

Remuneration Review

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CSi MD Jairus Ashworth Talks Tough On Strategy Alignment And Cohesion

Reward Strategy: Moving Beyond Platitudes

It is commonly touted that reward strategies, often as part of a broader Employee Value Proposition, must 'attract, retain and motivate' staff. Yet this phrase is often used as a platitude that is not robustly tested and measured.

The role of total remuneration is to ensure that the organisation has the right people in the right place and are being rewarded for the right behaviours. This can be summarised with the reward system objectives to attract talent, retain talent, motivate talent and provide employee security. The reason for the first three objectives is quite clear; they are the key ingredients in ensuring that the talent required to fulfill the organisation's objectives is available and performing at the required levels. The final objective is important as it ties into the basic requirement for employees to feel some sense of security before they can concentrate on higher level desires such as maximising performance.

CSi regularly conducts diagnostics on reward systems that despite containing what appear to be all the major elements of reward do not seem to be producing the sort of outcomes expected. Often we find that the problem lies with a lack of alignment and cohesion between the reward system components and objectives. A simple analysis tool can help to isolate and highlight these issues.

To perform an analysis, divide your reward system into its 'components', including fixed salary; variable pay; share plan; non cash benefits; etc and conduct an assessment of how each of these components contributes to each of your stated reward system objectives. Employee opinion surveys, desk review, manager feedback and review of reference materials should help you in making these assessments. Look for possible contradictions and gaps, such as:

- Does your performance rating system feed into both base salary decisions and bonus decisions?
- What kind of money is an employee actually leaving on the table if they depart the organisation?
- Are you ignoring the basic concepts of motivation theory? (ie. that there must be a goal communicated in advance and that participants need to be able to directly contribute to achieving the outcomes measured).

The following grid is used to represent the primary aim of each program component and its effectiveness in fulfilling the reward system objectives in a sample organisation:

REWARD COMPONENT	REWARD OBJECTIVES			
	Attract Talent	Retain Talent	Motivate Talent	Employee Security
Base Salary	✓			✓
Incentive Plan	-	!!!	-	
Profit Share			!!!	
Benefits		-	-	-
ESPP / ESOP		-	-	

The black hyphens indicate that the program is targeted at the given area but is not totally effective due to program design issues or simply that the reward component is not a powerful enough tool on its own to achieve this objective. The white ticks indicate the program is targeted at the given area and is highly effective in achieving this. The red exclamation marks indicate the program is targeted at a particular area but this is a fallacy as it is not the "right tool for the job".

The aim of a reward system audit and realignment is to ensure there is at least one white tick and several supporting black hyphens for each reward objective. There should be no red exclamation marks. It is often surprising how this simple approach can help clarify problems and identify target areas for improving the performance of your reward programs.

Quick Tip 1: Your reward system objectives may be different to those listed in this article – change the above model to reflect these differences!

Quick Tip 2: Consider reworking employee opinion surveys so they provide the targeted info needed to conduct this sort of assessment.



New CSi Report - Now Available!

Shift, On-Call & Call-Out Policy & Practice Report

Our brand new report presents market trends based on 29 New Zealand organisations. Key shift policy and practice statistics include:

- The most common shift roster is the '24 x 7' arrangement for IT/technical employees (58% of organisations) and either the 'extended hours including weekend shifts' or the '24/7' arrangement for non-technical employees (40% of organisations respectively).
- Organisations compensate their IT/technical and non-technical employees with a shift allowance in 58% and 40% of organisations respectively.
- Just under half (43%) of the organisations who pay a shift allowance reported that the amount paid is a fixed dollar amount for IT/technical staff. For non-technical employees, 50% of organisations pay an allowance based on a % of the employee's base salary.

Key on-call/call-out policy and practice statistics include:

- IT/technical and non-technical employees required to be on-call are most likely to be rostered on-call.
- The majority of organisations pay their on-call employees an allowance to compensate them for the inconvenience of being on-call.
- The most common type of allowance paid for IT/Technical staff is a standard flat rate (52% of organisations) and for non-technical staff a variable daily rate – varying depending on the day of the week an employee is on-call (100% of organisations).
- 73% of organisations with IT/technical employees and 100% of organisations with non-technical employees on-call provide employees with a disturbance allowance when they are called-out.

More Info?

