



## **Hard Choices**

**How finance executives are confronting rising benefit costs, the aging workforce, recruiting, and other human-capital concerns.**

[Don Durfee](#), CFO Magazine  
February 15, 2006

2006 will likely be a year of painful human-capital decisions. At many companies, human-capital management is in transition. Finance executives are deciding whether or not to outsource HR functions, improve technology, or make changes to their benefit plans.

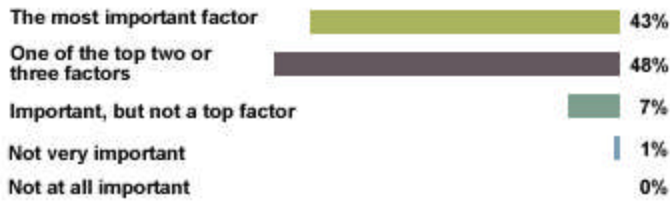
We asked 249 senior finance executives from a diverse range of companies to share their views on these challenges and tell us how they are responding. As our second annual human-capital survey shows, CFOs are taking the challenges seriously — in particular, they are showing new willingness to experiment with remedies for their human-capital ills.

*Source for all charts: CFO magazine survey of 249 senior finance executives.*

Note: Numbers may not add up to 100, due to rounding.

1) How important is human-capital management for the success of your business?

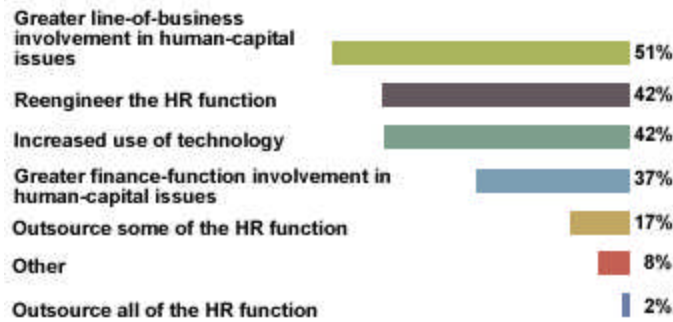
("Human capital" refers to your workforce's skills, experience, and knowledge.)



2) How effective is your human-resources department at managing human capital?



3) What steps do you think are needed to improve human-capital management?



4) On the whole, does your finance team have the right skills to provide your company's operating units with the level of decision support and business advice they want?



5) What are you doing to improve the skills within your finance department?



6) In what areas do you offer training for finance employees?

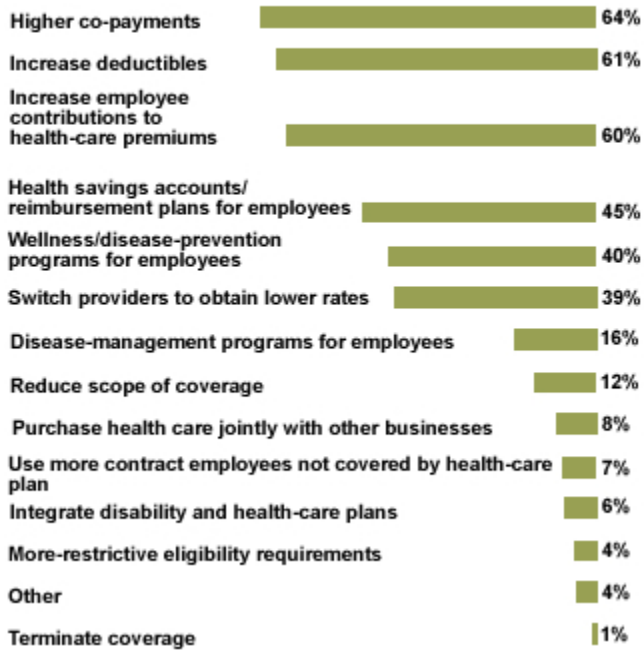


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## More of the Same

Health-care fixes are starting to pay off. A survey by Mercer Human Resource Consulting shows that employers expect their health-care costs to grow by 6.4% in 2006, below the double-digit cost increases of the past few years. But the gains are coming mostly by shifting costs to employees. Expect more of the same this year. Higher co-payments, deductibles, and employee contributions top the list of changes to health plans. Many respondents are shifting costs using all three methods. However, very few companies are resorting to restricting eligibility or terminating coverage.

