

Remuneration Review

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An Insightful Analysis Of A Pitfall Related To Broad Remuneration Structures With CSI MD, Jairus Ashworth

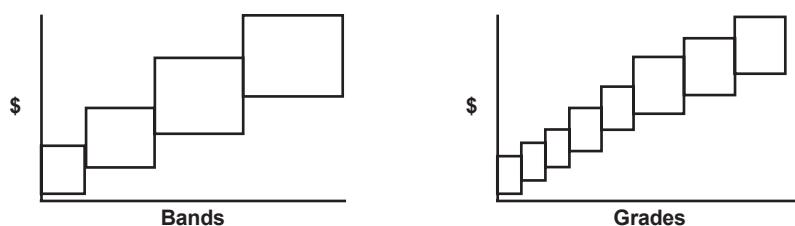
Look Out In 2007!

New Suit, Old Tie

Anybody who studied remuneration as part of their university degree or cut their teeth in a major multinational is probably familiar with points based job evaluation systems such as the Hay™ method. One of the main benefits gained from these types of systems is a series of fairly tight organisational salary ranges which provide an environment where managers can award market competitive salary increases and where employees typically progress easily through the salary ranges.

In the past decade, many companies, particularly those in the rapidly moving and human capital oriented technology and financial services sectors, have moved away from points based job evaluation systems in favour of less bureaucratic and more market oriented ones, including market matching, career levels or broadbands (*refer to page 2 for definitions of these*).

Within the historical context, broadbands, career levels and similar structures are relatively broad. Salary ranges resulting from these structures are typically devised by calculating a 25% spread above and below the midpoint. The effect of this is a range spread of 67%. Furthermore, whilst a points based job evaluation system may determine 20-30 levels between the top and bottom roles of an organisation, a broadband or career levels structure may determine as few as 5 (although typically there is 8-10). Following is a graphical comparison:



The broadness of these newer structures can certainly yield the benefit of providing flexibility in differentiating all aspects of pay for varying skill or performance levels and they generally enable more market-related rates of pay to be granted at the sake of internal equity. However, as a result of our extensive work implementing salary review software within client organisations, we at CSI continuously see a number of areas that adversely affect our clients. These areas are specifically related to managing remuneration under a broad structure. One of the key areas is the salary increase distribution decision making process.

It is increasingly common for an organisation's remuneration team to develop a set of rules and guidelines based on a methodological underpinning around how pay increases should be distributed and how people should progress through the internal salary bands. Unfortunately, in many cases the process does not support the policy goals and this results in the policy goals having a high 'rhetoric' factor.

For instance, it is almost impossible for the typical employee to progress through a salary band with a range width of 67% without regular 'promotion' style salary increases along the way. Even reaching the midpoint may be difficult for all but consistently high performers.

Organisations typically budget a certain percentage of the salary bill for salary increases and an additional percent for promotions (although in many cases the latter is included in the former). This figure is benchmarked against market salary moves and rarely substantially exceeds it. As a result, organisations find themselves in one of two situations:

- The majority of employees receive an increase at or just below the market leading to very little range penetration outside the top 5-10% of employees and feedback from managers administering the increases under such conditions is often along the lines of: "our salary ranges are not market competitive" or "we pay really low". Upon investigation we often find that managers are paying good solid performers right at the bottom of the pay range.
- A large proportion of employees get no salary increase in order to facilitate the small proportion of employees who get a meaningful increase. This means that solid performers gradually fall behind over time. This can lead to retention issues and organisations often end up spending more to replace employees when they leave.

So what's the answer? *Discussion continues inside on page 2 ...*

A New Year And A New Selection Of CSI Products & Services

In 2007 CSI will launch new products and services that have been specifically designed to optimise remuneration management processes and enhance the credibility of the HR/remuneration functions. Following is an overview of headlining products and services:

Pivot Pay Review System

The Pivot Pay Review System is web-based and facilitates the entire pay review process. It is suitable for large organisations or those requiring an online pay review solution. It:

- Saves time by eliminating paper.
- Keeps control of your budgets.
- Automatically recommends salary decisions.
- Keeps your information secure but still accessible from work or home.
- Automatically produces personalised letters.
- Allows you to see the results of your decisions graphically at the touch of a button at any time.

