

Remuneration Review

Australian Edition, Issue 25, Winter 2007



Salary Survey Data Input With CSI MD, Jairus Ashworth

Important CSI Announcement

Bigger Is Always Better



One of the differences between various salary surveys available in the market is how survey providers deal with the issue of data input and sampling rules. At CSI, we firmly reject the concept of "sample" in favour of "census". We encourage survey contributors to provide data for every individual in their organisation who matches to a survey position. For example, if you have six hundred call centre consultants, we ask that you provide data for all six hundred of them rather than providing just a small selection of these individuals that are paid at different points within your salary range.

While this approach may involve more work (both on the side of the salary survey provider and contributing organisations) than surveys which ask you to make a random selection or provide the lowest, average and highest paid employees in a job, we believe it contributes immeasurably to the quality and accuracy of survey output. Here are four reasons why we encourage the provision of data for all possible employees from each contributing organisation and why this approach yields greater benefits for contributing organisations:

1. Market Reflective Results

Most statistical tests of sampling accuracy describe an inverse relationship between sample size and standard error. As a rule of thumb larger samples equals lower standard error and hence surely that the sample is broadly reflective of the total population surveyed.

2. Ability To Report Accurate Percentiles

Most salary surveys use statistical measures of sample spread in order to reflect the range of salaries paid in the market for a particular role. It is common to report the 25th, 50th and 75th percentiles although increasingly online tools allow you to drill down even further to other percentile points. If survey participants do not enter the full range of salaries paid within a given position during their data input, the survey results will not show the market percentiles accurately and will tend to show a lesser spread. This directly affects survey contributors who rely on the survey results to gain an accurate view of pay at different points in the market.

3. Better Depth Of Data Cuts

When survey contributors provide the full range of employee data within a given role, the survey provider is better able to report on further detail for each position. For example, the differences in rates paid based upon which state or territory individuals are located in or the differences in pay rates according to organisation size can be presented.

4. Accurate Tracking Of Same Incumbent Movements Over Time

In each of our salary survey reports, we record same incumbent salary movements (salary increases for people who have been in the same role for 12 or more months) by matching up the organisation code, position code and individual employee identifier from one survey cycle to the next. If contributing organisations only provide an indicative sample of their employee population within a role then there is a greater chance that from survey to survey different individuals will be entered and the information will not be used within the same incumbent movements database. With staff attrition, promotions and organisations entering and leaving the database in most surveys, only 50-60% of same incumbents can be matched from survey to survey. It is critical that the sampling methodology does not further reduce the size of this database.

Some organisations, on first becoming a contributor to a salary survey, express concern about providing remuneration information for all possible employees within their organisation. When this occurs, we at CSI, take time to explain our philosophy surrounding data input and show the importance of full disclosure of employees' remuneration information for the benefit of *all* contributing organisations. We also ask contributing organisations to remember that data 'swamping' rules ensure that no single organisation can dominate either an individual role or the database and this will ensure the confidentiality of information provided to CSI for inclusion within survey reports.

The Start Of A Beautiful Relationship

CSI is proud to announce the recent integration of Pivot Consulting into CSI New Zealand.

We believe this is the start of a beautiful relationship.

The CSI/Pivot integration provides an exciting opportunity for CSI to grow the New Zealand business and the team in New Zealand has now expanded to support our new client base.

Rachael Finnemore (Practice Manager), is joined by Philippa Youngman (Remuneration Consultant), Janine Irvin (Remuneration Consultant) and Abbe McCauley (Office Manager). The New Zealand office can be reached on +64 9 522 8194.

CSI hosted wine and cheese evenings in Auckland, Christchurch and Wellington to celebrate the "coming together" of Pivot and CSI in July.

Smart Shopping Tips

Purchasing The Right Salary Review Software Solution

This is the second article in a five part series providing tips on what to look for when you're shopping around for the perfect salary review software solution for your organisation ...

There are a number of key design features within quality salary review software solutions that HR practitioners should demand when making their purchase. The first of these features is a consistent organisation or department-wide methodology for making salary review decisions.

