

REMUNERATION REVIEW



NUMBER 6 SUMMER 2002

SUMMER UPDATE

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A REVIEW OF CURRENT REMUNERATION PRACTICES



CSi thanks you for your support in 2002 and wishes you a happy holiday and prosperous new year.

neration Review full of the latest economic statistics, as well as a range of new CSi products and services ready for you to take advantage of in the new year (add them to your HR shopping list!)

We've also made a few changes to our website. In 2003 you'll be able to access Feedback Session reports which contain a brief summary of your survey Feedback Session as well as photos. We'll also be holding a range of seminars throughout the year to keep you informed about the latest developments in the world of remuneration.

We welcome contributions to *Remuneration Review* from clients, so if you'd like to pen an article in 2003, please send me a short email describing your chosen topic.

Until then, enjoy your holiday break and stay tuned to *Remuneration Review* in 2003.

Erica Holburn, CSi Marketing and Communications
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EDITOR'S HOLIDAY MESSAGE

It is hard to predict what 2003 will bring us, but we can hope for rain, an easing of international political turmoil and more stability on the domestic economic front. The question of how long the construction boom will buffer the economy from the effects of the drought will remain an uncertainty into the new year.

To help see you through the end of 2002, we've packed this special email update issue of *Remu-*

CSi – your remuneration specialists.

STAT WRAP

While the drought and weak global economy continue to make their presence felt, attention has now turned to the inevitable housing downturn, with economists predicting (or hoping) business investment will replace construction as the main fiscal driver in 2003. Here are the latest statistics:

- The CPI rose 3.2 per cent between the September quarters 2001 and 2002*
- November unemployment rate steady at 6.1 per cent
- National wages have risen 3.3 per cent (annualised to September quarter 2002)
- Job advertisements fell by 2.6 per cent in November (ANZ survey)
- The Westpac – Melbourne Institute Consumer Sentiment Index rose 4.8 per cent in November

*The Australian Bureau of Statistics (ABS)

IT SPOT

According to *The Rust Report* and a survey by AMR Research, the IT industry will continue to come under pressure over the next year, with IT budgets expected to remain trim (even after the holiday feasts). The latest statistics are again a mixed bag of good and bad news:

- The Olivier internet job index reported a 9.8 per cent decline in IT jobs advertised online in November, culminating in a 39.1 per cent annual fall.
- The E.L Consult Executive Demand Index rose by 40 per cent from October to November, though this demand will not compensate for the massive declines experienced in the industry post e-boom.
- TMP is more optimistic about IT, reporting positive levels of executive demand for the December quarter, particularly in Queensland.





NZ STATISTICS

The January-June 2003 TMP Worldwide Job Index shows levels of employment optimism continue to rise in New Zealand, with all industries surveyed reporting positive outlooks for the next six months.

Information Technology is the most optimistic, while the Professional Services and Legal industries are also buoyant. The least optimistic outlooks were recorded by the Media and Financial Services/Insurance industries.

Permanent positions in Computer/IT and Sales are expected to be the most plentiful over the next six months.

BANKING ON BUSINESS INVESTMENT

The Australian Bureau of Statistics (ABS) reports that spending on capital equipment rose 2.3 per cent in the September quarter. The increase is 14.4 per cent higher than 2001 levels.

Strong spending by the Construction, Manufacturing, Mining and Retail sectors compensated for weaker investment by the Transport and Wholesale industries.

The ABS estimates that business investment will rise 11.2 per cent during 2002-03.

The Federal Government sees business investment as an important economic driver in 2003 because of the drought, weak global economic conditions and an expected downturn in the housing cycle.

Source: The AFR, 29 November 2002.



YOUR ONE-STOP REMUNERATION SHOP PRODUCT & SERVICES FEATURE

CLIENT SERVICES

You may know us as your salary survey provider, but CSi has much more to offer. In addition to salaries and benefits surveys, CSi provides human resources services to clients in a variety of formats.

