



# Remuneration Review

New Zealand Edition, Issue 4, Autumn 2006

Hot New Release!

## CSI's Incentive Pay Plans Policy & Practice Report 2006

This report presents all the intelligence you need to ensure your incentive pay plans are market competitive. It also features case studies from QBE Insurance Group, EDS New Zealand and Oracle Corporation Australia.

Statistics appear in easy-to-read graphs with in-depth commentary to assist you to understand market trends. Results are based on data from 130 Australian and 35 New Zealand businesses.

Report results for New Zealand reveal:

- An average of 81% of employees in the organisations surveyed are eligible to participate in an incentive pay plan.
- Employee groups that are most likely to be included in incentive pay plans are; Senior Executives (93%), Management (89%) and Internal IT (79%). R&D employees (32%) are least likely to be included.
- Across all levels of employment, the most common factor taken into account when setting performance objectives is individual performance (46-50% of organisations consider this factor), with this factor determining 40-60% (at median) of the potential payment.
- Senior Executives have a much stronger focus on financial measures than other employees within surveyed organisations, with 75% of their incentive payment determined by financial measures of performance. At the Professional and Agreement Covered/Administration employment levels, there is an equal balance between financial and non-financial measures.
- Across all employment levels, incentive payments are most commonly paid out on an annual basis.

For more detail on the content of this report or to order your copy, go to CSI's website: <http://www.csirem.com.au/surveys/policy/index.htm> or contact Christine Rulli at CSI on +61 2 8440 6529 or [crulli@csirem.com.au](mailto:crulli@csirem.com.au)

News Flash

## CSI Opens New Zealand Office

It is with great pleasure that we announce the opening of our New Zealand office and the appointment of Rachael Finnemore to the position of New Zealand Practice Lead.

The expansion to New Zealand is the latest in a series of moves made by CSI to better service a growing client base. It will enable our current and prospective New Zealand based clients to readily access our expert remuneration advice, innovative training programs, and leading edge remuneration and benefits products and services.

"The opening of our New Zealand office is an historic event for CSI," remarked Jairus Ashworth, Managing Director. "We are now an international company."

Located in Auckland, CSI's new office will be officially open for business on the 1st May 2006 and will service the whole of New Zealand.

Rachael Finnemore joins CSI after a long and successful career with Vodafone New Zealand, most recently in the position of HR Services Manager.

"Rachael brings a wealth of remuneration management experience and knowledge to her new role within CSI," commented Mr Ashworth.

"Rachael is charged with building CSI's New Zealand business. She will be working closely with our clients to develop and implement tailored remuneration solutions. She will also be expanding our suite of New Zealand specific remuneration reports. Our inaugural New

Zealand Executive Remuneration Report, released in April 2006, is the first publication in an expanding range of reports that will become available as the year progresses."

Further details about the opening of our new office will be announced shortly. Should you have an urgent remuneration requirement and wish to meet with Rachael, contact CSI's Sydney office on +61 2 8440 6500 to arrange a meeting.



Newly appointed New Zealand Practice Lead, Rachael Finnemore (left) with Managing Director, Jairus Ashworth (right)

By Jairus Ashworth, Managing Director

## The Role Of Rewards In Becoming An Employer Of Choice

The latest HR Holy Grail for many organisations is to become an "Employer of Choice" (EOC). With awards ranging from Fortune magazine's "Coolest Companies" to AGSM/Hewitt's "Best Employers To Work For", there is great opportunity for organisations to gain public recognition of their successful working cultures. The awards represent a strong marketing tool for current and potential

employees of the company. There is also a correlation between being a best employer and delivering above average financial returns.

Whether the EOC phenomenon disappears or becomes deeply ingrained in management practice, one message that has come out strongly from these studies is that "Pay is not the answer". The argument is that

above market pay, in and of itself, does not create an environment of employee engagement and high commitment to the organisation. A fair enough point!

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## The Role Of Rewards ...

Increasingly though it seems this has been distorted almost to the point where people are saying that rewards do not matter - all you have to do is follow the market and you will be okay. We, at CSi, feel this is a dangerous and erroneous perception and that rewards are one of the most effective levers an organisation can use in building a great place to work by aligning employee and organisational goals.

The primary purpose of a good rewards program is to reinforce and encourage certain behaviours. In essence, using rewards is about "putting your money where your mouth is" - if you want employees to achieve particular results, you need to reward them if they do. This can be done through a number of channels; personal recognition, spot bonuses and incentives, increased base pay or lifestyle benefits. The important thing is that the rewards program is aligned with the culture the organisation is trying to create.