Consistency of methodology should be achieved within the software in a number of ways. Here are the design features to look out for when deciding on the right software solution for your organisation:

✓ The software should force users to perform an analysis of data sources used for salary review and examine the flow of the processes used within the organisation during salary review prior to the commencement date of the salary review.

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Purchasing The Right Salary Review Software Solution

This encourages each part of the business to critique and agree the sources of information and flow of processes during the review thereby assisting to establish, promote and maintain a consistent approach to making salary review decisions across the business.

- ✓ The software should provide an automatic and sound procedure for recommending salary increases for all employees within the organisation (or department) based on the:
 - Salary review budget;
 - Position of employees within their pay ranges; and
 - Employees' performance / competency ratings.
- ✓ The software should facilitate automated access to consistent information that is tailored to various levels within the organisation. For example, Reviewing Managers should see:
 - Remuneration data for each of their employees;
 - The system's salary recommendations; and
 - The effect of their decisions on their salary budget.

Whilst, Approving Managers should see a summary of their direct reports' spend and all data related to employees below their own level in their own department in order to compare positions/grades/performance.

The next article within this series will discuss the second key design feature within quality salary review software solutions that HR practitioners should demand when making their purchase. This feature is 'greater control mechanisms for HR practitioners to automatically monitor and guide the progress of the salary review with ease and intelligence'.

Should you require this information before the next edition of our newsletter, please be in contact with:

① Sydney: Paul Wright on +61 2 8440 6500

① Melbourne: Nigel Gray on +61 3 9607 1361



New Hire Remuneration Rates Survey 2007

In response to client feedback that determining new hire rates is becoming increasingly difficult in the current business environment, CSI has gathered meaningful data to assist HR professionals with determining salary packages for newly recruited employees.

Our brand new report provides market insight into new hire rates and mechanisms being used to attract employees across an array of job families and job levels within Australian organisations.

One of the main findings within the report is that 90% of surveyed organisations are paying increased dollars in base salary or cash terms in response to new hire pay pressure. Increasing base salaries has major long-term implications for an organisation's profitability as it is almost impossible to reduce employees' base salaries once the pressure on pay diminishes. This was seen clearly during the 'tech-crash' of the early 2000's.

For this reason, one of the most important areas of the report is the section that provides an analysis of the prevalence of different cash based and soft benefit strategies being used to help cope with the new hire pressures.

With 104 participating organisations, other topic areas covered in the report include:

- Pay Pressure - in particular, whether pressure to pay new hires at an increased rate to existing employees is being experienced; the acuteness of the pressure; and the most affected job families, job levels and job roles.
- The Most Pressured Roles - titles of the 10 roles experiencing the most acute pay pressure.
- Pay Premiums - the percentage premiums being paid to new hires by job family, job level and job role.
- Regional Hot Spots - the states/territories experiencing more or less pay pressure.

The report is available from 10th August for \$500 + GST and order forms can be accessed via CSI's website: <http://www.csirem.com.au/Surveys/HRPolicy/NewHire>.

CSI's Top Executive Climate Survey Report 2007

Executive remuneration is always on an HR practitioner's radar. It is a unique area of remuneration management and setting executive remuneration requires careful planning, internal analysis and plenty of relevant market data.

CSI's Top Executive Climate Survey Report 2007 assists HR practitioners by presenting the major market trends in executive remuneration.

It provides an overview of market trends and policy information related to salary packaging, benefits and long and short term incentive plan design for executives. It also includes statistics on executive staff attrition and forecast salary increase budgets.

Plus, it presents an analysis of the most acute top executive remuneration issues, as reported by participating organisations, for the 2007/08 financial year.

Eighty seven organisations from a range of industries participated in the survey and key topics discussed within the report include:

- The relative importance of different factors organisations consider when determining executive salary increases.
- The rates of pay provided to executives who have international responsibilities.
- The typical structure and benefits within executive remuneration packages.
- Major trends in short and long term incentive plan design for executives.
- A summary of 'hot' executive remuneration issues for 2007/2008.
- Trends on the positioning of executive pay in the marketplace.

As this report has been produced for the eleventh year in a row it is an authoritative and reliable document for HR practitioners who require accurate and defensible executive remuneration market intelligence.