SURVEY DATA MANIPULATION (DATA SERVICES)

CSi has one of the largest databases of salaries and benefits in the Asia Pacific, which gives us the facility to customize your remuneration output. One way to customize your own data is through our soft-copy *e-Tables* program.



e-Tables

Remuneration Component	Average Cost	% of base	% inc	25	50	75
TAXABLE BASE SALARY	5102	100%	100%	4106	5025	5958
Salary Sacrifice Superannuation	347	7%	15%	104	220	318
NOMINAL BASE SALARY (NET)	5450	100%	100%	4500	5609	6276
Target Commission	0	0%	0%			
Target Incentive	454	9%	34%	201	403	512
Bonus	3189	6%	21%	158	250	405
Annual Leave Loading	640	7%	40%	58	65	75
Other Cash	2135	4%	8%	64	92	117
TOTAL CASH	6456	100%	100%	4727	5728	6489
Company Superannuation	495	19%	180%	414	470	545
Car Allowance	1945	29%	4%	901	900	1500
Other Non-FBT-able Benefits	52	1%	6%	58	50	50
Company Car/Private Lease	7182	15%	2%	734	634	634
Health Insurance	1179	3%	9%	105	100	243
Other FBT-able Benefits	86	1%	3%	28	28	185
TOTAL BENEFITS	12000	100%	100%	9000	10000	11000

Ask us about how e-Tables can help you today!

Find out how much Total Cash a Human Resources Officer in Victoria earns at the click of a button with our *e-Tables* software. For just \$300 plus GST, you can to 'drill down' into your survey's data and compare rates across a number of variables.



CUSTOMISED SURVEYS

Our survey database provides a solid framework around which many customised salary surveys and sub-surveys are conducted. Typically, a target group of organisations is selected to take part in an exercise covering positions or benefit items that are not otherwise identified by CSi's standard products and services. Examples of this service include:

- Customised remuneration and benefits surveys administered via telephone or email.
- Benefits surveys and summaries conducted amongst a select group of organisations or within an industry group.
- Job analysis and benchmarking exercises requiring incumbent interviews and the subsequent recommendation of remuneration levels.

If you think CSi Client Services can address your organisation's specific needs please contact Caroline Hill on (02) 9415 3455 or email chill@classalinfo.com.au.

EXECUTIVE DEMAND

The E.L Consult Executive Demand Index rose 19 per cent in November, after falling 18 per cent in October.

Industry	% demand increase over previous month
Information Technology	40
Finance	18
Management	15
Engineering	13
Marketing	10

WAGE COST INDEX

The September quarter ABS Wage Cost Index coupled with falling unemployment rates equate to a tightening labour market, though pressures are expected to ease in 2003 as the 'wonder economy' begins to slow.

The ABS says the September quarter index is influenced by factors such as end-of-financial year salary review increases and award safety net adjustments. The 2002 Safety Net Review decision by the Australian Industrial Relations Commission increased the federal minimum full-time award rate by \$18 a week (a 4.4 per cent wage increase for those jobs paid minimum award rates).

YOUR ONE-STOP REMUNERATION SHOP PRODUCT & SERVICES FEATURE
PROFESSIONAL SERVICES

 **SALARY INCREASE TOOL**

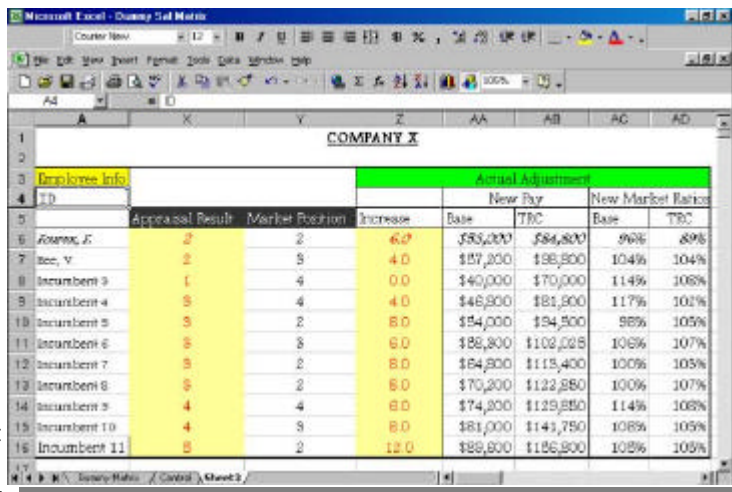
CSI Professional Services has developed a Microsoft Excel-based tool which streamlines the salary management process across your organisation, ensuring consistency and accuracy in salary review decisions.