There are multiple variables the rewards professional can modify to ensure this alignment exists:

- The mix between base salary, variable pay and benefits
- The method of determining base pay increases
- The position of salaries vis a vis the market
- The criteria upon which incentive or bonus payments are awarded
- The emphasis on team versus individual rewards

There is no more of a concrete reinforcement tool than hard cash. If the way an organisation distributes this cash is not consistent and reinforcing of the values and cultural messages, it is undoubtedly far more difficult to persuade employees of their authenticity.

Let CSi partner with your organisation to ensure your pay strategies, policies and practices are sending a consistent message to your employees and support the strategic direction of your business.



## Stat Wrap

GDP	2.7%
(annualised Sept 05 trend figure)	
CPI	3.2%
(annualised Dec 05 trend figure)	
Unemployment	3.6%
(annualised Feb 06 trend figure)	
Wages Growth	3.1%
(annualised Dec 05 original figure)	

## Employment Expectations

The Hudson survey of employment expectations ([www.hudson.com](http://www.hudson.com)) amongst 2,261 clients showed a positive net effect of 36.6%, with a positive outlook across all industries for the 6 months to June 2006. Industries indicating a more positive sentiment than the national average include:

- IT +55.8%
- Construction, Property & Engineering +53.4%
- Telecommunications +45.1%
- Professional Services +45%
- Transport +45%

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

## Job Vacancies

The total number of advertised job vacancies decreased to 6,895 in February 2006 - 8% less than in the same period 12 months earlier. This was the largest fall measured since the inception of the Job Vacancy Monitor ([www.dol.govt.nz](http://www.dol.govt.nz)) and was the fifth consecutive month in which an annual decline in vacancies was measured. The growth in advertised vacancies has been trending downwards since April 2004. Highly skilled job vacancies fell by 8% in the same period.

However, there were still 25% more advertised vacancies in February 06 than in February 03.

## IT Spot

According to CSi's NZ IT/Computer Specialists Survey, employers of IT staff are predicting an average 4.4% salary increase for 06/07.

Whilst the average salary increase at total remuneration cost for incumbent employees in the period March 2005-06 was 5.7%.

## Attracting & Retaining Talent In The Asia Pacific Region

### Hong Kong

Hong Kong is experiencing rising staff turnover rates across all business sectors, except the health care industry. The average turnover rate rose from 10.7% in 2004 to 14.7% in 2005. Sales and marketing were the hardest hit job functions with an average 22.0% attrition.

Hong Kong companies reported the three most effective retention mechanisms to be salary increases; incentive bonus schemes; and career progression.

There is a continuous trend of increased use of performance-based reward amongst Hong Kong companies. The fixed versus variable cash ratios by staff category are:

94:6	general to supervisory staff
91:9	management/snr management
87:13	top management

### India

Indian companies are experiencing difficulty with attracting and retaining all types of talent. The highest staff turnover rates have been experienced in the BPO/IT enabled (40 - 50%); hi-tech (20 - 30%) and consumer products (12%) industries.

Companies are using monetary (pay for performance, stock options, etc.) and non-monetary (recognition schemes, education assistance, overseas assignment etc.) reward strategies to address the attraction/retention issue. Companies are also advised to pay special attention to career development and skills enhancement for employees.

### Japan

Japanese companies are currently grappling with the "2007 Problem", a generic term for the consequences of the impending mass retirement of baby-boomers.

The problem is primarily about skills and know-how succession between the baby-boomer generation and the next.

Companies are attempting to address this problem. Their strategies include extending the retirement age; systematizing skill and know-how succession; and increasing employment of new graduates as technical workers.

### Malaysia

When asked to identify key HR challenges, more than 30% and 15% of businesses indicated 'employee retention' and 'employee attraction' as top HR challenges. The general tightening of labour markets as companies shift from a 'cost focus' to 'growth focus' is considered a contributing factor to this result.

In response, some companies are looking at hiring talent outside of Malaysia, especially in key sectors such as oil/gas and financial services. Others are starting to review pay and reward policies and practices as competition for talent picks up. The introduction of long and short-term incentives and other non financial incentive programs, (e.g. flexible benefits, work/life balance, job rotation) are also being assessed.

Strategies outside of reward management that have been identified as mechanisms to attract and retain employees include partnering with universities to develop pools of talent to meet future business needs; developing a broader range of training and development initiatives through the offer of international assignments; providing project exposure to key employees; encouraging continued education; and offering management development.

### Thailand

Retirement benefits are increasingly being viewed as an effective retention tool - 72% and 55% of companies consider retirement benefits as 'excellent' and 'good' retention tools for management and non-management groups of employees.

### References

Watson Wyatt Asia Pacific Databases  
The Economist Intelligence Unit  
Major Local Newspapers and Media

CSi has a strategic alliance with Watson Wyatt, one of the world's leading international benefits and human resources consultancy firms. Through this alliance we can provide you with international remuneration market intelligence, compensation reports, HR reference manuals and Watson Wyatt's Global Grading System (GGS).