J.E. Hub

CSI's J.E. Hub is a comprehensive job evaluation solution that provides accurate assessments of the relative job sizes of roles within an organisation. As job size represents the value or importance of a role to a business, job evaluation can form the basis for fair, transparent and defensible people management decisions, especially those related to pay, HR policy, organisational design and career progression and development.

Data Cuts Online

This web-based solution provides remuneration report subscribers with the facility to view/download selected 'cuts' of data. For example, a large bank subscribing to the IT Specialists Remuneration Report may select a group of competitor banks within the report and view/download remuneration market data reports based on this selected information.

Please contact Paul Wright, Business Development Manager, +61 2 8440 6513 or consulting@csirem.com.au if you have an immediate remuneration requirement that could be met with any of the above mentioned products/services.

REM101 - Enrol Now!

REM101 provides a broad introduction to remuneration and its role in HR. You will achieve a working knowledge of the important elements of remuneration management, from the 'big picture' to the specifics of day-to-day practicalities.

REM101 is especially for HR generalists wanting a refresher course in remuneration or junior to mid-level staff requiring a comprehensive introduction to this important part of the HR function.

To register your attendance at REM101 on the 16th February in Sydney or Melbourne, go to: <http://www.csirem.com.au/Training/calendar.htm>

New Suit, Old Tie

Continued from page 1 ...

There isn't an easy solution and automatically increasing your salary budget won't assist in most cases. But attention and energy spent seriously modeling how an employee would theoretically progress through the pay ranges over time – ensure you model a high achiever, a solid citizen and a "needs improvement" employee - can provide insight into potential solutions for your organisation.

Critically assess your organisation's structure. Are you satisfied with the speed of progression of employees through the salary ranges? If you aren't you may need to tighten up your salary ranges or look at finding an extra percent to put in your salary increase budget – no doubt an extra percent would be more than covered through the retention of a few employees who might otherwise find employment elsewhere.

*Definitions:

- Broadbands group together jobs of related value regardless of job family and provide salary ranges that are applied across the organisation.
- Career Levels group jobs of a similar function into one family and provide salary ranges for each job family or job stream.
- Market matching allows rates of remuneration and benefits to be calculated on a per position basis by analysing market data that contains information from other organisations that have the same or a similar role.

**Stat Wrap**

GDP	2.1%
(annualised Sept 06 trend figure)	
CPI	3.9%
(annualised Sept 06 trend figure)	
Unemployment	4.6%
(annualised Dec 06 trend figure)	

www.abs.gov.au

IT Spot

According to CSI's IT Specialists Survey, employers of IT staff are predicting an average 4.1% salary increase for the 06/07 financial year.

There was a 6.38% growth (Nov - Dec 06) in the number of vacant jobs in the IT&T sector according to the Olivier Internet Job Index. The IT & T industry index stands at 105.79 in Dec 2006, slightly down from 108.12 in Nov 2006.

The DEWR ICT Vacancy Index remained steady in the 4 weeks to mid December 2006. The index stands at 300.7 (November 2002 = 100) and is 27.8% higher than in December 2005. The three Australian ICT online recruiting sites included in the index averaged around 22,400 vacancies in the 4 weeks to mid December 2006.

Skilled Vacancies

The Skilled Vacancies Index (www.workplace.gov.au) rose by 0.9% in December 2006 to 107.5 (trend). Vacancies for all occupational groups rose:

- Professionals - up by 0.1%
- Associate Professionals - up by 5.7%
- Trades - up by 1.4%

The SVI is 4.6% higher than in December 2005.

Employment Expectations

The Hudson survey of permanent hiring expectations (www.hudson.com) for the 6 months to June 2007 reveals a large increase in employer sentiment for the January – March 2007 quarter.

Up 1.7 percentage points, the current net effect (+32.6%) is the highest level recorded since the July – September 2005 quarter.

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

Are Rising Fuel Prices Really Driving The Car Cost Explosion?

