

Remuneration Review

New Zealand Edition, Issue 7, Summer 2007



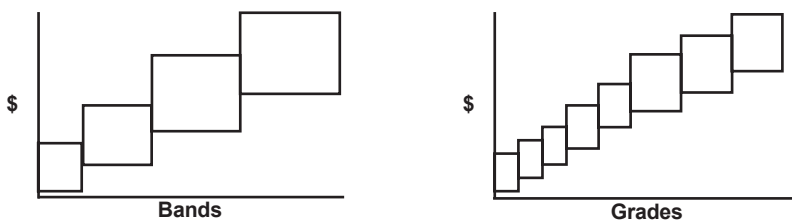
An Insightful Analysis Of A Pitfall Related To Broad Remuneration Structures With CSI MD, Jairus Ashworth

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 3 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 3 ...

Look Out In 2007!

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.

If you have an immediate remuneration requirement that could be met with any of the above mentioned products/services, please contact Rachael Finnemore, Practice Manager on +64 9 522 8194 or rfinnemore@csirem.co.nz

Workforce Differentiation: Delivering Real Business Benefits Through Workforce Mobility

On 8th November 2006, around twenty-five CSI clients gathered at the stylish new Hewlett Packard premises in the Viaduct Basin. The reason? HP and their consultants FlexiPrax Group had invited the HR community to visit their new premises and hear about HP's journey to successfully introduce mobile working into their Auckland office.

The evening began with Melissa Donaghey, HP's GM Human Resources, giving an overview of the challenge that HP had been facing. We heard that HP discovered their real estate was significantly under utilised, and were maintaining and operating two premises in Auckland's CBD. Not only was this costing them money, it meant that it was more difficult to integrate the cultures at the two sites.

Appending lease expiry in 6 month's time presented an opportunity for HP to operate in smarter, more efficient ways. HP decided that the way forward was to:

- Physically co-locate to enable cultural integration and increase collaboration.
- Introduce flexible seating to better utilise space and significantly reduce operating costs.
- Utilise HP technology to enable mobility.
- Introduce change management to transition to better ways of working.

Melissa shared with us that some of the smart HP technology they introduced to support flexible seating included a Wireless LAN, VOIP telephony - whereby mobile workers can log on to any phone in the building to receive and make calls and for confidential printing - they send a print job to a queue and retrieve the document by entering a PIN number at the printer when they are ready. HP also implemented a service from Vodafone whereby all HP mobiles can call other HP mobiles free of charge, and landline calls are automatically forwarded to the mobile, thus meaning they only

have to retrieve messages from the one phone. Of course staff can switch to VOIP phones for longer conference or international calls back at the office.

Other enablers of mobile working that Melissa described included a variety of flexible seats and collaboration zones spread throughout the office for staff to choose from.

Next we heard from Sarah Gotty and Patrick Bisch the Directors of FlexiPrax Group, who were engaged by HP to design and implement the flexible seating solution and change management programme. Both Sarah and Patrick had been key in helping Vodafone make the move into their new building in 2005 - and to an entirely new way of mobile working.

We heard about fun change activities such as S.W.A.T. (Storage, Waste, Archive & Trash) sessions - team run, 'managed clean up sessions', and training sessions conducted at the construction site of the new building complete with hi-vis vests and hardhats - to help Managers foster an openness regarding the change to the way people would work going forward.

HP moved into their new building and adopted shared seating in September 2006. The results of the change have been impressive:

- 40% space savings.
- 32% reduction in costs to accommodate staff.
- An increase to 70% mobility level - only 30% of staff now have a fixed desk.
- 75% reduction in on-site storage.

Anecdotally, there have also been considerable increases in team collaboration and openness, and HP is running a post-change survey currently to enable them to compare results with those benchmarked before the change.

Perhaps the most telling indicator of HP's success though, came from hearing from some of their own staff, two of whom stepped up to give us "the real dirt" on the change. Surprisingly, both were quite candid about their reservations at the outset of the project - one admitting with

tongue in cheek that he thought there would be so few desks that staff would mill around outside until the building doors unlocked, and then race in to get a seat. Thankfully, the reality has been the opposite of this, and both confessed to having been delighted with the new freedom the flexibility provided.

Both staff also reported that the transition had been extremely well prepared for and managed, resulting in very little disruption to business as usual, with most staff settling into work within an hour of arriving at the new building! They agreed that the new environment and ways of working have been pleasantly liberating.

The session ended with a chance to walk through the HP environment and observe some of the tools and enablers of mobile working in action, putting to rest the myth that a mobile work environment would be cramped or dull, and instead revealing a relaxed, vibrant and fun workplace.

Since this was our inaugural CSI networking event, we asked all attendees for feedback (the tempter being the chance to win a bottle of champagne) - the responses were:

- 100% of attendees 'agreed' or 'strongly agreed' they got value from the session.
- 95% felt the session met their expectations.
- 77% felt the topic had real relevance to their organisation.
- Everyone 'strongly agreed' or 'agreed' that they would like to see more of these types of events being offered.

So, judging from the responses and interest, this networking session was a roaring success, and it certainly won't be the last we offer! PS: Our congratulations go to James Rutherford of Microsoft who was the lucky winner of the bottle of champagne.

More Info?

