PAID TO PERFORM

Performance-based remuneration is gathering momentum across the globe, with the highest incidence of performance-linked pay in the fast-growing economies of the APAC region, while developed nations such as Denmark and Sweden have the lowest percentages.

Interestingly, almost half of all workers worldwide agree they would perform better if their pay was linked to their performance and productivity, however, less than half are rewarded this way.

Performance-based pay includes any arrangement where an element of the total remuneration package is tied to meeting performance targets and may include profit sharing, performance bonuses and sales commissions.
The 2013 Kelly Global Workforce Index (KGWI) brings together work and workplace insights sourced from more than 120,000 respondents from 31 countries across the Americas, EMEA and APAC regions. It takes the form of an annual survey that canvasses a wide spectrum of opinions on issues impacting the contemporary workplace, with a particular focus on the perspectives from different generations, industries, occupations and skill sets.

Topics covered in the 2013 KGWI survey include:
- Career Development and Upskilling
- Workplace Performance
- Employee Engagement and Retention
- Social Media and Technology

This second installment, on the topic of Workplace Performance explores the way that performance-based remuneration is gathering pace, and being embraced by unexpected groups in the workforce.

The findings suggest that employees are now more willing to accept some element of “risk” in their salary in return for the opportunity to meet benchmarks that will trigger performance bonuses.

The survey also provides some insights into what employees really think about the fairness of their compensation, with a particular focus on different generational and global markets.

The subject of telecommuting is featured, with latest data on the scale of this work practice and the factors that are both encouraging and preventing it across the globe.

Finally, the report takes a glimpse at the phenomenon of crowdsourcing, whereby businesses are using the internet to tap into a worldwide source of suppliers for a diverse range of services.

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PAYING TO PERFORM

The adoption of performance-based remuneration has gradually gathered momentum in various parts of the globe since these surveys first looked at the issue in Europe in 2005, where some 20% of respondents were on performance pay.

Currently, 39% of those in EMEA region have some of their remuneration tied to performance benchmarks, and the average across the globe is 44%.

Performance-based pay includes any arrangement where an element of the total remuneration package is tied to meeting performance targets and may include, profit sharing, performance bonuses and sales commissions.
The highest incidence of performance pay is in the fast-growing economies of the APAC region, with 59% of respondents on some form of incentive payments, compared with 39% in EMEA and 36% in the Americas.

Is any of your pay/compensation variable, such that a portion is dependent upon your individual performance/productivity targets? (% Yes by Region)

- **AMERICAS**: 36%
- **EMEA**: 39%
- **APAC**: 59%
- **GLOBAL**: 44%
Globally, there is a broad spread in the adoption of performance pay, reflecting differing attitudes to work and remuneration.

The highest incidence among survey respondents is in the Asia Pacific region and among newly emerging economies. Respondents in China report a high percentage of employees on variable pay, but Indonesia, Thailand, Malaysia, Russia, India, Singapore and Hong Kong also have more than 60% of respondents on performance pay.

The rate is 30% or less in Denmark, Sweden, Ireland, Australia and the UK.
Across the primary workplace generations, significantly more employees among Gen X (48%) and Gen Y (45%) receive variable pay, compared with just 36% among Baby Boomers.

Is any of your pay/compensation variable, such that a portion is dependent upon your individual performance/productivity targets? (% Yes by Generation)

- **GEN Y**: 45%
- **GEN X**: 48%
- **BABY BOOMERS**: 36%
Performance pay predominates in a few key markets such as Sales, where 76% of employees are on a variable salary, Marketing (56%), IT (52%) and Engineering (51%).
Among those respondents not receiving performance-based pay, there is a strong view that they would perform at a higher level if they were to switch to such an arrangement. A total of 46% globally say they would perform at a higher level on performance pay, with the greatest attraction in APAC (56%), followed by the Americas (44%) and EMEA (41%).

The findings suggest that many workers are quite confident in their ability to do their job well and believe they could probably increase their income if they were rewarded according to performance.1

1 Respondents were asked to answer the question on a scale from 1 to 5, where 1 = Strongly Disagree, and 5 = Strongly Agree. Total responses “Agreeing” were those rated 4 and 5.
The changing attitudes to variable pay arrangements are well reflected in the responses received to the question on the choice between pay for performance, and pay for overtime.

In effect, employees were asked to make a choice between the certainty of additional pay for the extra hours they work, or the uncertainty of a reward based solely on their performance and productivity.

Uniformly, across the globe, the majority of respondents chose the uncertainty of performance pay, based on a confidence that their effort and initiative will deliver a better pay outcome than extra pay for overtime.

Globally, 57% of respondents opt for the performance option, with APAC the highest (66%) compared with EMEA (54%) and the Americas (51%).