There has been much discussion about how the surge in fuel prices has impacted the cost of running a vehicle. Employees are crying poor with many requesting pay rises or increased car allowances from their employers.

In this environment, HR Managers and business leaders are looking for the right approach to respond to these demands. Analysing the facts around fuel prices and other car costs can help to formulate a satisfactory response.

This article provides an understanding of the important factors contributing to the car cost explosion.

The Facts About The Cost Of Fuel

1. The factors influencing the price of fuel may be divided into two categories:
 - *Short term volatility* is influenced by events such as global instability and natural disasters (eg: Hurricane Katrina)
 - *Long term effects* such as increasing demand from emerging economies and decreasing supply of a non-renewable resource.
2. Excluding the effects of short term volatility and inflation, the price of fuel has increased by 20% since 2004. This translates to an additional \$631 per annum (or \$12 per week) in fuel costs when driving 20,000km per annum in a VZ Holden Commodore.
3. Fuel is a significant cost in running a vehicle but it is not the largest cost.

Why Resale Is More Important Than Fuel Prices

The hidden (and largest) cost of a motor vehicle is the depreciation. Purchasing a vehicle with strong resale is MUCH more important than the price of fuel.

For example, a VZ Holden Commodore will lose \$20,734 of its value in the first 3 years. While a Subaru Liberty of similar value will only lose \$11,467 over the same period, a total saving of \$9,267 (or \$3,089 per annum). Compared to the costs of depreciation, the \$631 per annum increase in fuel costs no longer seem so significant.

So How Do You Drive Your Vehicle \$ Further?

1. *Buy a car that has a history of good resale.* Cars with good fuel economy are more popular at the moment.
2. *Cars with good fuel economy help to offset rising fuel prices.* A VW Jetta Tdi can save you \$1,102 per annum in fuel when compared to a Commodore.
3. *Buy fuel on a Tuesday and not on a Thursday.* A Sydney based ACCC survey revealed that for 17 weeks in a row, Tuesday was the cheapest and Thursday was the most expensive. You could save up to \$187 per annum by purchasing fuel on Tuesdays.
4. *Make sure that your tax benefits are maximised.* A salary packaged vehicle will give you an income tax and GST saving on all running costs. This alone can cut fuel from the 2006 average of \$1.27 to as low as \$0.61 per litre.

What's an employer to do...?

As an employer, it is important to develop a car policy that is not just a knee-jerk response to fear mongering. The answer is to offer options that allow your employees to minimise all their vehicle costs in a tax effective way.



For more information, please contact Jeffrey Morton, Director, Autopia Vehicle Salary Packaging, phone: +61 2 8307 5555 or email: jeffrey.morton@autopia.com.au

Is 2007 The Year To ...

- ☐ Solve your remuneration problems?
- ☐ Implement new remuneration and benefits programs
- ☐ Optimise your remuneration management systems?
- ☐ Implement best practice principles within your organisation?

CSI's consultants can assist you to achieve your 2007 goals. Please contact us:
ph: + 61 2 8440 6500
em: consulting@csirem.com.au

Sensis Puts The Sense In Salary Review



“The process around salary review and incentives, including letter generation, data output, uploading data and data protection have all become so easy and manageable with RemSys,” says Jo Allan, Remuneration and Benefits Senior Advisor, Sensis.

Sensis has been a CSI client since 2003 and is about to embark on their second salary review using CSI's RemSys Salary Review And Management Tool. We caught up with Jo Allan, Remuneration and Benefits Senior Advisor at Sensis, to discuss some of the benefits and enhancements RemSys brought to the Sensis salary review process last year and what is expected this year.

Describe the scope of your business.

Sensis is Telstra's information and advertising business. Sensis' network of services helps people and businesses not only find each other, but buy and sell as well. Our network includes brands such as Yellow™, White Pages®, CitySearch®, Whereis®, Trading Post® and Australia's leading publisher and distributor of mapping and travel related products, Universal Publishers. Sensis also has a majority shareholding in Invizage Technology, Australia's leading IT service provider to small and medium enterprises.

What were you looking for when you found RemSys?

