Changing Politics… Changing Workforce…
Changing Compensation… Time to Expect
Change Like Never Before!

March 23, 2017
Who the Heck is Conduent?
Xerox separated into two market-leading companies

Creating two focused companies with improved value creation potential

**Printing Market leader**
- Global leader in document management and document outsourcing with superior technology, solutions and innovation capabilities
- FY15 Revenue: $11B
- Employees: 40K

**Business Process Outsourcing & HR Consulting leader**
- A leader in business process outsourcing and consulting with a combination of deep industry expertise, market-leading automation solutions and track record of global delivery excellence
- FY15 Revenue: $7B
- Employees: 104K
What Trump Wants
Dodd Frank Act
Start-up Century: Small Business and Entrepreneurship

Implications:
• Dodd-Frank law is going away or at least parts of it

We need to consider the effect of capital gains rates on the availability of venture capital, as well as the positive impact of expensing on start-up firms.

We should reduce the occupational licensing laws that shut untold millions of potential workers out of entrepreneurial careers. We must overturn the regulatory nightmare, created by the Dodd-Frank law, for the community banks and savings and loans that provide nearly half of all small-business loans and over three-quarters of all agricultural loans. Indeed, the world of the app economy cries out for the comprehensive regulatory reform proposed elsewhere in this platform. We must challenge established interests and traditional business patterns to facilitate market entry of new business.
Dodd-Frank Act

Protections for consumers and shareholders:

• Stringent banking practices for financial industry
• Pay transparency to consumers of public company disclosures
• Independent Board of Directors
• Financial claw backs for bad behavior
Dodd-Frank Act

Over the top protections some would say:

• Retrospective Shareholder Affirmation vote of confidence
• CEO pay ratio
Dodd-Frank Act

Laws to stop the greedy

Some Greedy Bankers

Economic Crash

High risk mortgages allowed

Consumers can’t afford to pay mortgages

$
Our Role as Compensation Professionals:

1. Rein in ownership of ALL plans
2. Partner with the right internal colleagues
3. Document ALL plans
4. Review total spend and ROI
5. Brainstorm/discuss how risks are inherent in the plans and how you can mitigate them
We all take risks

Not all risk is bad.

Actually, taking risks is what businesses, and people, do.

….But, we’re only human
Companies take risks each day:

• Reputational Risk
• Operational Risk
• Economic Risk
• Credit Risk
• Liquidity Risk

….But, sometimes we take too much risk or behave badly
So, What’s the Problem?

Incentive plans can encourage, support or drive unintended, unethical, and even illegal behaviors.
Avoiding Unintentional Behaviors and Outcomes

- Inflating Sales
- Selling Unnecessary Products or Services
- Reporting False Results
- Inflicting Duress on Subordinates or Peers
- Overpaying
Cases involving large incentive payouts tied to “bad behaviors”

• Enron:

“Skilling and his co-conspirators…”enriched themselves as a result of the scheme through salary, bonuses, grants of stock and stock options…


• Washington Mutual Bank:

“Greedy bankers knowingly manipulated the financial system…while enjoying huge personal gains…”

“Compensation should be linked to performance and should not motivate unnecessary risk”

“The Compensation Committee monitors how our compensation programs could affect management's behavior to ensure that performance objectives do not motivate executives to take unnecessary risk that could jeopardize the health and future of the Company.”
Risk Applied to Incentive Plans

Attract:
Provide appropriate pay packages

Motivate:
Drive Behavior

Retain:
Keep employees from leaving

The Right
## Commonly Overlooked Elements

<table>
<thead>
<tr>
<th>Element</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payouts are all or nothing</td>
<td>• May encourage aggressive behaviors to achieve the goal</td>
</tr>
<tr>
<td>Reward results are self-reported</td>
<td>• May encourage inflated results</td>
</tr>
<tr>
<td>Approvals are lacking</td>
<td>• May allow for errors</td>
</tr>
</tbody>
</table>
## Smarter Design Tips

<table>
<thead>
<tr>
<th>Element</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use more than 1 measure</td>
<td>• Less easy to “fix” or achieve a goal if more than one are required</td>
</tr>
<tr>
<td>Reward results not activity</td>
<td>• Ensures organization can afford to pay</td>
</tr>
<tr>
<td>Ensure goals roll up to business plan</td>
<td>• More likely to achieve business plan</td>
</tr>
</tbody>
</table>
Fair Labor Standards Act
Workplace Freedom for a 21st Century Workforce

Implications

Fair Labor Standards Act

rock them into the workplace rules of their great-grandfathers.

