- Integrated interface, analytics and data transfer
- Powered by 460+ patented econometrics algorithms
- Rapid configuration and deployment
- SaaS -- scalable architecture, easy to update and maintain

Better employee experience

- Easy-to-use, engaging, fast
- Fully personalised user interface
- High response and completion rates
- Works on all devices
- Real-time feedback and education

Better insights to optimise cost and value

- Rich insights via 100s of actionable metrics
- A "live" decision platform, not just a PPT
- Continuous and real-time
- True capability transfer
- Measurable ROI

The Credo TrueChoice analytics solution dashboard creates forced trade-offs between different aspects of a total reward offering to understand employee value perception

Preference analysis



Perceived value analysis



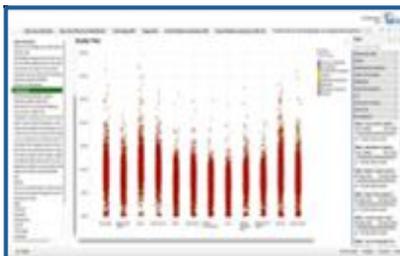
Value gap analysis



Competitive analysis



Attitudinal analysis



Expectation gap analysis



Heterogeneity analysis



Preference/needs-based segmentation



Data collection performance



Satisfaction analysis



Interactive scenario modeling



Impact / size-of-the-prize prediction