<table>
<thead>
<tr>
<th>Region</th>
<th>Pay for Overtime</th>
<th>Pay for Performance/Productivity</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>43%</td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>EMEA</td>
<td>37%</td>
<td>54%</td>
<td></td>
</tr>
<tr>
<td>APAC</td>
<td>28%</td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>36%</td>
<td>57%</td>
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</tr>
</tbody>
</table>
There is a revealing glimpse into the employee mindset arising out of the question as to whether employees believe that their remuneration is equitable.

Perhaps surprisingly, fewer than half of respondents (38%), globally, believe that they are paid a fair salary for the work they perform.

The lowest ranking from an employee perspective is in EMEA, where just 32% believe their pay is equitable, compared with 43% in APAC and 45% in the Americas.

To what degree do you agree or disagree that the pay/compensation you receive for your work is equitable? (% Agree by Region)

- **Americas**: 45%
- **EMEA**: 32%
- **APAC**: 43%
- **Global**: 38%
Across various industries in the workforce, the pay equity situation is markedly different.

Pay equity as perceived by employees is highest in IT, Math and Sales, where 43% believe their compensation is equitable. The industries considered by respondents to be least equitable are Education (31%), Health Care (33%) and Science (35%).
FREEDOM TO ROAM – THE APPEAL OF TELECOMMUTING

As more flexible work practices have entered the labor market, telecommuting – working from home or remotely – has become more widespread.
More than a quarter of the respondents (29%), globally, work remotely for at least part of the working week. By region, significantly more respondents in APAC (37%) work from home or remotely than in the Americas (24%) and EMEA (23%).

2 Actual question: Currently, how many days per week do you work from home or remotely?
The decision to telecommute represents a big change in the mode of employment, so the benefits and costs need to be carefully weighed in the minds of employers and employees.

The biggest advantage of telecommuting identified by employees is the time saved commuting to and from work, and the related expenses, cited by 65% of respondents, who work from home or remotely for a portion of the week.

Other significant benefits are “fewer interruptions” (47%) and “greater flexibility” (45%).

What are the advantages of working from home/remote? (% Globally, working from home/remote for a portion of the week. Multiple responses allowed)

- Minimize time commuting and related expenses: 65%
- Fewer interruptions, resulting in greater focus and productivity: 47%
- Greater flexibility to deal with any unexpected personal incidents: 45%
- Work day may be shorter, allowing for more free/personal time: 31%
- Increased motivation: 26%
- Improved communication with manager/colleagues: 13%
- Other: 5%
There are also disadvantages in telecommuting. Chief among them are “Lost opportunities for collaboration and networking on-site with colleagues/management”, cited by 55% of respondents.

Other significant downsides are “Difficulty separating ‘work’ life from ‘personal’ life/establish boundaries”, cited by 37%, and “Reduced access to company information and involvement in team activities”, (36%).

What are the disadvantages of working from home/remotely?
(% Globally, working from home/remotely for a portion of the week. Multiple responses allowed)
HARNESSING THE CROWD

One of the more entrepreneurial applications of the internet for business has been the phenomenon of crowdsourcing – where a business will turn to a global marketplace of individuals, contractors and freelancers for a product or service. It relies on global reach and leverage to attract the most competitive offer from a global audience.
To date, experience in crowdsourcing is relatively low, with just 13% of respondents having had direct work experience with it. Involvement in APAC (16%) is somewhat higher than in the Americas (12%) and EMEA (11%).
While actual experience with crowdsourcing is relatively low, there is a considerably higher level of interest in becoming involved.

One-third of respondents say they would be interested in undertaking crowdsourcing work, with the highest level in APAC (34%) followed by EMEA (33%) and the Americas (29%).

Respondents were asked to answer the question on a scale from 1 to 5, where 1 = Not At All Interested, and 5 = Very Interested. Total responses "Interested" were those ranked 4 and 5.
A SHIFTING BALANCE

The uptake of performance-based remuneration has developed quickly and seems to be gaining converts in segments that were previously skeptical or opposed.

The shift reflects a change in mindset as much as a change in work practices. Performance-based pay fundamentally alters the way employers and employees think about issues of performance, effort and reward.

The prolonged economic downturn in many countries and a renewed focus on productivity have helped to better align business and employee goals. High rates of unemployment in many markets have also seen employees more ready to accept an element of risk in their pay in return for improved output.

The change appears to have extended across regions, industries and generations, effectively breaking a longstanding mould.

The flexibility this entails is also featuring in the way that employees utilise new technologies to work remotely or at home, and in the way firms are tapping new global sources of supply for business services.
ABOUT THE KELLY GLOBAL WORKFORCE INDEX

The Kelly Global Workforce Index (KGWI) is an annual global survey revealing opinions about work and the workplace. Approximately 122,000 people across the Americas, EMEA and APAC regions responded to the survey. This survey was conducted online by RDA Group on behalf of Kelly Services.

ABOUT KELLY SERVICES®

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