# Toolkit: Understanding And Using Pay Market Data



## Introduction

There are many reasons for using external pay data. These include:

- creating or validating a grade structure or set of pay ranges
- checking out the external market before recruiting into a new position
- developing a new bonus scheme
- responding to recruitment or retention problems.

Whatever the reason, if it has fallen to you to provide the external pay data, how do you find good data? How do you know if the data is reliable? And how do you turn raw data into meaningful analyses?

Following is an extract from a comprehensive toolkit, written and researched by e-reward. This extract will help you understand the methods of obtaining, interpreting and using market rate data as a basis for market pricing decisions.

## Why do organisations make market comparisons?

One of the vital ingredients of an effective human resource strategy is the development of a competitive pay and benefits position which enables you to attract, retain and motivate people with the skills necessary to deliver organisational success. Competitive pay structures – whatever the degree of formality – can only be developed and maintained if data on the levels of pay in the external market are systematically monitored by a process of market rate analysis.

To do this effectively requires a balancing act whereby the organisation aims to reconcile the often conflicting needs for pay structures and levels to be both internally equitable and externally competitive.

In spite of the importance of internal equity, some organisations decide that it should be a secondary consideration, especially if the market for their key staff is highly competitive. Other organisations

may state that their policy is to be sensitive to market rates without being driven by them, which means that they have to resolve the competing claims of competitiveness and equity.

## The problem of defining a market rate

All too many managers and senior executives – and, indeed, many employees – commonly believe that it is not only possible, but relatively simple, to establish a “correct” rate, for any given job, in any industry, in any location, for any age or experience level – preferably to the nearest dollar.

But as a report by CubikSurvey.com explains, accurate market-rate information may be difficult to obtain:

*“The expectation is that reward specialists, and the surveys they provide, can wave a magic wand and come up with the only right answer. This rather overlooks the complexity of remuneration issues. It is rare that two companies, even within the same industry and location, are managed in identical ways. Different corporate values, perceptions of the contribution of each job to the effectiveness of the organisation, and the experience and performance of the individuals holding the jobs all impact on the remuneration paid to people in apparently similar positions.”*

Ultimately those differences are reflected in the market and the remuneration paid to people in apparently similar positions. There is always a choice of rates. No survey is able to provide the single “correct” salary for any position, or range of positions.

## What is market rate analysis?

Market rate analysis aims to collect two types of data to provide for competitive pay:

- the rates provided for similar jobs in other organisations
- the rates at which pay is increasing in other organisations (‘going rates’) in order to inform decisions on annual pay reviews.

## What are market rate surveys?

- surveys that collect information on pay – market rates – and employee benefit provisions in other organisations
- reports that provide guidance on levels of pay and benefits within the organisation in line

with its policies on reward comparabilities

- reports that are sometimes known as ‘pay and benefit surveys’ or ‘pay benchmarking’.

## How is market data used?

- to maintain a competitive pay and benefit position
- to assist in determining levels of pay
- to provide guidance on internal differentials
- to inform annual pay reviews.

## How to select a salary survey

Surveys are sometimes prohibitively expensive and of varying content, presentation and quality. When selecting a survey we suggest that you follow our guidelines:

- Does it cover relevant jobs in similar organisations?
- Does it provide the information on the pay and benefits required?
- Are there enough participants to provide acceptable comparisons?
- So far as can be judged, is the survey conducted properly in terms of its sampling techniques and the quality of job matching?
- Is the survey up to date?
- Are the results well presented?
- Does it provide value for money?

## What are the key steps in the process of market analysis?

1. Confirming the need for market analysis and who will do it
2. Deciding on job coverage
3. Data collection criteria
4. Matching your jobs to the external market
5. Analysing and interpreting data
6. Presenting your results.

Has your appetite for a more comprehensive explanation of these points been piqued? This discussion comes from a 37 page report that we at CSi consider to be an essential reading for serious HR/Remuneration professionals. Contact Paul Thompson at [e-reward.co.uk](http://e-reward.co.uk). - [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk) for information on their research report subscription. Be sure to mention you are a CSi newsletter reader!

Alternatively, detailed discussion of this information (and more!) is presented within CSi’s training courses - ‘REM 101’ & ‘How To Use Salary Surveys’ - email [training@csirem.com.au](mailto:training@csirem.com.au) for course outlines.

## CSi Welcomes New Clients

- Allume Technology Partners
- Alzheimers Association QLD
- American International Assurance Company (Australia)
- Ball Solutions Group
- Callaway Golf Company
- Caltex Australia Petroleum
- Centacare, Newcastle
- ChildFund Australia
- CorpTech
- CPS Group
- Data#3
- FCS Computer Systems Australia
- Hagemeyer Australia
- Living Cell Technologies
- Markinson Business Solutions
- Metabolic Pharmaceuticals
- NRMA Motoring & Services
- Oregon Scientific Australia
- Pay Global
- Reserve Bank of New Zealand
- SEEK
- Shimadzu Medical Systems (Oceania)
- The Smith Family
- Total RISC Technology
- Weir Services Australia
- Zeacom

We look forward to working with you!