We already had a relationship with CSI as contributors and users of their salary survey information. When they told us about RemSys we were very interested because we wanted our salary review and incentive plan processes to have more rigor in terms of security and ease of use as well as to make the administrative side of the process more streamlined.

What was the main driver for implementing RemSys?

Our main driver was to streamline our salary review and incentive processes.

What did you find/see when you discovered RemSys?

We saw that RemSys would really enhance our existing remuneration processes. With a multitude of spreadsheets and data being sent out to the business, it enables us to see who has made changes to data and to upload data into master spreadsheets, so no more cutting and pasting in Excel!

What are the key benefits you gained from using RemSys?

The process around salary review and incentives, including letter generation, data output, uploading data and data protection have all become so easy and manageable with RemSys. It has taken a lot of time out of the data manipulation side of the process and enabled us to focus on the actual data and the recommendations made.

How much time did RemSys save you during salary review?

We have only used RemSys for one salary review at this point and our aim last year was to implement and test the system then request customisations and changes to make the process really smooth. This year, I expect RemSys to save approximately 20% of the administrative time it used to take to complete the review.

How have other members of your team responded to RemSys?

The HR team has been very positive regarding the change. They can see the benefits of managing their own data and feel more comfortable that we can ensure data integrity with the controls the system enables us to put in place. They are also really positive about the letter generation function, which means no more mail merges to create salary review letters!

If you were recommending RemSys to other organisations, what would you say?

RemSys is a fantastic tool to help organisations conduct their salary reviews. The CSI team was so receptive to tailoring RemSys to fit our salary review requirements and it has cut out a lot of the stress involved in administering a salary review.

How did you find CSI's support during the implementation of RemSys?

CSI provided fantastic support in tailoring the system to our specific requirements. Whenever I needed a change they immediately looked at it and were always willing to help. During the implementation, CSI staff were receptive and responsive and they continue to be so after the implementation.

RemSys

RemSys - Salary Review & Management Software allows organisations to manage, automate and streamline salary review processes. It has been designed to provide a consistent methodology for determining salary increases across the entire organisation; involve key decision makers in the salary review process; reduce the capacity for errors to occur; and enhance the credibility and commercial focus of the HR team.

CSI will continue to recommend and offer RemSys to small and medium businesses in 2007. In addition, we will shortly be launching Pivot Pay Review System, a comprehensive salary review solution suitable for large organisations and those requiring a web-based solution.

Please contact Paul Wright, Business Development Manager, on +61 2 8440 6513 for more information.

CSI Welcomes New Clients

- Air New Zealand
- Baycorp (NZ) Ltd
- BCC AdSystems
- Blake Dawson Waldron
- Bornhorst & Ward Pty Ltd
- Carey Baptist Grammar School
- Castle Personnel Services Inc.
- Cootharinga Society of North Queensland
- Energy Action Pty Ltd
- Guardian Healthcare
- Hornsby Challenge Foundation
- IBS Australia
- InTACT
- Integrated Technology Services
- Lane Piper Pty Ltd
- Manukau City Council
- McKesson Asia Pacific
- MGIC - Mortgage Guaranty Insurance Corporation
- MWH Australia Pty Ltd
- NZ Post Group
- Ravensdown Fertiliser Co-op Ltd
- Research In Motion
- Systemax Solutions
- The Lorna Hodgkinson Sunshine Home
- The University of Sydney
- Touraust Corporation
- Tower Insurance
- Towers Perrin Tillinghast
- UnitingCare Ageing

We look forward to working with you!

A Little Chuckle About Pay

“I must have a raise,” the man said to his boss. “There are three other companies after me.”

“Really?” the boss asked. “What other companies are after you?”

“The gas company, the telephone company, and the electricity company,” the man replied.

As published on:
<http://www.ncbuy.com>



Hot Jobs In The Recruitment Market

The following jobs are hot from a recruitment perspective:

Human Resources - Private Sector

- EHS and OHS specialists within the private sector.
- Temporary human resources candidates and HR generalists, especially those with payroll knowledge in the public sector.