The report is available now for \$500 + GST and order forms can be accessed via CSI's website: <http://www.csirem.com.au/Surveys/HRPolicy/TopExec.htm>

How Job Analysis Can Assist Your Organisation

What Is Job Analysis?

Job analysis involves systematically identifying and documenting important and defining information associated with individual roles within your organisation. This process is usually done via interviews with individual job holders and/or their managers. Job analysis is a fundamentally important step in making remuneration decisions. Without the detailed intelligence gathered and documented during a job analysis project, pay decisions may lack transparency and justification, rendering them difficult to defend. This can adversely affect employees' perceptions of remuneration and employee morale within an organisation.

Benefits Of Job Analysis

Job analysis projects can benefit an organisation in a number of key areas:

- Job analysis provides an understanding of the content of an organisation's roles, thereby providing the intelligence required to either benchmark an organisation's roles to comparable positions in the market and ensure the remuneration offered to employees is market competitive, or assess the internal relativities of roles and build a banding or grading system.
- Job analysis results can be used for justifying or enhancing broader HR strategies and processes; including recruitment, skills training, performance appraisals, workforce planning, organisation design, and career development.
- Where perceptions around pay are negative, the process of job analysis can assist with providing employees with an opportunity to express their operational knowledge of the roles they perform and contribute to the processes that determine remuneration levels. This in turn encourages employees to have greater trust in the remuneration and broader human resources decisions that are made within the organisation.

For further information on how CSI can assist organisations with job analysis, go to: <http://www.csirem.com.au/RemunerationConsulting/Capabilities/index.htm>

Organisational Culture & Remuneration Strategy

What's the Connection?



Helen
O'Sullivan



Robin
Doubé

Helen O'Sullivan and Robin Doubé have recently partnered to promote the benefits of the Grid Leadership Program to individuals and organisations in Australia and South East Asia. The following article discusses the impact remuneration strategy has on organisational culture and provides insight into how the Grid Leadership Program can benefit Australian organisations.

Organisational culture is getting a lot of focus these days. When organisations strive to excel in their performance over a sustained period of time, this vision is typically built around developing a positive and sustaining culture.

Alternatively, when there is a partial or complete organisational failure, there is a heavy focus on the prevailing culture and to what extent this culture contributed to the failure.

Remuneration strategy and practice comes into play in both scenarios as the type and extent of rewards provided reinforce actual culture norms and standards.

As remuneration practice touches every part of an organisation (think of how and what goals are to be measured, how often, how these are communicated to eligible employees and understood by them, goal congruency, the extent and nature of incentive programs both short and long term, individual or team based, competitive practice, legislative requirements etc), it quickly becomes apparent that remuneration specialists need to have a clear understanding of organisational culture, the extent to which the culture will be positive and sustaining and how strongly remuneration practice supports the stated culture.

At its most simple level, organisational culture is defined

as "how we think and do things around here". If there is a need to change the culture, this requires focus on the values and attitudes at the individual and organisational level and how effectively people work together (their behaviour) as a team. As Kurt Lewin indicated, behaviour is a function of the person (values, attitudes) and the environment (culture).

Indications of a strong and sustaining culture are where people contribute effectively by demonstrating the skills of critique and feedback, initiative, inquiry, advocacy, decision making, conflict resolution and resilience.

In other words, open and honest discussions or candour about every aspect of their work. As Jack Welch said, "Lack of candor basically blocks smart ideas, fast action, and good people contributing all the stuff they've got".

Candour results in a culture built on creativity and innovation with objective based discussions where the focus is on "what's right" not "who's right" for "win/win" outcomes. So if "win/win" behaviour is expected as part of the culture, it needs to be rewarded.

Remuneration specialists are constantly sensing the market to ensure there is a clear understanding of competitive practice and trends. Without this effort, there is a risk remuneration practice will be out of touch with the market and lack credibility. This can and will impact on the ability to attract, retain and motivate key staff.

Testing the vibrancy and sustainability of organisational culture can be more challenging as every culture is different. However, by considering the actual values and attitudes in the organisation, it is possible to get a measure of the type of prevailing culture.