Instead of facilitating change, the current Administration and its agents at the National Labor Relations Board are determined to reverse it. They are attacking the franchise model of business development, which is essential to the flexibility and creativity of the new economy. They are wielding provisions of the Fair Labor Standards Act from the 1930s, designed to fit a manufacturing workplace, to deny flexibility to both employers and employees. They have repealed union transparency rules that allowed members to discover what was being
This exhibit serves as a basic outline for an employer’s initial analysis of positions being considered for exemption under the FLSA and is meant to serve as one of several tools in an employer’s analysis. SHRM strongly recommends that employers have legal counsel review their analysis efforts and exemption decisions. The three-step process is explained in greater detail on the following pages.

**STEP 1: SALARY BASIS TEST**

Is the employee paid at least $455 per week ($23,660 per annum),* not subject to reduction due to variations in quantity/quality of work performed?

*The computer professional exemption has a salary basis test of $455 per week or $27.63 per hour. The outside sales exemption is not subject to the salary basis test.

**STEP 2: EXEMPTION APPLICABILITY**

Does the employee perform any of the following types of jobs?

- Executive — management is the employee’s primary duty
- Administrative — employee performing nonmanual office work
- Professional/creative — employee whose work requires highly advanced knowledge/education; creative and artistic professional
- Computer professional — employee involved in design or application of computers and related systems
- Outside sales — employee making sales or taking orders which influence sales outside of the employer’s premises

**STEP 3: JOB ANALYSIS**

A thorough analysis of the job duties must be performed to determine exempt status. An exempt position must pass both the salary basis and the duties tests.
Key Change

• Unless exempt under the FLSA, a job must be paid at least time and a half for hours worked in excess of 40 in a workweek.
  – Primary exemptions are for:
    • Executives
    • Professionals
    • Administration
    • Outside Sales
• To be exempt, must also be paid on a “salary” basis and have a salary of at least $455/week
  $913 (which = $47,476/year)
Overtime Rule Appeal Delayed Again

By Robert Baylor, WorldatWork

Feb. 27, 2017 — Washington, D.C. — The Trump administration's second request to delay a federal court's appeal on the November 2016 Fair Labor Standards Act (FLSA) overtime regulation injunction was granted last week by the court.

On Feb. 22, the U.S. Fifth Circuit Court of Appeals granted the U.S. Department of Justice's (DOJ) Feb. 17 request to delay submitting its final brief for another 60 days, citing a need to "allow incoming leadership personnel adequate time to consider the issues."

The DOJ now has until May 1 to file its response. The additional time will allow the new U.S. Department of Labor secretary, presumably nominee Alexander Acosta, to decide the Trump administration's formal response and position on the Obama-era overtime regulation. On Jan. 25, days after the new administration took office, the government asked for and was given, an original extension of its appeal brief filing until March 2.

The regulation's implementation was halted by a Texas federal district court judge on Nov. 22. The then-Obama administration appealed the injunction shortly thereafter, but with a new Republican leader in the White House stating he does not support the rewritten overtime regulation, the rule's eventual implementation is now even more in doubt. It also leaves employers still uncertain about their work done last year to meet the original Dec. 1, 2016, compliance deadline to begin a $47,476 salary level threshold.

WorldatWork urges the Trump administration and the secretary-nominee to drop the appeal of the rule's injunction and begin a new round of rulemaking to update the salary level threshold to a lower level that is "justifiable and workable."
Implications
Fair Labor Standards Act…

The Way We Were?