Information Technology

- Candidates with .NET skills for both contract and permanent positions.
- Candidates with C# skills.
- Functional and technical resources with ERP experience (in particular Oracle E-Business Suite and SAP).
- The contract market is active across all areas of information technology. In particular demand are project managers and business analysts, as well as development and PC networks support staff.

Sales & Marketing

- Business development managers across all industries - this role is becoming increasingly relationship focused and rather than solely generating leads and following through, candidates who can take responsibility for end-to-end account management are in demand.
- Salespeople particularly in the industrial and manufacturing industries and in the eastern states following a movement of candidates to Western Australia to take advantage of the demand for staff driven by the resources and mining boom.

Office Support

- Entry-level receptionists and administrators.
- Career receptionists.
- Candidates with specialist backgrounds, such as in information technology and financial services.
- Personal and executive assistants with strong technical skills - the legal industry shows a particularly strong demand for this level of candidate.
- Team administrators and secretaries at the \$40,000 to \$45,000 level, particularly those with construction and property industry experience.
- Office managers for small to medium size businesses who can perform an office all-rounder role while operating at a management level.

For full details of the Hays Quarterly Forecast, including current market conditions for sectors across Australia, visit: www.hays.com.au/forecast.

Position Descriptions Online

Within CSI's website, you can freely access position descriptions for all surveyed roles within each of the twenty-one Australian and four New Zealand reports that collectively make up the CSI suite of remuneration reports.

CSI's position descriptions (PD's) provide a detailed understanding of specific roles within a variety of industry sectors as well as common roles within the general and executive markets.

Each PD presents information on:

- What the role is responsible for.
- The position the role typically reports to.
- A list of main activities performed by the role.
- A list of key skills required by employees to perform the main activities.
- The types of internal and external contacts employees in the role would typically interact with.
- The typical years of experience required by employees to competently perform the role.

The online PD's are therefore a very valuable resource and can be used in a multitude of ways, including:

- When purchasing a new remuneration report, to assess whether your organisations' positions match to the surveyed position descriptions. In doing this assessment you can gauge the value of a remuneration report to your organisation.
- To provide access to PD's amongst your HR team and to business managers in your organisation that are involved in the job matching process.
- To gain an understanding of common content of roles within the market when formulating new PD's for your organisation. This should assist with using terminology within the PD which will facilitate the recruitment process.
- To search CSI's position database when you require market remuneration data for a role that is not published in your industry -specific remuneration report.

Access CSI's Position Descriptions Online Now!

CSI's PD's can be accessed through CSI's website. Go to: www.csirem.com.au/surveys, then select the survey you are interested in viewing position descriptions for. Once the survey page has loaded, scroll down to the 'Position Descriptions' links. You can view each PD in a web page or download the position descriptions in an adobe acrobat (.pdf) format.



HR Spotlight

Pina Hasbani

Director, HR

Crown Castle International

An HR executive at age 30, Pina Hasbani has vast experience working for international companies. She now heads up the HR function for a leading shared wireless infrastructure business and she recently took time out to discuss remuneration management and her work/life with us.

What are your career highlights?

In my past 3 organisations I partnered with the business to design and manage HR strategies which strongly contributed to the growth of the business. I also provided development opportunities for HR professionals with high potential, many of whom now lead HR functions in other organisations.

What's your work background?

The first 9 years of my career were spent climbing up the corporate ladder with the last 11 heading up the HR function for 3 different organisations.

How has remuneration management changed in your organisation over the past 12 months?

Our focus has shifted to rewarding performance that contributes to our organisational outcomes.

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

Pay for performance. In my experience, having all employees on an incentive scheme has helped to drive the desired business results.

Describe something distinctive about yourself.

I've been told it's my strong intuition skills, from both a business perspective and in my assessment of people.

How do you spend your free time?

Predominately with my family.

What do you use CSI for?

CSI provides market data for 80% of our roles (including our executive roles) and regular industry updates. I also use CSI as a sounding board with respect to new and innovative ideas.

How would you rate CSI's service?

Excellent. I've used the services of a number of compensation related organisations in the past and CSI is certainly up there with the best!

Pina has tertiary qualifications in HR and Training and a postgraduate degree in Management.



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