

Remuneration Review

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Hewitt
CSI

Executive Remuneration - From Nigel Gray & Nick Woodward of Hewitt CSI

New HR Policy Report

Myths, Reality and Challenges!

We have all heard about the gross excesses of executive pay, the huge bonuses and the spiralling executive wage bills. So, let's take a look at one of the major trends relating to executive remuneration in Australia, and try to demystify the myth versus the reality and identify what the real challenge is...

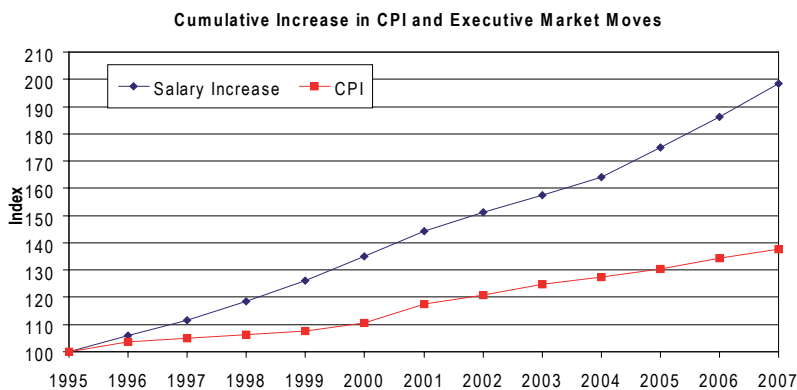
Observation: Remuneration costs are spiralling upwards. How much does executive pay need to be increased and how can I stay ahead of the pack?

Organisations understandably want to attract the best executives and pay them in a more competitive manner than others. Once established in the organisation, the pressure is there to continue to pay above average increases to this executive group – the philosophy being to stay ahead of the competition at any cost!

Spurred on by the significantly increased transparency of executive remuneration and a fairly tight labour market, we are seeing the executive remuneration battleground become bloodier, more savage and merciless. Not only are remuneration committees being exposed to frightening snippets of competitor executive pay practices, the executives themselves are wanting to make sure their own personal remuneration relativities are maintained in their rightful position.

The 'ratchet effect' is a commonly observed phenomenon, characterised by a series of movements that cannot be reversed once commenced. With regard to executive remuneration, salaries are being pitched at the 62.5th or even 75th percentile which by definition will then become the new 50th percentile. The result – upward spiralling of remuneration costs!

To illustrate the movements of executive fixed remuneration, the below graph compares the executive remuneration adjustment to that of the major inflation statistic, the Consumer Price Index (CPI), over the period 1995 to 2007. Growth in executive pay has far outstripped growth in CPI.



The Reality - organisations continue to push their executive pay levels well beyond that of traditional market movements...particularly their CEO's.

The Challenge - In the current environment of ratcheting executive remuneration costs, it seems about time that organisations started focussing less on aggressively positioning their "On Target" remuneration levels at or around the upper quartile and focus more on ensuring that the more aggressive pay outcomes are only triggered by aggressive performance hurdles. Target the median of the market and pay only your top performers at the 75th percentile through the use of variable (performance-based) pay.

In Summary: Don't worry! Your executives are not on the breadline. They are receiving very healthy remuneration growth. Fixed pay increases are well above most sectors and variable remuneration continues to grow in relative importance. The challenge for us is to manage this wage explosion and make sure our executives are accountable. Don't load them up with fixed pay, turn the heat up a bit and let them back themselves! Control your fixed remuneration budget, set realistic market positioning strategies and give them the opportunity to be a top quartile earner based on outstanding performance. Oh and don't forget about the non financial measures that are going to really count in achieving greatness in the longer term!

Motor Vehicle Policy & Practice Report - available in September 2008

Motor vehicle benefits policy is often complex and time consuming for organisations to develop, review and manage. Motor vehicle benefits policy can also be a source of confusion and discontent for employees.

Policies in Australia and New Zealand typically centre around three ways in which organisations provide motor vehicle benefits to employees (fully maintained vehicles, novated leases and car allowances). The choices that organisations then make regarding the method by which these benefits are provided can significantly influence how they are perceived by employees.

Unless the employee population of an organisation is small and can easily be surveyed to assess their specific needs, organisations are faced with incredibly difficult decisions regarding conditions specified in motor vehicle benefits policy. As a result, many organisations look to what the marketplace is offering to determine organisational policy.

Hewitt CSI's Motor Vehicle Policy & Practice Report provides an overview of market trends in Australia and New Zealand. Vital statistics included in this report can be used to develop market representative motor vehicle benefits policies or to assess the competitiveness of existing motor vehicle benefits offerings.