FlexiPrax Group Ltd - Sarah Gotty (Director) sarah@flexiprax.com, Patrick Bisch (Director) Patrick@flexiprax.com

Hewlett Packard - Technological: Paull Wilson - paull.wilson@hp.com or organisational impact: Melissa Donaghey - Melissa.donaghey@hp.com

Stat Wrap

GDP (annualised Sept 06 trend figure)	1.4%
CPI (annualised Dec 06 trend figure)	2.6%
Unemployment (annualised Sept 06 trend figure)	3.8%
Wages Growth (annualised Sept 06 original figure)	3.2%

Employment Expectations

The Hudson survey of permanent hiring expectations (www.hudson.com) for the six months to June 2007 recorded positive sentiment.

The survey of 1,911 clients showed a positive net effect of 34%. While positive net effects have been recorded across all industries and regions, the result represents a decrease of 2 percentage points on the previous survey and is the lowest level of sentiment recorded in over three 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 (JVM) (www.dol.govt.nz), there were 6,117 advertised job vacancies measured in Dec 2006, 6% fewer than in the same period 12 months earlier. The JVM series has recorded an annual fall in vacancies in every month since Oct 2005, and from Jan to Dec 2006 this annual fall averaged 8%. There were still, however, 4% more advertised vacancies in Dec 2006 than in Dec 2003.

The decline in advertised vacancies measured by the JVM is interpreted as an easing of the labour market, or in other words, an improvement in recruiting conditions for employers.

IT Spot

According to CSI's NZ IT 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%.

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 larger organisations or those requiring a web-based solution.

Please contact Rachael Finemore, Practice Manager on +64 9 522 8194 or rfinemore@csirem.co.nz for more information.

CSI Welcomes New Clients

- Air New Zealand
- Baycorp (NZ) Ltd
- Guardian Healthcare
- Manukau City Council
- NZ Post Group
- Ravensdown Fertiliser Co-op Ltd
- Tower Insurance

We look forward to working with you!

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.

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>





HR Spotlight

John Saunders

**Compensation & Benefits Program
Manager @ IBM NZ**

John Saunders has carved an interesting and diverse career spanning three countries and three different industry sectors. We spoke to John about managing remuneration for one of the leading IT organisations in New Zealand, as well as his passions outside of work.

What is your general role responsibility?

I am responsible for administering the IBM employee salary and benefits programme, in line with IBM's four compensation principles of differentiation, competitiveness, affordability and equity.

What are your career highlights?

The biggest highlight for me to date is returning to Uni after almost 20 years, and getting my BSc in Computer Science. The decision was instrumental in changing the direction of my career and getting a foot in the door at IBM. I have been with IBM for three years and spent the last two in my current role.

What's your work background?

After leaving school, I worked in the hospitality industry for a few years. I then moved to the US and took a job at the British Consulate General in San Francisco. During the 12 years I was there, I was involved in passport and visa work before moving into IT management. When I left the US in 2000, I moved to Melbourne for 18 months, then finally moved home to New Zealand. I joined IBM 3 years ago while I was finishing my degree at Victoria University in Wellington.

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

Balancing the needs of the business with the expectations of the employee.

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

IBM recently put a new compensation structure in place for all employees. This changed the way we benchmark against the marketplace. By working closely with managers and putting in place a full programme of employee education, this meant that the transition was well received, with no adverse ER issues.

Describe something distinctive about yourself.

I am a passionate motorcyclist and I'm working with some other riders to form a new club. Our goal is to get out on semi-annual rides to tour New Zealand.

How do you spend your time outside of work?

Aside from time with family and friends, I'm a keen woodworker and I'm enjoying learning furniture making in particular.

What do you use CSi for?

CSi is our main source of salary benchmarking data. Along with a couple of other surveys, we use CSi data to place ourselves in the market.

How would you rate CSi's service?

Fantastic!

John is tertiary educated with a BSc in Computer Science.

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.
- Accountants with a background in financial services, with particular demand for investment and fund accountants.
- Business analysts and commercial analysts particularly within the FMCG and utilities sectors as well as the government sector.
- Tax consultants and compliance specialists within the commercial sector, especially those with 2-3 years experience within the NZ tax market.
- Accounts payable and reconciliations clerks, particularly those candidates with high volume AP processing and reconciliations experience.
- Payroll clerks.
- Intermediate and senior business advisory staff and tax consultants at intermediate and senior levels within professional practices.

Christchurch:

- Experienced accounts payable candidates.

Construction & Property

Architecture:

- Registered architects.
- Technicians with 3+ years experience.

Construction:

- Middle-level management positions for large projects.
- Candidates at an intermediate level within project management consultancies who can provide a more economical solution to project workload demands.

Information Technology

- Java developers at middle to senior levels for both permanent and contract roles.
- Testers.

Sales & Office Support

- Sales representatives, particularly in the FMCG sector.
- Legal secretaries, especially in Christchurch.
- Project secretaries.
- High calibre administrative and secretarial staff with 2+ years of experience in the \$38,000 to \$44,000 salary bracket.
- Candidates with good customer service and technical skills.
- Temporary staff.

Resources & Mining

- The resources industries including oil and gas, power, heavy industrial engineering design and construction, and mining continue to face major recruitment shortages. This demand stretches from the trades and technician level right up to senior and general management.
- Technical permanent staff such as design engineers (of every engineering discipline), engineering project managers and process engineers particularly within power and energy.
- In oil and gas, technical professionals such as drilling managers, reservoir engineers, geophysicists and geologists for exploration and production.

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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