## Client Comment

“With CSi’s support and the use of their salary review software, RemSys, our salary review has gone from being a two person exercise over four solid weeks to being a one person exercise from beginning to end. I don’t need an additional secretary to do all the letters.

It’s brilliant, a brilliant product.”

**Kim Reade, Human Resources Manager, Ricoh Australia**





## HR Spotlight - Megan Dallas

Human Capital Manager, PricewaterhouseCoopers,  
Auckland, New Zealand

Megan Dallas took time out from her busy role as Human Capital Manager at PricewaterhouseCoopers in Auckland to talk to us about her career, her thoughts on remuneration and life. As an enthusiastic, hard working professional Megan has a diverse role which encompasses all aspects of Human Resources, Health and Safety, and Business Continuity.

### What are your Career Highlights?

Working for an organisation which has a "people strategy" underpinning its "business strategy" means that Human Resources is seen as a business partner, and being involved in the development of that has been exciting.

Developing and growing roles well beyond their original scope has been a highlight for me in the positions I've taken on. In my most recent position, I've had the opportunity to develop a Business Continuity Plan from scratch without having any prior experience in that area.

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

I believe it's important to have a clearly defined remuneration framework which underpins the corporate strategy so that there is alignment across all areas, decisions are consistent, and staff understand how their compensation is determined.

It's crucial for us to remain up-to-date with information so we can make informed decisions, allowing us to be competitive in the markets in which we employ people.

Ensuring staff understand how remuneration decisions are made is an important element in the retention of staff – it's reassuring for them to know such important decisions are being made fairly and reasonably, not on a whim.

### How would you characterise your workplace culture?

PricewaterhouseCoopers is about people: it's a team which is hard working, but great to be around. We have some of the brightest minds in the field of business, providing leadership in many areas. The culture is challenging and promotes constant growth: this fits our values of leadership, teamwork and excellence.

### What is your work/life philosophy?

There are four elements that I think are important. Whether it is life or work, enjoy what you are doing. Make the most of opportunities. Be true to yourself. And stay fit and healthy so you are able to enjoy both work and life.

### What is your work background?

I have worked in HR roles for over 16 years, either in internal roles or contracting in my own business. Prior to that, I had seven years in Training and Development roles.

### How do you spend your time outside of work?

I play golf at the weekend, dance, and spend time with friends. I'm also learning Spanish in preparation for a holiday to South America.

### What do you use CSI for?

We use CSI for IT survey information particularly for salaries, benefits and trends.

### How would you rate CSI's service?

We have always found CSI to be prompt, efficient, responsive and supportive, with excellent information in the IT field.

Megan has a BA, Diploma of Teaching (plus plenty of years studying in the University of Life & Work!)

## Hot Jobs In The Recruitment Market

The following jobs are hot from a recruitment perspective:

### Resources & Mining

- Candidate pressure remains at all levels in the oil and gas, power, heavy engineering, construction and mining sectors. Demand stretches from the trades and technician levels through to senior and general management
- Technical staff within the oil/gas exploration and power generation areas
- Health and safety professionals in strategic and project positions at all levels
- Design engineers, particularly within the power and energy sectors, in addition to project engineers for industrial EPCM projects
- At a trades and technician level, experienced staff in power and heavy engineering sectors
- Electrical fitters, line mechanics and industrial electricians and trades people for large engineering construction projects

### Office Support

- All positions from senior level support roles such as PA's, team secretaries, HR administrators, administration managers to receptionists and all levels of administrators

### Insurance

- Processing
- Claims
- Underwriting (particularly commercial)
- Business development
- Senior management

### Construction & Property

- Quantity surveyors and estimators
- Senior level project managers
- Civil roading operatives at all levels
- Project architects
- Intermediate architectural CAD technicians
- Intermediate level property managers
- Civil engineers
- Structural drafters

### Banking

- Credit analysts
- Relationship managers in the SME, commercial and corporate areas in banks and finance companies
- Financial market dealers and strong mortgage brokers

### Accountancy & Finance

- Newly qualified financial accountants
- Management accountants, with demand strongest within manufacturing and financial services
- Business and financial analysts
- Internal auditors, compliance and risk management specialists
- Assistant accountants with commercial experience
- Credit controllers and payroll clerks
- In CA practices - BAS intermediates, BAS seniors and auditors

For full details of the Hays Quarterly Forecast, which details current market conditions for sectors across Australia and New Zealand, visit: [www.hays.com.au/forecast](http://www.hays.com.au/forecast).



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