For example, are there high levels of mutual trust and respect? Is there ongoing and constructive candour and critique? Is there a constant striving for innovation and a personal commitment to "what's right" not "who's right"? Are there sound norms and standards?

The challenge for remuneration specialists and ultimately the organisation, is to be able to create a vibrant and sustaining culture and to develop and implement remuneration strategies and practices which support and reinforce this culture.

Readers are invited to take a free online Personal Leadership Values Test. This test will provide the participant with a more detailed understanding of their strongly held values, how this influences organisation culture and provokes consideration for how these values align with demonstrated behaviour - often these are not in sync.

The test is available at: <http://www.gridinternational.com/values2.html>

To discuss this article in more detail or for further information on the Grid Leadership Program, please contact Helen O'Sullivan on +61 3 9663 5044 or helen@grid.com.au or Robin Doubé on 0425 220 899 or rdoubé@hotmail.com.

www.grid.com.au

A Little Chuckle About Pay

One day an employee sent a letter to his boss asking for an increase in his salary:

Dear Bo\$\$

In thi\$ life, we all need \$ome things mo\$t de\$perately. I think you \$hould be under\$anding of the need\$ for u\$ worker\$ who have given \$o much \$upport including \$weat and \$ervice to your company.

I am \$ure you will gue\$\$ what I mean and re\$pond \$oon.

Your\$ Sincerely,

Norman \$oh

Norman \$oh

As published on:
www.aarons-jokes.com

CSI Welcomes New Clients

- Ajilon Consulting
- Australian Air Express
- Australian Home Care Services
- Black Dog Books
- Carestream Health Australia
- Citywide
- Colonial First State Property Management
- Diebold Incorporated
- Eye Corporation Pty Ltd
- FleetPartners
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- Murdoch Books
- Network Ten
- Newcastle Permanent Building Society
- News Digital Media
- News Magazines
- Ninemsn
- Orbis
- Orthotech Pty Ltd
- Progen Pharmaceuticals
- Proteome Systems Ltd
- QLD Treasury
- St John Ambulance NSW
- The Herald & Weekly Times
- The Portland Housing Group
- Thomson Learning Australia
- Valorem Systems
- Vision Fire & Security
- West Australian Newspapers Limited
- Westinghouse Rail
- XYZ Networks
- Yahoo! 7

We look forward to working with you!

Client Comment

"I use CSI for reviewing the Ricoh remuneration strategy, salary review process and data. CSI's assistance has taken all of the 'pain' out of the salary review process for me."

Rachel Wells, People Manager, Ricoh New Zealand



Pressures In The Recruitment Market

Employment Expectations

The Hudson survey of permanent hiring expectations (www.hudson.com) for the 3 months to September 2007 reveals that employer optimism continues to rise with the sixth consecutive quarter on quarter increase in sentiment and the highest level of optimism in seven years of surveying.

A net positive +36.8% of the 7,788 employers surveyed indicated an intention to increase permanent employment levels over the next quarter, representing an increase of 2.5 percentage points from last quarter.

More than eight times as many employers have indicated that they intend to increase their permanent staffing levels over those who have indicated a decrease.

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

Executive Demand

Demand for Australian executives reached another record high by growing a further 5% in May compared with the previous month, according to the E.L Executive Demand Index (www.elconsult.com).

The further increase in demand in May means that the demand for local executives is in a very healthy state, having risen by 24% in the past year in reaction to steady domestic and global economic growth, a relatively benign international interest rate environment and booming sharemarkets.

Mr Grant Montgomery, Managing Director of the executive search firm E.L Consult that researches and publishes the E.L Index, said: "There is money around to hire new executives in all industries and in all states and it has been that way for some time".

Recruitment Trends

The Olivier Internet Job Index (www.olivier.com.au) rose 3.72% (seasonally adjusted) in June – and has gained 45.62% in the past 12 months.

"At this time last year we were wondering if job ads would top 250,000, now it's grown by almost half again.

Clearly, competition for employees is at a record high as Australia enjoys the lowest unemployment rate in decades," says Graham Liu, Divisional Manager at Olivier Group.

