

# Remuneration Review

New Zealand Edition, Issue 8, Autumn 2007



**The Link Between Pay & Staff Attrition Rates With CSI MD, Jairus Ashworth**

## Will They Stay If You Pay?

There is little definitive research linking staff retention and reward practices, although there is no shortage of casual research if you ask around. Myriad studies show quite opposite correlations between reward and retention, depending on who asked the questions and who answered them.

In order to investigate this further, CSI conducted an in-depth analysis based upon the data submitted for our recently published Medical & Scientific Equipment Industries Salaries & Benefits Survey April 2007.

We split organisations up into two groups:

- Organisations with low staff attrition - those with below median annual staff attrition rates; and
- Organisations with high staff attrition - those with above median annual staff attrition rates.

There were 21 organisations in each group. We looked at overall levels of pay at various remuneration subtotals, as well as the composition of employees' packages, to find if there were any observable differences. Whilst it is not possible to prove a cause-effect relationship with such techniques, the analysis certainly provides some food for thought. The major difference that was revealed relates to the way in which employees' packages are structured and the increased prevalence of performance pay within organisations with low staff attrition. Following is a summary of findings and implications.

The initial analysis of overall salary levels revealed:

- At Base Salary, organisations with low staff attrition are paying 1.1% higher on average than organisations with high attrition.
- At Total Fixed Remuneration, organisations with low staff attrition are paying 1.0% lower on average than organisations with high attrition.
- At Total Remuneration Cost, organisations with low staff attrition are paying 1.0% higher on average than organisations with high attrition.

In terms of overall salary levels then, there is minimal difference between organisations with low and high attrition rates, ie. the % differences shown above could fall within the scope of random error. Based on this data, a rough conclusion to draw would be that organisations with low attrition rates pay slightly higher base salaries and performance pay, while organisations with high attrition rates offer slightly higher Total Fixed Remuneration which means above average benefits (primarily in superannuation and company cars/car allowances).

However, if we dig further into the data and assess levels of performance pay within organisations with low and high staff attrition rates, two fairly stark differences emerge:

- Organisations with low attrition on average have target performance pay at levels 30% higher than organisations with high attrition.
- Organisations with low attrition tend to offer performance pay on a more universal basis than organisations with high attrition, whereas organisations with high attrition are more likely to limit their performance pay programs to their senior executive staff only.

This is illustrated in the chart below:

Career Level	Average Performance Pay			% Of Employees Receiving Performance Pay		
	Organisations With Low Attrition	Organisations With High Attrition	% Differential (High v's Low Attrition)	Organisations With Low Attrition	Organisations With High Attrition	% Differential (High v's Low Attrition)
1 - entry	\$2,697	\$1,914	141%	80%	49%	31%
2	\$4,715	\$3,129	151%	87%	70%	17%
3	\$10,759	\$8,208	131%	83%	82%	1%
4	\$16,779	\$13,708	122%	80%	96%	-16%
5	\$20,778	\$15,619	133%	90%	89%	1%
6	\$24,445	\$21,963	111%	93%	87%	6%
7 - executive	\$37,072	\$32,178	115%	94%	95%	-1 %
Average	\$15,574	\$12,720	122%	85%	82%	5.6%

The most important conclusion to take away from this analysis is that if you are going to offer performance pay to employees, make it meaningful and offer it far and wide throughout the organisations rather than limiting it only to very senior employees. It seems to assist organisations to retain their staff.

**Smart Shopping Tips!**

## Purchasing The Right Salary Review Software Solution

*This is the first 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 ...*

A salary review software solution is only of benefit to an organisation when it is specifically designed to:

- ✓ Increase the organisation's return on investment.
- ✓ Ensure the remuneration review process is perceived by all parties to be fair and equitable.
- ✓ Increase the credibility of the HR function.

So, how does you ascertain whether a software solution will deliver these benefits?

As you shop around, you will notice that the following elements are integral to the design of quality salary review software solutions:

- ✓ A consistent organisation or department-wide methodology for making salary review decisions.
- ✓ Increased control of the salary review process for HR staff whilst devolving decision-making to reviewing and approving managers.
- ✓ Time saving for HR staff and reviewing and approving managers through automation of salary review processes.
- ✓ Facilities that enable HR staff to have time and resources for enhancing their communication with and empowerment of reviewing and approving managers.