Go to CSi's website: <http://www.csirem.co.nz/Surveys/HRPolicy/index.htm>

Price

AU\$500 (regular price)
AU\$350 (for contributors to this report)

Salary Packaging For Employee Retention

Retention of top talent is one of the biggest challenges facing organisations in the current employment environment. With record low unemployment figures, skills shortages and a healthy, buoyant economy, the New Zealand business environment typifies an employees' market.

In these conditions, retention strategies are vital to the success and profitability of organisations and HR practitioners are looking for innovative ideas to retain and motivate employees. Attention is being focused on assessing the needs of differing workforce demographics (ie: Gen Y versus Gen X versus baby boomers) and formulating strategies to meet these often diverse needs.

From a remuneration management perspective, one concept that is being re-examined in light of the tight employment market conditions is salary packaging.

Salary packaging provides no tax advantages to organisations or individuals in New Zealand. However, a growing number of organisations are realising that moving to a salary packaging environment may provide benefits for employees and the organisation that are not available in a total cash environment. For this reason, some organisations are considering the implementation of salary packaging as a way to enhance the market competitiveness of their employee proposition.

Following is an overview of salary packaging and the pros and cons associated with the implementation of a salary packaging program.

What is salary packaging?

Salary packaging provides employees with the flexibility to structure their salary package according to their individual needs and preferences. They can trade cash for benefits and vice versa at no extra cost to the employer. Employees are communicated a TRC (Total Remuneration Cost) figure from which they can pay for the benefits they require (eg. salary continuance insurance or

a motor vehicle). This leaves a reduced cash component.

The advantages of salary packaging

- Salary packaging helps organisations to communicate the total financial value of employment to employees. During the process of structuring their own salary packages, employees are forced to fully understand the total value of what is being offered to them by the organisation.
- Salary packaging provides employees with the choice and flexibility to structure their salary packages according to their specific requirements. This is generally considered an attractive proposition by employees and as a result the competitive advantage of an organisation is enhanced.
- Depending on the company buying power, salary packaging may allow employees access to benefits (eg. health insurance, laptops, etc.) at discounted rates.
- Salary packaging can assist the HR and remuneration functions of a business to contribute to and align with strategic business objectives. For example, salary packaging can be used during the recruitment process to attract top talent to the organisation and therefore assist with achieving the strategic business goal of having an expert team of people.
- Internal equity within an organisation can be improved through the implementation of salary packaging. Through salary packaging all employees can have access to the benefits that are important to them, rather than the benefits that are designated to employees by the organisation.

The disadvantages of salary packaging

- Systems and processes associated with salary packaging must be developed and maintained by the organisation. This requires a financial and time investment.
- Communication of the concept of salary packaging to staff can be difficult and time consuming.
- There is potential for increased

remuneration costs to the organisation if salary packaging is not properly developed, implemented and communicated.

- Concepts within salary packaging can be difficult to communicate to staff within Head Offices located outside of New Zealand. For example, it has only been in recent times that organisations within countries where many Head Offices are concentrated, such as the US and Asia, have started to place a dollar value on specific benefit items. The concept of communicating a TRC figure to employees from which they can pay for benefits is therefore unfamiliar.

Getting started on salary packaging

Before considering the implementation of salary packaging, it is important to determine the appropriateness of salary packaging within your unique organisational circumstances.

The process of assessing the appropriateness of salary packaging involves the consideration of a number of factors, including:

- the direction of your organisation's business and people strategies
- the market trends in salary packaging amongst your organisation's direct competitors
- the results of cost modelling associated with developing and implementing salary packaging.

CSi can assist with determining whether salary packaging is appropriate to your organisation. For more information, please contact Rachael Finnemore, Practice Manager, on +64 9 522 8194 or rfinnemore@csirem.co.nz

New Zealand Call Centre Remuneration Report

CSi invites your 'expression of interest' in being involved in this survey, please contact Rachael Finnemore on p: +64 9 522 8194 or e: rfinnemore@csirem.co.nz

Stat Wrap

GDP (annualised June 06 trend figure)	1.9%
CPI (annualised June 06 trend figure)	4.0%
Unemployment (annualised Mar 06 trend figure)	3.6%
Wages Growth (annualised June 06 original figure)	3.2%

Employment Expectations

The Hudson survey of employment expectations (www.hudson.com) for the six months to December 2006 recorded positive sentiment.

The survey of 1,705 clients showed a positive net effect of 36.0%. While positive net effects were recorded across all industries and regions, the result represents a decrease of 0.6% on the previous survey and is the lowest level of sentiment recorded in two years.