Product Benefits

- Ensures a consistent and fair approach is used across the organisation in the awarding of salary increases based on measurable factors, removing individual manager biases
- Awards increases to staff based on a combination of their position against market and their performance or development of competence
- Ensures that salary increase spend does not exceed the predefined budgeted amount
- Fully computerised so salary changes can be passed on to payroll for error-free processing

Product Features

- Can be customised entirely to your company's performance management and market benchmarking strategies
- Keeps track of total spend, updating automatically as every salary increase is given
- Excel-based, so there are no compatibility issues and you can get working straight away



Employee Info				Actual Adjustment			
ID	Appraisal Result	Market Position	Increase	New Pay		New Market Rates	
				Base	TBC	Base	TBC
10/Janet J.	2	2	6.0	\$55,000	\$54,800	96%	89%
11/Sec. V	2	3	4.0	\$57,000	\$55,800	104%	104%
12/Incumbent 3	1	4	0.0	\$40,000	\$70,000	114%	108%
13/Incumbent 4	3	4	4.0	\$46,800	\$51,800	117%	102%
14/Incumbent 5	3	2	8.0	\$54,000	\$54,500	98%	105%
15/Incumbent 6	3	3	6.0	\$58,800	\$102,025	106%	107%
16/Incumbent 7	3	2	8.0	\$54,800	\$115,400	100%	105%
17/Incumbent 8	3	2	6.0	\$70,200	\$122,850	100%	107%
18/Incumbent 9	4	4	6.0	\$74,200	\$129,850	114%	108%
19/Incumbent 10	4	3	8.0	\$81,000	\$141,750	108%	105%
20/Incumbent 11	5	2	12.0	\$88,600	\$185,800	108%	105%



WHERE THE JOBS ARE

According to the TMP Worldwide Job Index, the greatest increase in job opportunities over the next quarter are expected in: Accounting/Finance, with 7.7 per cent of employers intending to hire staff in the field; Sales (7.2 per cent); Computer/IT (5.8 per cent); and Engineering (4.2 per cent). Opportunities are also expected in Office Support, Legal and Call Centre/ Customer Service positions.

A look at employment opportunities by the Department of Employment and Workplace Relations shows that the past year has been a tough one for professionals seeking work, with job ads falling 13.7 per cent (annualised to November 2002) in the category, while job ads for trades rose 30.7 per cent over the same period.

The marketing and advertising industries were the worst hit, with the number of ads down by 69.5 per cent. Ads for organisation and information professionals were also down (by 29.2 per cent), as were ads for accountants/auditors and scientists.

Construction trade job ads were up 78.2 per cent on 2001 levels.

Source: The Sun-Herald, 1 December 2002 and DEWR.

RECRUITER AGE BIAS

Further to our article 'Addressing Ageist Attitudes' in Issue 4, new research by TMP Worldwide shows that 61 per cent of Australian employers believe an age bias still exists when recruiting staff.



For a free demonstration of CSI's Salary Increase Tool please contact Jairus Ashworth or Andrew White by phoning (02) 9415 3455 or by emailing consulting@classalinfo.com.au.