The next article within this series will provide an overview of specific key software functionality that ensures the first of these elements, ie. a consistent organisation or department-wide methodology for making salary review decisions.

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

① Rachael Finnemore +64 9 522 8194 or [rfinnemore@csirem.co.nz](mailto:rfinnemore@csirem.co.nz)

**CSI's salary review software solutions, Remuneration Decision Assistant and RemSys, incorporate all of the above mentioned principles.**

## Why Consider Using Multiple Data Sources Of Executive Pay Market Data ...

At CSi we often hear of clients using a single source of market remuneration data for benchmarking their employees and determining pay rates.

Whilst a single source is sometimes all that can be acquired for very specific and rare roles, at CSi we generally encourage the use of more than a single source of market data for benchmarking, especially at the executive level where decisions are highly scrutinised! The exception would be where there is a very reliable and market representative source of data for a particular industry sector.

To illustrate why we typically encourage the use of multiple data sources, following is an analysis of some of the problems associated with relying on a single source of market data.

**Point 1.** Each remuneration report presents 'market' results and findings based on employee data from a specific set of organisations. As such, the 'market' reported in each remuneration report will be different. It is therefore important to refer to more than one source of market information to ensure that the results in one report are not swayed by certain types of organisations (eg: large organisations or organisations within a particularly 'hot' industry sector, etc.).

**Point 2.** Employee data is collected by different remuneration consultancies at varying times throughout the year. This means that the results within any remuneration report provide insight into market rates at one specific point in time. Cross-referencing two sources of information will ensure that you are alerted if the results in a particular report were influenced by a market anomaly that affected pay rates and is no longer relevant. This in turn reduces the risk of overspending or underspending as a result of having a market perspective that is no longer relevant.

**Point 3.** Reliance on a single source of market data means that HR practitioners may find it difficult to defend the recommendations they have formulated (as a result of analysing and interpreting the single source). HR practitioners are much more likely to be able to withstand challenges made by business managers within their organisation if multiple sources of market data are used. Correlations can be made between the two sources of data and explanations to explain any differences between the sources can be given alongside any recommendations. This increases the perceived validity of the recommendations HR puts forward to the business.

**Point 4.** Each remuneration consultancy collects and reports different elements of reward. Some consultancies collect certain elements or aggregates within employees' salary packages whilst others provide detailed insight into each individual element. It is important to note that CSi's New Zealand Top Executive Remuneration Report is the only executive pay report in the New Zealand market (at the time of printing this newsletter) that provides market data by position for long term incentive payments. It also shows per position the proportion of employees receiving long term incentive payments.

**Problem 4.** Each remuneration consultancy packages their report slightly differently. This affects the market perspective that is gained from analysing the source. For example, subscribers to CSi's New Zealand Top Executive Report can purchase an additional Australian Executive Pay Insert. As the executive market is often trans-Tasman the availability of this insert allows subscribers to keep their finger on the pulse of executive pay movements in both New Zealand and Australia.

For more information on CSi's New Zealand Top Executive Report please go to: <http://www.csirem.com.au/Surveys/NewZealand/TopExec/index.htm> or contact Rachael Finnemore, Practice Manager on +64 9 522 8194 or [rfinnemore@csirem.co.nz](mailto:rfinnemore@csirem.co.nz)

## Annual Leave Provisions

The NZ labour market continues to be tight and voluntary attrition rates remain high. As a result, organisations are placing more emphasis on attracting and retaining key employees.

On 1st April 2007, the minimum annual leave entitlement increased from 3 to 4 weeks annual leave per annum under the Holidays Act. One major consideration for some organisations was whether to maintain an above-market position and offer annual leave provisions in excess of the new minimum entitlement.

Prior to the legislative change, nearly half the respondents (46%) reported offering leave entitlements above the 3 week minimum entitlement. Of these organisations, 26% provided 4 weeks annual leave and 20% offered other leave entitlements above the minimum requirement, for example 4 weeks annual leave after certain tenure or 17 days for employees and 22 days for management.