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

Job Vacancies

According to the Job Vacancy Monitor (www.dol.govt.nz), there were 6,063 advertised job vacancies measured in August 2006, 11% fewer than in the same period 12 months earlier. Part of the 11% decline in advertised vacancies is related to technical reasons as the number of vacancies measured in the reference period in 2005 was abnormally high. The JVM series has recorded an annual fall in vacancies since October 2005. For the last six months this annual fall has averaged just under 8%. The decline in advertised vacancies is interpreted as an easing of the labour market, or an improvement in recruiting conditions for employers.

IT Spot

According to CSi's NZ IT/Computer Specialists Survey, employers of IT staff are predicting an average 4.3% salary increase for the 06/07 financial year.

The average salary increase at Total Remuneration Cost for incumbent employees between Sept 05-06 was 6.3%.

JE - The Bedrock Of People Management Decisions



“What is often overlooked by users of job evaluation systems is the full value of the information that is gathered throughout the job evaluation process.”

It is common knowledge within the remuneration management community that well designed job evaluation systems provide organisations with a flexible and transparent framework for remunerating employees in a fair and equitable way. As a result, the prevalence of organisations implementing and maintaining job evaluation systems for the purposes of remuneration management is as high as ever.

However, what is often overlooked by users of job evaluation systems is the full value of the information that is gathered throughout the job evaluation process, as well as the broader applications of a job evaluation system across an organisation.

During the process of evaluating jobs, an analysis of an organisation's structure and the value of the jobs and work performed within the structure is produced. An understanding of the natural cluster of jobs within an organisation is gained and knowing where the natural breaks or clusters are in organisations can assist in making an array of people management decisions, beyond those related to remuneration.

Following is a snap-shot of the HR and broader business areas in which job evaluation systems can underpin or facilitate people management decisions:

- **Benefits provision** - the clustering of positions that results from the job evaluation process can assist organisations to determine where certain benefits should be offered to different groups of employees. For eg: roles with greater than x points may receive a higher value car allowance, a larger percentage of variable pay, an extra week of annual leave, and access to salary packaging, etc.
- **Position description writing** - by using the terminology in a job evaluation system, position descriptions can be written in a consistent language across the entire organisation. This usually means that the investment of time in producing position descriptions is reduced and that the resulting position descriptions are more easily understood. Consistent position descriptions can assist with many areas of people management including remuneration management, recruitment, performance management and business re-engineering.
- **Career development** - job evaluation can be used to facilitate the development of clear career paths within job families and assist employees to understand what skills and expertise they require to be eligible for a more senior role or a role they aspire to perform

in a different job family of the organisation.

- **Succession planning** - job evaluation can assist organisations to identify the most crucial roles for driving business success in the present and in the future. With this knowledge, organisations can single out specific employees and work with them on their development to ensure a smooth transition of people within these business-critical roles.
- **Resourcing** - job evaluation can provide detailed information related to the level and type of skills required to perform roles within an organisation. This information is essential for organisations with dedicated Resource Managers who are responsible for the effective and timely allocation and deployment of resources and skills across projects or accounts.

Exploring these business areas outside of remuneration management where a job evaluation system has currency can be very beneficial to HR/remuneration practitioners. The benefits are highlighted below:

- **Obtaining funding** from the business to implement and maintain a JE system is generally much easier when the system has applications outside of one single business function. Costs associated with the system can be spread across the various business areas that use the system to underpin their people management decisions.
- **Managers and other staff** within an organisation who need to invest their time and effort in maintaining the system will typically feel greater motivation if the system serves as an underlying structure for more than one type of decision that needs to be made by them.

More info? Please contact Rachael Finnermore, Practice Manager, on +64 9 522 8194.

CSi Welcomes New Clients

- Altiris Australia
- Bankwest
- Barloworld Motor (Aust)
- Cadbury Schweppes
- Curam Software
- Department of Education, Science & Training
- George Weston Foods
- GrainCorp Operations
- Hume Building Society
- IWL Management Services
- John Wiley & Sons
- KoBold Group
- MBF Australia
- Rogerseller
- The Hollard Insurance Company
- The Wine Society
- TiMax Surgical
- Trendwest South Pacific
- Trust Company of Australia
- Visy Industries

We look forward to working with you!



CSi Turns 21

In November 2006, CSi will be celebrating its 21st company anniversary and 'coming of age'.