### How is your company responding to rising health-care costs?



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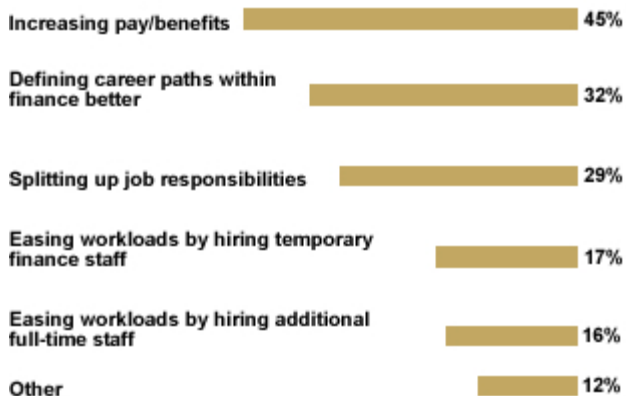
## The Empty Chair Next to You

It's getting harder to fill finance posts. Almost half of CFOs say that it was difficult to recruit employees last year. No doubt that's partly the result of an expanding economy. But it may reflect a harder reality for CFOs: after years of doing more with less, many finance departments aren't the pleasant workplaces they once were. And Sarbanes-Oxley compliance work has created a high demand for accountants. Companies are trying to fix the problem. Steps include splitting up job responsibilities and easing workloads through the use of temporary workers.

### Over the past year, how easy has it been to recruit qualified full-time finance staff?



### What are you doing to retain existing finance staff?

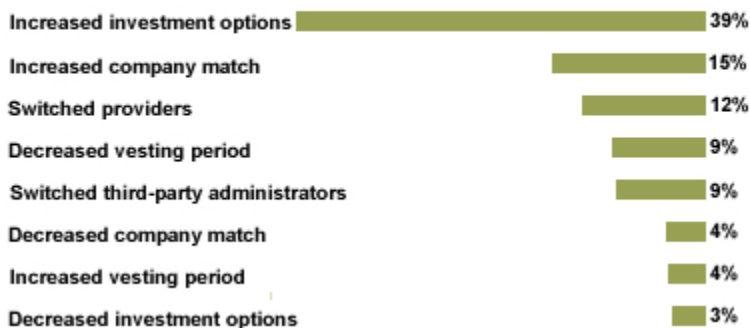


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### The 401(k) Shuffle

Companies are still working to perfect their 401(k) plans, and many of the changes are designed to give employees better retirement benefits, such as increasing the company match and decreasing the vesting period. Despite warnings from some experts that too many funds can confuse participants, the most common change companies are making is to increase employees' investment options.

#### What changes has your company made to its 401(k) plan during the past year?



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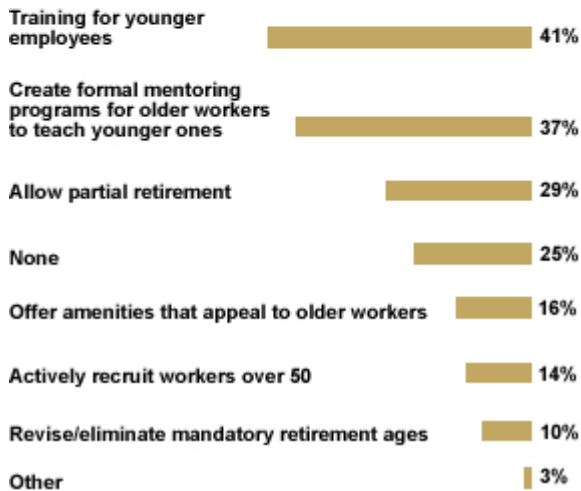
### Goodbye Baby Boomers

The next decade may bring an unpleasant surprise to many companies: beginning in 2010, 25 million employees will be poised to leave the workforce. For many employers, that will represent a loss of knowledge and skills that will be costly to replace. CFOs are starting to get nervous; 63% are at least a little concerned. Solving the problem will require some unconventional thinking. Among the tactics companies are considering: mentoring programs to pass on older workers' knowledge, partial-retirement options, and actively recruiting employees over 50. (See "[The Retirement Age](#).")

**Are you concerned about the loss of human capital in your company due to the impending retirement of baby boomers?**



**What steps will you take to mitigate the loss of skills or knowledge?**



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**Technology to the Rescue?**

The thought of spending more on HR isn't likely to set the average CFO's pulse racing. But one area is drawing more interest: investing in technology to improve such functions as workforce planning, benefits administration, performance management, and even recruiting. Thirty-six percent of CFOs plan to invest more in HR technology this year, up from 28% last year.

**Do you plan to invest more in HR technology in the coming year?**