Following the legislation change only 12% of the organisations will continue to offer above market leave entitlements – with no one indicating a move to 5 weeks leave.

CSi has produced a 'hot topic' report which provides an overview of the measures organisations are implementing as a result of the revised legislation to leave provisions. With an analysis of annual leave, as well as sick leave and parental leave, this report is a broad guide to the latest market trends.

Results in this report are based on leave policy and practice data collected from more than 40 New Zealand organisations within different industry sectors including government; banking, finance and insurance; primary energy; telecommunications; IT; and media.

Please note: this report is intended to provide a broad overview of market trends and does not contain a full analysis of leave policies.

### More Info

Go to: <http://www.csirem.co.nz/Surveys/HRPolicy/index.htm> or contact Rachael Finnemore, Practice Manager on +64 9 522 8194 or [rfinnemore@csirem.co.nz](mailto:rfinnemore@csirem.co.nz)

## Stat Wrap

GDP	1.5%
(annualised Dec 06 trend figure)	
CPI	2.5%
(annualised Mar 07 trend figure)	
Unemployment	3.7%
(annualised Dec 06 trend figure)	
Wages Growth	3.2%
(annualised Dec 06 original figure)	

## Employment Expectations

The Hudson survey of permanent hiring expectations ([www.hudson.com](http://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](http://www.dol.govt.nz)), there were 7,219 advertised job vacancies measured in March 2007. This equates to 5% fewer advertised job vacancies than in the same period 12 months earlier.

The JVM series has recorded an annual fall in vacancies in every month since October 2005. The size of the fall has, however, been reducing in recent months after reaching -13% in September 2006.

Despite the on-going fall in vacancies, there were still 19% more advertised vacancies in March 2007 than in March 2003.

## IT Spot

According to CSi's NZ IT Specialists Survey, employers of IT staff are predicting an average 4.1% salary increase for the 07/08 financial year.

The average salary increase at Total Remuneration Cost for incumbent employees between March 06-07 was 8.6%.

# JJE Hub With Kim Beardsmore, HR Executive

## Who Is Kim Beardsmore?



Kim Beardsmore is a seasoned business executive with over 12 years

experience in senior HR management. She has carved her HR career within a number of leading organisations including General Electric, Australian Guarantee Corporation, Optus, Myer and most recently Alzheimer's Australia NSW.

As a results-oriented professional with comprehensive commercial experience, Kim's experience covers mergers, acquisitions, organisational development, large scale enterprise bargaining and experience with the implementation of a number of start up HR functions. As such she is well aware of the need to customise HR practice with solutions that fit the unique culture and mission of an organisation.

Note: The view expressed in this testimonial relates to the personal experience of Kim Beardsmore with CSI and the JJE Hub solution and does not represent an endorsement from AANSW.

In 2006, CSI - The Remuneration Specialists launched JJE Hub, a comprehensive job evaluation solution. Kim Beardsmore, HR Executive, immediately saw its relevance and value to Alzheimers Australia NSW (AANSW) and engaged CSI to customise and implement JJE Hub to meet the specific needs of the organisation. Following is an extract from Kim's feedback on AANSW's JJE Hub implementation. To read the full testimonial, go to: <http://www.csirem.co.nz/Promos/JJE.htm>

### What were the major strategic challenges facing Alzheimers Australia NSW (AANSW) that led you to consider a job evaluation solution?

AANSW was without a robust remuneration structure to guide managers in setting remuneration levels. Only 15% of employees were covered by an award and even that award did not provide a market competitive rate of pay. AANSW did not have an enterprise agreement. Consequently there was little guidance for managers in setting remuneration, leading to pay anomalies and problems with internal relativities.

Therefore, I was looking for an affordable, flexible, easy to understand job evaluation system that could be linked to relevant market data, and one which our managers could use. There was a strong desire from managers to be 'hands on' in setting future salaries.

### What were the expected outcomes of implementing JJE Hub?

A fair, simple, flexible, graded remuneration system that could meet current and future work requirements – one that could 'breathe' with the organisation as we anticipated the positions within the organisation would still continue to change and evolve over coming years.