The report is divided into a number of comprehensive sections that contain market data for fully maintained motor vehicles; novated leases; car allowances; arrangements in lieu of the provision of motor vehicles or car allowances; and common practice for organisations that do not have formal motor vehicle policies.

For further information on Hewitt CSI Policy & Practice Reports please contact: Ashley Chong or Abbe McCauley on +64 9 579 9733 or email ashley.chong@hewitt.com or abbe.mccauley@hewitt.com.



New Zealand IT Specialists Salaries & Benefits Survey

The latest issue of the New Zealand IT Specialists Survey is being released in September 2008.

This survey is specifically devoted to surveying internal corporate IT specialists. This industry is constantly growing and changing in New Zealand, highlighting the need for reliable and current salary and benefits information. The survey provides comprehensive remuneration tables per position as well as general commentary on salary movements, economic commentary, staff attrition and feature surveys.

The survey includes approximately 5000 lines of data from over 70 different organisations and is now produced locally out of our Auckland office giving participants real-time access to the Survey Manager. The subscription fee is invoiced in New Zealand dollars so that participating organisations can allocate budget more accurately without the risk of currency exchange fluctuations.

Current contributors to this survey include many of New Zealand's leading public and private sector organisations as well as a wide range of vendors from the telecommunications, hardware and software sectors.

These organisations benefit from having an accurate picture of how employees within these sectors are paid. This helps them to attract and retain talented people by ensuring remuneration is in line with market pay rates.

A full list of contributing organisations and full position descriptions of all surveyed roles can be viewed at www.csirem.co.nz under Surveys \ NZ Reports \ Multi Industry Reports \ New Zealand IT Specialists.

For more information contact Ashley Chong or Abbe McCauley on +64 9 579 9733 or email ashley.chong@hewitt.com or abbe.mccauley@hewitt.com.

New Zealand IT & Telecommunications Industries Salaries & Benefits Survey

This Survey has grown significantly out of a smaller club Survey, which was established as a pilot study in 1990, looking at salaries and benefits packaging amongst a group of ten vendors within the New Zealand Computer Industry.

Today the survey covers more than fifty New Zealand IT vendors across Hardware, Software and Services. It also includes a significant number of Telecommunications companies within the Hi-Tech industry.

Survey Highlights:

- Annual subscription to the survey includes two editions, typically published in February and August. Regular feedback sessions are also held periodically in both Auckland and Wellington.
- The report has approximately 54 contributing organisations.
- The report contains over 200 comprehensive salary and benefits position tables produced from almost 8,900 lines of data.

Participation in this survey allows IT&T organisations to benchmark themselves against industry peers to ensure that their employees are being paid in-line with the market.

The survey includes roles from the following job families:

- Senior Executive
- Sales
- Marketing
- Customer Support
- Professional Services
- Information Technology
- Finance & Administration
- Human Resources
- Graduates
- E-business
- Telecommunications

A list of contributing organisations and full position descriptions are available at www.csirem.co.nz.

For more information contact Ashley Chong or Abbe McCauley on +64 9 579 9733 or email ashley.chong@hewitt.com or abbe.mccauley@hewitt.com.

2008-09 Study: Hewitt's Global Salary Increase Survey

Originally launched in the U.S. over 30 years ago, Hewitt's Salary Increase Survey today spans more than 41 markets and represents the compensation practices of 4,000 organisations around the world. Results of the survey provide an analysis of salary movements for the current year and projections for the upcoming year, salary structure, and other topics in salary planning for five specific employee categories. Individual market reports also provide information by industry along with other broad trends in compensation.

The Salary Increase Survey also provides insights at global, regional, and local levels on:

- Current economic trends;
- Compensation trends;
- Performance trends, in particular, the prevalence of performance management systems and pay-for-performance programs; and
- Other special and current hot topics affecting compensation.

Participants receive complimentary online access to the final report with the added convenience of regularly updated preliminary data until the final results are released. Participants also have the ability to run customised analyses of the Salary Increase Survey results, assisting in meeting their organisation's specific data requirements.

Take Advantage of Our Online Tools

Data submission materials can be easily downloaded from a secure website. Your organisation will be able to quickly access results from the Reporting tool, fully customise searches according to your individual needs, and access your organisation's reports and special analyses at anytime.

No Participation Fee

There is no participation fee for Hewitt's Salary Increase Survey. All participants get a free copy of the report. To participate or for more information please email annette.hang@hewitt.com.

Hewitt CSi opens new office in Wellington



We are excited to announce that we have now opened our doors in Wellington.

Following strong demand for our services in the Wellington market we recently appointed Kristie Hartill as our locally-based Consultant.