OR
White Collar Exemption Test – take 2

• More reasonable salary threshold?
• Elimination of the 3 year automatic increase based on inflation?
• Elimination of inclusion of bonus to meet salary threshold?
Advancing Americans with Disabilities
Pages 38 & 39

Implications
Fair Labor Standards Act

...read in its reauthorization, as well as renewal of the Higher Education Act, which can offer students with disabilities increased access to the general curriculum. Our TIME Act (Transition to Integrated and Meaningful Employment) will modernize the Fair Labor Standards Act to encourage competitive employment for persons with disabilities. We affirm our support for its goal of minimizing the separation of children with disabilities from their peers. We...
Minimum Wage
Workplace Freedom for a 21st Century Workforce

Implications
Minimum Wage

and energize a free enterprise economy. Minimum wage is an issue that should be handled at the state and local level.
Implication…
That’s All Folks
Merit Pay
“Interest rates have lingered at historic lows since the recession, and have only hiked them twice since 2008.”
Changing Workforce

Changing demographics of an aging and diverse workforce will alter our population and labor force, impacting economic growth & ability to create goods and services.

Baby boomer retirements create skill shortages

- Population growth rate is declining and will continue to decline
- Labor force participation rates have declined since 2000
- Immigrants expected to comprise majority of future labor growth

More contingent workers, more job hopping into the gig economy

- Contingent workers increased 50% in last decade (16% of workforce)
- Technology reinforces the shift (Uber, EBay, Airbnb, etc.)
- Less stability for employers to plan future labor pools

Millennial values differ from prior generations

- Life purpose and balance more important than paycheck
- Career development more important than job satisfaction
- Coaching/performance feedback more frequent than annual review

More contingent workers, more job hopping into the gig economy

Temporary Workers Assigned through a Staffing Agency
9.5 million workers, 6.2% of the US workforce, reportedly take on temporary assignments through staffing firms annually. These roles range from office and industrial workers to professional, technical, clinical and managerial roles in nearly every segment of the economy.

$115.6 billion spend

Human Cloud Workers
9.7 million workers, 6.4% of the US workforce, currently participate in work through the human cloud. In these types of arrangements, work is entirely facilitated and completed (including payment) through a web or app-based platform, such as Uber, Upwork or Freelancer. Online Staffing, Online Services and Crowdsourcing are the main segments of the human cloud. Many of these workers moonlight in multiple jobs.

$11.5 billion spend

Independent Contractors/Self-Employed
23.5 million workers, 15.5% of the US workforce, fall into the category of the independent contractor/self-employed worker. This category, which houses the largest concentration of contingent workers, covers a wide variety of occupations and includes many types of independent and freelance workers and professionals, including those with 1099 status as well as incorporated constructs. Only those self-employed workers without employees are included in this category.

$425.2 billion spend

Temporary Employees Sourced Directly
5.5 million workers, 3.6% of the US workforce, are directly engaged through their employer, often through a fixed-term contract, but sometimes on a more day-to-day basis as with substitute teachers sourced and payrolled directly through a school. These types of W-2 work arrangements include seasonal work, summer internships, and other explicitly short-term types of work. Direct temporary work is more common outside the US where "at will" employment is rare.

$40.1 billion spend

Statement of Work (SOW) Consultants Employed by a Consulting Firm
2.9 million workers, 1.9% of the US workforce, engage as salaried employees of a consulting firm on a statement-of-work contract with a client company. As these consultants work on a temporary project basis and generally move from client to client, they are considered a part of the (client’s) contingent workforce.

$200.0 billion spend

Source: Staffing Industry Analysts 2016: Measuring the Gig Economy

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Baby boomer retirements create skill shortages

Labor force participation rates are projected to decline
Our Role as Compensation Professionals: Talent Attraction, Motivation & Retention

Labor force shifts will require creative thinking in the way we reward workers:

- Increased use of employee contracts – will Comp be involved in crafting?
- Design of bonuses shorter term
- Reward contingent labor not only with salary but also performance based
- Increased use of recognition bonuses or non cash awards
Other Expectations
Workplace Freedom for a 21st Century Workforce

Implications
Flexibility
Family-friendly

leaves workers in a form of peonage to the NLRB. We intend to restore fairness and common sense to that agency.

Technology has already created jobs that did not exist fifteen years ago, and today’s workers need flexibility and family-friendly options to make the most of them, especially portability in pension plans and health insurance.