Over the past 21 years, CSi has evolved into a full service remuneration consultancy with leading-edge products and high level services to assist clients in all areas of remuneration management.

We would like to thank all of our clients, strategic business partners and suppliers who have been intrinsic to making the past 21 years a success for CSi.

Client Comment

“CSi staff always deal with their clients in a professional manner, always keep me updated and deliver on what they promise.”

David Hamilton, Remuneration Manager, Getronics

CSI'S NEW ZEALAND
TOP EXECUTIVE
REMUNERATION REPORT

2006 Report

Now Available!

More info: <http://www.csirem.co.nz/Surveys/NewZealand/TopExec/index.htm>





HR Spotlight

Lynley Sinclair

General Manager, Human Resources

New Zealand Racing Board

The New Zealand Racing Board is the organisation behind all racing and betting in New Zealand. Lynley Sinclair heads up the Human Resources team and works with a wide array of people in diverse roles across operations, sales, broadcasting, marketing, IT, programming, finance, property management and HR. We spoke to Lynley about her career and life outside of work.

What are your career highlights?

Developing other staff so that their careers have taken off and being responsible for a business's human resources function and seeing how that can best link to the business strategies.

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

Acting fairly and equitably so that staff feel they are being remunerated appropriately.

How would you characterise your workplace culture?

Our workplace culture is focused on making a difference for the New Zealand racing industry. It is changing, relatively informal and great to be a part of.

What's your work background?

To commence my career I joined Westpac on their graduate programme before moving into a training and development role.

I then worked at Ernst & Young as a consultant, before doing a short stint in Income Support.

At New Zealand Post I worked in a range of roles. As the HR Manager I had responsibility for the operational areas, such as mail centres and posties. I left New Zealand Post as the Learning and Development Manager.

In 2000, I joined the TAB and continued on as it transitioned to become the New Zealand Racing Board in late 2003.

What is your work/life balance philosophy?

Work hard to have great holidays with my family!

How do you spend your time outside of work?

Relaxing with my family.

Describe something distinctive about yourself.

I love beautiful clothes and with the limited time to get out for shopping I have learnt to make good fast shopping decisions on the run!

What do you use CSi for?

Remuneration surveys and external market comparisons for unique roles within our organisation that are not typically published within standard reports.

How would you rate CSi's service?

Very professional.

Lynley is tertiary educated with a Master of Science (Hons) from Canterbury University and an MBA from Henley, UK.

Hot Jobs In The Recruitment Market

The following jobs are hot from a recruitment perspective:

Accountancy & Finance

Auckland:

- Newly qualified Financial Accountants with commercial experience
- Experienced Company Accountants with specific industry backgrounds, particularly manufacturing and distribution
- Management Accountants and Business or Financial Analysts with a NZCA qualification, particularly within the FMCG industry
- Tax specialists, with a minimum of 2-3 years experience and New Zealand tax experience
- Credit Controllers and Payroll Clerks with New Zealand and specific systems experience
- Experienced business advisory staff and tax consultants at intermediate and senior levels within CA practices

Christchurch:

- Accountants with experience in the New Zealand chartered accounting market
- All levels of staff, from trainee to managerial levels within business banking
- Accounting technicians and accounts assistants with CA experience

Contact Centres

- Experienced collections and sales staff across all sectors of the market
- E-mail specialists with faster and more accurate typing speeds

Office Support

- Litigation Legal Secretaries
- Project Secretaries
- Contract Administrators with construction industry experience
- Receptionists
- Administrators
- Customer service representatives
- Temporary staff

Resources & Mining

- Technical staff within oil and gas exploration (eg: Reservoir Engineers and Geologists) and power generation
- Health and safety professionals for strategic and project positions
- Design Engineers, Planners and Process Engineers, particularly within power and energy

Construction & Property

South Island:

- Architecture roles including Intermediate to Senior Draftspeople and Registered Architects
- Construction roles including Site Managers/Foremen and Quantity Surveyors
- Skilled Carpenters with local experience
- Labourers with roading and maintenance experience and roading machine operators

Auckland:

- Site/Project Engineers with civil contractor experience
- Quantity Surveyors with commercial construction experience
- Architectural Technicians with 3+ years of experience

For full details of the Hays Quarterly Forecast, including current market conditions for sectors across New Zealand, visit: www.hays-hps.co.nz/forecast

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