Kristie is responsible for business development and delivery of professional remuneration advice and general HR consulting support across a broad client base in Wellington and Christchurch.

Kristie joins Hewitt CSi after completing an HR contract with Unisys and prior to this spent 3 years in HR roles at Contact Energy including Remuneration Manager and HR Account Manager for Contact's retail group. Kristie has a Master of Commerce (Honours), Business Administration from Canterbury University.

Kristie can be contacted directly via:
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Hewitt CSI Announces Launch of Data Cuts Online



Hewitt CSI is excited to announce the launch of Data Cuts Online.

This online software is available to Hewitt CSI Data Centre subscribers from August 2008 and extends the current functionality available through the existing online Data Centre. This new feature allows users to generate reports featuring market data using multiple filters or based on data from a group of individually selected organisations.

What existing functionality is available through Data Centre?

Data Centre gives you easy access in one place to the remuneration data for all surveys to which your organisation subscribes.

Data Centre allows you to view and download remuneration survey data at varied market percentiles and in a number of different report formats.

Within each survey, you are provided with the facility to view or download the data according to the standard 'cuts' that are presented in your survey report.

For example, within the General Industry Remuneration Report, average pay rates are reported by industry grouping, organisation size and region.

In the Data Centre, you can filter the data by these categories and view and download the filtered data at the various market percentiles you need.

What reports can you view and download in Data Centre?

As well as the standard remuneration tables, Data Centre allows you to view and download comparisons, and 'data dump' Excel reports.

Compa-ratio Report

The Compa-ratio Report shows employees' remuneration data alongside market remuneration rates for their role and the difference between the two.

Data Dump Excel Report

The 'Data Dump' Microsoft Excel report shows market remuneration rates for every role surveyed within a Hewitt CSI survey report.

How does Data Centre give you more market intelligence than the standard survey report?

1. Within a standard Hewitt CSI survey report it is possible to view market data at the average and the 25th, 50th, 62.5th and 75th percentiles.

In Data Centre, you can view and download percentiles in aggregates of five, between the 5th and 95th (provided there are sufficient data samples).

2. On the lower half of remuneration data tables within standard Hewitt CSI survey reports, average rates for 'select cuts of data' or 'filters' are presented in terms of Nominal Base Salary (NBS), Total Fixed Remuneration (TFR) and Total Remuneration Cost (TRC).

Data Centre allows you to view and download standard cuts of this data at varied percentiles for all salary and benefit items.

What new functionality is available with the launch of Data Cuts Online?

Data Cuts Online allows you to download survey data as "peer cuts" using data from selected organisations (minimum six organisations to protect the confidentiality of participants' data) or "select cuts" using multiple filters such as company size and industry and region.

For example, an HR professional subscribing to Hewitt CSI's Australian General Industry Remuneration Report, a survey that features more than 400 organisations, can select 20 of these organisations operating in a similar environment to their own organisation and conduct a 'peer group' analysis.

Alternatively, they may choose to view data only for those organisations based in Queensland with annual revenues of less than \$10 million. Data Cuts provides the flexibility to view and download an unlimited number of cuts of the survey data based on your specific requirements.

How do I gain access to Data Centre and Data Cuts Online?

Data Centre and Data Cuts online are available to Hewitt CSI survey subscribers and can be accessed in the secure area of the Hewitt CSI website.

The majority of Hewitt CSI's survey subscribers receive automatic access to the Data Centre and Data Cuts online as part of their survey subscription. In a small number of cases, survey subscribers need to take up an additional subscription specifically to these functions.

For more information contact Rachael Finnemore on +64 9 579 9733.

Hewitt CSI Welcomes New Clients

- Bosco Medical
- Fisher & Paykel Finance
- Hawkins Construction
- McConnell Property Group
- Ministry of Defence
- Wellington City Council

We look forward to working with you!

A Little Chuckle....

A company, feeling it was time for a shakeup, hires a new CEO. This new boss is determined to rid the company of all slackers.

On a tour of the facilities, the CEO notices a guy leaning on a wall. The room is full of workers and he wants to let them know he means business!

The CEO walks up to the guy and asks, "And how much money do you make a week?" Undaunted, the young fellow looks at him and replies, "I make \$300.00 a week. Why?"

The CEO then hands the guy \$300 in cash and screams, "Here's a week's pay, now GET OUT and don't come back!"

Feeling pretty good about his first firing, the CEO looks around the room and asks "Does anyone want to tell me what that goof-off did here?"

With a sheepish grin, one of the other workers mutters, "Pizza delivery guy from Domino's."

My boss was complaining in our staff meeting the other day that he wasn't getting any respect. Later that morning he went to a local sign shop and bought a small sign that read, "I'm the Boss". He then taped it to his office door.