Stat Wrap

GDP (annualised Mar 07 trend figure)	3.5%
CPI (annualised Mar 07 trend figure)	2.4%
Unemployment (annualised June 07 trend figure)	4.3%

www.abs.gov.au

IT Spot

According to CSI's IT Specialists Survey, employers of IT staff are predicting an average 4.4% salary increase for the 07/08 financial year.

There was a 1.89% drop during June 2007 in the number of vacant jobs in the IT&T sector according to the Olivier Internet Job Index. The index stands at 139.96 in June 2007, down from 141.02 in April 2007.

The DEWR ICT Vacancy Index fell by 0.8% to 367.2 over the four weeks to mid June 2007 (November 2002=100) and is 25.9% higher than in June 2006. The three Australian ICT online recruiting sites included in the ICT Vacancy Index averaged around 27,300 vacancies in the four weeks to mid June 2007.

The number of vacancies on Australian JobSearch, DEWR's online employment website, was around 79,000 in mid June 2007. The top four occupational groups were: Labourers, Factory and Machine Workers (13,300); Accounting, Finance and Management (8,500); Food, Hospitality and Tourism (7,600); and Marketing and Sales Representatives (7,600).

Skilled Vacancies

The Skilled Vacancies Index (SVI) (www.workplace.gov.au) fell by 0.8% in June 2007 to 99.7 (November 1997=100).

Vacancies fell in three States and across the three broad occupational groups:

- Professionals (down by 1.5%),
- Associate Professionals (down by 4.4%)
- Trades (down by 1.0%)

In annual terms, the SVI is 6.2% lower than in June 2006. Skilled vacancies fell for twelve and rose for six occupational groups in June 2007. The strongest falls were for Medical and Science Technical Officers (down by 9.4%), Wood Trades (9.3%) and Marketing and Advertising Professionals (6.3%). The strongest increase was for Science Professionals (up by 5.4%), followed by Electrical and Electronic Trades (2.0%) and Automotive Trades (1.9%).



HR Spotlight

Angela Wakenshaw
Human Resources Manager
Munich Reinsurance Group

Angela Wakenshaw lived in Japan for 12 months after completing her degree, then worked as a Recruitment Consultant before joining a corporate HR team. Since then her HR generalist roles have been predominantly in the financial services, legal and IT sectors. She now works within the insurance industry, an industry which is currently under considerable resourcing pressures. We spoke to Angela about her career, her life and the approach Munich Reinsurance is taking towards remuneration management and employee attraction, retention and motivation.

Describe your role responsibilities?

I work with the business to support managers and staff in all generalist Human Resources areas, including performance management, leadership, career development, recruitment and selection, reward and recognition and remuneration.

How is Munich Reinsurance responding to the current business environment in relation to remuneration management?

We are focused on providing a competitive remuneration package and ensuring a range of options are available to attract and retain key resources. Providing these options in a tax effective and administratively effective manner has become increasingly important.

How do you spend your free time?

My partner owns 2 race horses, so we are often at the races – him for the horses, me for the hats! If not at the races, you will find me cooking or lunching, shopping or at the gym!

What's the most recent advice you've received from CSI to assist with remuneration management?

Recently a colleague from our Munich Head Office visited. We spent valuable time with CSI consultants helping him to understand remuneration approaches in Australia and Munich Re's market position. We discussed some of the ongoing challenges we face as well as a range of strategies to ensure our market competitiveness. CSI's consultants were flexible and open. We were able to raise issues, seek further information and be informed of changes which are relevant to our business.

Angela holds a Bachelor of Arts (Languages), a Certificate IV in HR and is a Certified Professional Member of AHRI.



CSI - The Remuneration Specialists Pty Limited A.B.N. 86 003 854 920

Head Office - Level 12, South Tower, 1-5 Railway Street, Chatswood NSW 2067, Ph: +61 2 8440 6500

Melbourne - Level 9, 440 Collins Street, Melbourne VIC 3000, Ph: +61 3 9607 1361

Auckland - 8a Melrose Street, Newmarket, Auckland, New Zealand, 1023, Ph: +64 9 522 8194

www.csirem.com.au or www.csirem.co.nz