 **TOTAL COMPENSATION SOLUTIONS**

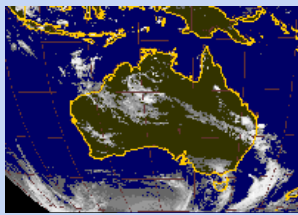
Total compensation solution services provide organisations with sound remuneration tools and strategies. They have a broad range of applications including:

- **Staff Benchmarking** - accurate matching of your staff to benchmarked positions
- **Executive Benchmarking** - using factors such as industry type, size, region and responsibilities to accurately match your executives to relevant peers within the market
- **Job Evaluation** - valuating staff roles according to different measures and factors
- **Broadbanding/Career Levels** - addresses the problem of acquiring market data for unique roles by grouping together like-sized jobs of related value into 'bands'
- **Incentive Plan Design** - creating new plans or modifying existing ones for any role

Please contact Jairus Ashworth for more information about Total Compensation Solutions by phoning (02) 9415 3455 or by emailing consulting@classalinfo.com.au.



2003 SALARY FORECAST



While the salary increase forecast for 2003 is looking a little gloomy, there is something to be optimistic about according to CSi.

Employees hoping to regain some lost ground in the 2003 salary market will be disappointed, according to CSi's November 2002 *General/Combined Industries Salaries and Benefits Survey*.

The survey of more than 39,500 salaried employees from 341 Australian companies reveals that most companies are intending to give incumbents moderate increases in 2003, with international economic and political uncertainty acting to keep corporate belts tight.

According to the *Survey*, employees can expect their salaries to increase on average by 3.8 per cent over the next 12 months – a positive outlook in the current economic context.

"No matter how pessimistic the global outlook may be, salaries should rise next year; even if only to keep pay rates ahead of the prevailing rate of inflation," says CSi managing director Peter Barton.

"We expect salaries to increase by 3.5 to 5.0 per cent

in 2003 – a rate which will be 1.0 to 2.0 per cent higher than the anticipated CPI. There are certain industry sectors and job families that will see higher rates, but overall the market is likely to be flat. We are still very much in an 'employers' market.' "

Average employee remuneration packages increased by 5.6 per cent over the 12 months to November 2002 (with a range between 1.0 and 6.0 per cent), a decrease from the average 7.2 per cent increases awarded over the year to November 2001.

A quarter of incumbent employees in the *Survey* received no salary increase in 2002, indicating that some companies are still trying to avoid making redundancies by reducing operating costs.

The Banking and Finance industry proved its resilience, rewarding staff with higher-than-average increases, while Computer and High Technology companies tipped the other end of the scale with average total remuneration increases between 3.5 and 5.0 per cent.

Some organisations have undertaken rationalisation programs; identifying key staff and using provisions within salary budgets to retain them. Candidates receiving sizeable increases include human resources professionals, who received 6.8 per cent (average) increases in 2002.

STATE PAY DIFFERENTIALS

Pay differentials between New South Wales and Victorian employees are closing quickly according to CSi's November 2002 *General/Combined Industries Salaries and Benefits Survey*.

Victorian employees are now only 2 per cent behind their NSW counterparts, while they were 3 per cent behind in 2001 and more than 4 per cent in 2000.

Though Queensland incumbents are 7 per cent behind the NSW mark, this is a vast improvement from 2000, when their pay was more than 10 per cent below NSW levels.

"Inflation is higher in Brisbane than in any other capital city," says CSi remuneration and benefits specialist Nick Woodward, explaining the closing gap. "The Queensland government has poured money into attracting corporate investment, while the Brisbane property boom is also putting pressure on the pay market."

SURVEYS FOR RELEASE

JANUARY

Australian Computer Specialists

FEBRUARY

Australian Computer Industry Compensation Group

Information Technology Survey Group (New Zealand)

Telecommunications

New Zealand Information Technology and Telecommunications

SURVEY FEEDBACK SESSIONS

FEBRUARY

Australian Computer Industry Compensation Group Conference

TMP JOB INDEX

Of the 5,823 Australian employers surveyed by TMP Worldwide, 28.5 per cent are intending to increase staff levels over the period from November 2002 to January 2003, while only 8.3 per cent are planning a decrease.

Sector	% employers creating new jobs
Law	43.5
Engineering	35.4
Electronics	28.3
Tourism	21.3
Information Technology	20.3
Wholesale/Distribution	12.4
Telecommunications	8.4
Chemical/Oil	8.1



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