Later that day when he returned from lunch, he found that someone had taped a note to the sign that said, "Your wife called. She wants her sign back!"

<http://jokes4all.net/jokes/job/jokes.html>

Stat Wrap

GDP (annualised March 08)	3.0%
CPI (annualised June 08)	4.0%
Unemployment (annualised March 08)	3.6%
Wages Growth (annualised March 08)	3.4%

IT Spot

According to Hewitt CSI's New Zealand IT Specialists Survey, employers of IT staff are predicting an average 4.0% salary increase for the 08/09 financial year.

The average salary increase at Total Remuneration Cost for incumbent employees between March 07-08 was 5.4%.

The voluntary staff attrition/turnover rate related to IT specialists is 12.2% (weighted average).

The New Hires Market

The Hudson survey of permanent hiring expectations (www.hudson.com) revealed that the hiring stance of employers has softened from the previous aggressive stance displayed previously. A net positive 26.8% of the 1,969 employers surveyed indicated an intention to increase their permanent staff levels over the July-December 2008 period. This result is down 9.0 percentage points (pp) on the previous period. The IT industry recorded the highest level of employer sentiment of all industries surveyed for the sixth period running.

Employer sentiment in the Upper North Island declined 15.5pp to positive 19.1%. Similarly, the South Island reported a 15.6pp decline in sentiment with a net positive 23.4% intending to increase permanent staff levels over the coming six months. The Lower North Island is the only region reporting increased sentiment compared to the first half of the year with a 2.7pp increase up to positive 38.9%.

Current 'net effect' is arrived at by subtracting the expected decrease in employee numbers from the expected increase in staff levels.

The New Hires Market Continued ...

Employment Outlook According To The Manpower Survey

The Manpower Employment Outlook Survey (www.manpower.co.nz) for the third quarter of 2008 was conducted by interviewing a representative sample of 893 employers in New Zealand. All survey participants were asked, "How do you anticipate total employment at your location to change in the three months to the end of September 2008 as compared to the current quarter?"

The results show that employers report a steady level of hiring intention in this quarter (quarter 3, 2008) with 23% of employers expecting to increase their headcount. 11% are expecting to reduce their numbers and 63% are predicting no change at all. The resulting Net Employment Outlook for New Zealand is +12%.

This quarter, New Zealand employers have been more cautious in their prediction than at any point since the survey began in Quarter 2 2004, and the Net Employment Outlook has declined by a considerable 12 percentage points both quarter-over-quarter and year-over-year.

Note: the "Net Employment Outlook" figure is calculated by taking the percentage of employers anticipating total employment to increase, and subtracting from this, the percentage expecting to see a decrease in employment at their location in the next quarter.

Current Report Releases	
Report	Release Date
New Zealand IT & Telecommunications Industries Salaries & Benefits Survey	Late August
New Zealand IT Specialists Salaries & Benefits Survey	Late September
New Zealand Insurance Industry Remuneration Report	Late September
New Zealand Industry Training Organisation Remuneration Report	Late October
New Zealand Media Industry Remuneration Report	Late October



HR Spotlight

Anna Elvidge
Human Resources Manager
Woosh Wireless Limited

Anna Elvidge is the Human Resources Manager for Woosh Wireless Limited. Woosh offers a world-first radio frequency network to their customers, which allows fast and easy internet access anywhere within their coverage. Anna's role is to manage the Human Resources function including the operational requirements and developing a solid HR framework. We spoke to Anna to find out more...

What are your career highlights?

Moving into this position has been an exciting step up for me; it is extremely rewarding and challenging.

What's your work background?

I have a passion for art and began my working career in a sales position at a boutique Art Gallery. I decided to develop another skill set and started my human resources career at Debbie Graham and Associates in a junior role. I then spent 2 ½ years at Hudson in the volume recruitment team recruiting across all industry sectors by way of transactional recruitment, using the assessment centre methodology and unbundled project work. In May 2007 I started at Woosh in an HR Advisor role and moved into my current position in March 2008.

What is the most important element of remuneration management from your perspective?

Fairness and transparency for the employee, competitiveness as an employer brand within the industry and the ability to develop high performance individuals more easily.

What do you use Hewitt CSI for?

We recently used Hewitt CSI to do a thorough comparison of the current remuneration in our organisation against the market, as a starting point for our revised remuneration structure.

How would you rate Hewitt CSI's service?

It was great working with Hewitt CSI as they were extremely knowledgeable and understood the outcomes I desired.

Anna holds a Bachelor of Commerce, Management from Otago University and a Graduate Diploma, Art History from Auckland University.