We intend to encourage those trends by bringing labor law into the 21st century. It should encourage cooperation between management and
Workplace Freedom for a 21st Century Workforce

Implications

Transparency into Exec Comp for unions

We intend to encourage those trends by bringing labor law into the 21st century. It should encourage cooperation between management and workers, not conflict. All workers, including union members, must be free to accept raises and rewards without veto power from union officials. All unionized workers should be able to find out what is going on in their union trust funds and in their executive compensation. We support the right of states to enact Right-to-Work laws and call for a national law to protect the economic liberty of the modern workforce.

All Americans deserve the opportunity to pursue their American dream free from discrimination.
Workplace Freedom for a 21st Century Workforce

Page 8

Implications

Stock Ownership

Clear nondiscrimination policies ensure all employees have the chance to succeed based solely on their merits. These policies are vital to creating an inclusive, innovative, and competitive workforce.

Republicans believe that the employer-employee relationship of the future will be built upon employee empowerment and workplace flexibility. We therefore endorse employee stock ownership plans that enable workers to become capitalists, expand the realm of private property,
A Federal Workforce Serving the People

page 8

Implications

Federal employees compensation & benefits
Saving Social Security

Implications
Social Security
stop both vehicular and pedestrian traffic. We insist upon workplace enforcement of verification systems so that more jobs can be available to all legal workers. Use of the E-verify program — an internet-based system that verifies the employment authorization and identity of employees — must be made mandatory nationwide. We reaffirm our endorsement of the SAVE program — Systematic Alien Verification for Entitlements — to ensure that
Many good civil servants work at the IRS, but the agency itself is toxic. Its leadership employs known tax delinquents, rehires workers previously fired for misconduct, spends user fees without congressional oversight, and awards bonuses for customer service that would put any private company out of business. Worst of all, the IRS has become an ideological attack dog for the worst elements of today’s Democratic Party. It systematically targets
Implications
IRS abolished
Regulation: The Quiet Tyranny

Implications

Department of Labor has scrapped decades of labor law

change agenda. The Department of Health and Human Services has ignored the enacted text of the Affordable Care Act to do whatever it wants in healthcare. Both the Department of Labor and National Labor Relations Board have scrapped decades of labor law to implement the agenda of big labor. The Dodd-Frank law, the Democrats’ legislative Godzilla, is crushing small and community banks and other lenders. The Federal Communications Commission is imperiling the freedom of the internet. We support reinstating the Computer Fraud and Abuse Act (CFAA) which specifically prohibits hacking.
Education: A Chance for Every Child

Implications

Replaced with a merit-based approach
Strategies To Compete & Win at the Talent Game

- More effective pay for performance – low performers earn smaller raises while high performers earn larger raises
- Incentive pay tied to results not activities
- Thoughtful succession plans with development activities for key talent, short- and long-term
- Acknowledgement of & taking action on evolving roles & skills – putting the right people in the right roles at the right time
Change is the only constant
# Change - O - Meter

<table>
<thead>
<tr>
<th>Easy to Change</th>
<th>Harder but Doable</th>
<th>Very Difficult to Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Taking</td>
<td>Judgment</td>
<td>Intelligence</td>
</tr>
<tr>
<td>Leading Edge</td>
<td>Strategic Skills</td>
<td>Analysis Skills</td>
</tr>
<tr>
<td>Education</td>
<td>Pragmatism</td>
<td>Creativity</td>
</tr>
<tr>
<td>Experience</td>
<td>Track Record</td>
<td>Conceptual Ability</td>
</tr>
<tr>
<td>Organization/Planning</td>
<td>Initiative</td>
<td>Integrity</td>
</tr>
<tr>
<td>Self-Awareness</td>
<td>Excellence Standards</td>
<td>Assertiveness</td>
</tr>
<tr>
<td>Communications-Oral</td>
<td>Independence</td>
<td>Inspiring Followership</td>
</tr>
<tr>
<td>Communications-Written</td>
<td>Stress Management</td>
<td>Energy</td>
</tr>
<tr>
<td>First Impression</td>
<td>Adaptability</td>
<td>Enthusiasm</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>Likability</td>
<td>Ambition</td>
</tr>
<tr>
<td>Political Savvy</td>
<td>Listening</td>
<td>Tenacity</td>
</tr>
<tr>
<td>Selecting A Players</td>
<td>Team Player</td>
<td></td>
</tr>
<tr>
<td>Removing C Players</td>
<td>Negotiation Skills</td>
<td></td>
</tr>
<tr>
<td>Coaching/Training</td>
<td>Persuasiveness</td>
<td></td>
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<tr>
<td>Goal Setting</td>
<td>Team Builder</td>
<td></td>
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<tr>
<td>Empowerment</td>
<td>Change Leadership</td>
<td></td>
</tr>
<tr>
<td>Performance Management</td>
<td>Diversity</td>
<td></td>
</tr>
<tr>
<td>Running Meetings</td>
<td>Conflict Management</td>
<td></td>
</tr>
<tr>
<td>Compatibility of Needs</td>
<td>Credible Vision</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance in Life</td>
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</tbody>
</table>

Source: “Topgrading” by Bradford D. Smart, Ph.D., 1999

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The Change Continuum

Change requires ongoing education and communications around the change

Best Practice:
- Leaders act as champions of change
- Treat the change as an internal “membership drive” or sales campaign with a series of communications that reinforce organization goals

The key is to keep employees above the productivity baseline

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### Modeling Leadership – That’s our job!

<table>
<thead>
<tr>
<th>I DO...</th>
<th>I DON’T...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model accountability and set a positive example for others</td>
<td>Hold others accountable without holding myself equally responsible</td>
</tr>
<tr>
<td>Allow people to drop “below the line” from time to time to vent frustrations</td>
<td>Let victim stories and “below the line” excuses go unresolved</td>
</tr>
<tr>
<td>Recognize victim stories and “below the line” excuses when I hear them</td>
<td>Avoid my responsibility to hold people accountable</td>
</tr>
<tr>
<td>Use accountability as a way to empower people toward results</td>
<td>Use accountability as a hammer to nail people when I catch them functioning “below the line”</td>
</tr>
<tr>
<td>Expect people to coach me to get “above the line” when necessary</td>
<td>Respond defensively if others try to coach me</td>
</tr>
<tr>
<td>Practice what I preach</td>
<td>Get caught thinking that accountability is something everyone else should work on</td>
</tr>
</tbody>
</table>

Source: “How Did That Happen” by Roger Connors and Tom Smith, 2009
# Accountability – Building Trust

<table>
<thead>
<tr>
<th>Low Trust Culture</th>
<th>High Trust Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceal weaknesses and mistakes from others</td>
<td>Admit weaknesses and mistakes</td>
</tr>
<tr>
<td>Hesitates to ask for help or provide constructive feedback</td>
<td>Ask for help or advice</td>
</tr>
<tr>
<td>Hesitate to offer to help outside one’s own area of responsibility</td>
<td>Accept and welcome assistance from other areas</td>
</tr>
<tr>
<td>Jump to conclusions about the intentions of others without clarifying</td>
<td>Take risks in offering feedback and assistance</td>
</tr>
<tr>
<td>Fail to recognize and tap into one another’s skills and experiences</td>
<td>Tap into others’ skills and experience</td>
</tr>
<tr>
<td>Hold grudges</td>
<td>Offer apologies</td>
</tr>
<tr>
<td>Avoid responsibility</td>
<td>Take accountability</td>
</tr>
</tbody>
</table>

Source: “How Did That Happen” by Roger Connors and Tom Smith, 2009
Change is a process that just takes time…

**CHURN**
- I’m shocked
- Why is this changing, again
- What are they thinking

**BURN**
- I am so angry
- What a waste of time
- They are so screwed up

**LEARN**
- Well…I like a part of it
- It’s not so bad after all
- They must have a good reason

**TURN**
- I get it
- Things are better
- It’s not so bad after all
Managing change is like planting seeds…

…..it takes time to grow and do well
For more information:

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Specializing In:

• Alignment of people behaviors to organization goals
• Shifting culture toward high performance
• Talent management strategy development & effectiveness
• Incentive plan design for Sales, Executives, Management
• Balancing accountability with pay and performance
• Role design as organization needs shift
• Assessment of performance management effectiveness
• Employee development for increased retention