### What are the key benefits AANSW has gained from implementing JJE Hub?

- Transparency, employees can 'see' how their salaries are determined for their position and appreciate that there is a rigorous and consistent process for all remuneration decisions.

- In the area of corporate governance, there is now a clear and defensible system to ensure fair remuneration practice.

- Detailed and easily accessible information to assist with salary budget control and management planning across the organisation.

- An automated software tool that allows managers to see the effect of the tax-exempt portion of their own and their employees' salaries against not-for-profit and all-industries market rates. As is the case in many NGO's, managers and staff were experiencing difficulty with understanding the true value of their remuneration packages.

### What were the major factors that encouraged you to implement CSI's JJE Hub over other job evaluation solutions?

There are a number of features within the JJE Hub that make it an outstanding JE system:

- JJE Hub is easy to use. It looks credible and produces credible results.

- JJE Hub is superior in its consideration of the interpersonal / relationship aspects of a position. This is very important for not-for-profit organisations generally, but is essential for those NFP's with clinical and social work related roles where interpersonal skills are crucial to the role. JJE Hub also factors into each job evaluation the financial dimensions of a position. This is also highly relevant for NFP's.

- I could see a greater return on investment with JJE Hub than with other systems I considered due to the unique and very helpful features discussed throughout this Q&A.

- JJE Hub provides clear, relevant graphs to show very quickly how employees and the organisation as a whole tracks against general or specific salary markets – personally, I am very keen on the graphics as they tell a story much quicker than numbers.

- JJE Hub is a one stop shop. It links to a range of relevant market data sources plus it has the ability to develop broadbands or grades to support the process of determining and managing salaries. It is therefore a complete job evaluation solution.

## CSI Welcomes New Clients

- Arc Innovations
- Biolab Ltd
- Computer Brokers Ltd
- Navman New Zealand
- New Zealand Communications
- Pumpkin Patch
- Tower New Zealand
- University of Canterbury
- Zintel Group Ltd

We look forward to working with you!

## A Little Chuckle About Pay

Reaching the end of a job interview, the human resources person asked a young applicant fresh out of business school,

"And what starting salary are you looking for?"

The applicant said,

"In the neighborhood of \$125,000 a year, depending on the benefits package."

The interviewer said,

"Well, what would you say to a package of five weeks' vacation, 14 paid holidays, full medical and dental, company matching retirement fund to 50 percent of your salary, and a company car leased every two years, say, a red Corvette?"

The applicant sat up straight and said,

"Wow! Are you kidding?"

And the interviewer replied,

"Yeah, but you started it."

As published on:

<http://www.recruitersnetwork.com/jokes/salary.htm>



**For a measure of objectivity in the somewhat subjective environment of people management decision-making**

CSI's JJE 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 of fair, transparent and defensible people management decisions, especially those related to pay; benefits allocation; HR strategy and policy; organisational design; and career progression and development.



## Hot Jobs In The Recruitment Market

The following jobs are hot from a recruitment perspective:

### Accountancy & Finance

Auckland:

- Company accountants with manufacturing or IT sector experience
- Management accountants and financial or performance analysts with a NZCA qualification particularly within the FMCG industry
- Tax specialists with 2 to 3 years and New Zealand tax experience for CA firms and the commercial sector
- Newly qualified financial accountants
- Assistant accountants
- Credit controllers/payroll clerks
- Experienced business advisory staff at an intermediate and senior level

Christchurch:

- Qualified accountants
- Experienced SAP accountants as a number of companies are implementing SAP

### Construction & Property

South Island:

- Architecture, construction and qualified tradespersons
- Carpenters

Auckland:

- Quantity surveyors and estimators (all levels)
- Development and asset managers
- Architects, senior architects, CAD drafters
- Property developers due to the growth in the industry

### Contact (Call) Centres

- Candidates with 18+ months' experience
- Experienced telesales candidates
- Entry-level collections employees
- Customer service professionals

### Office Support

Auckland and Christchurch:

- Secretaries / administrators, receptionists, data entry operators and customer service staff for positions in the range of \$30,000 - \$45,000
- Experienced legal secretaries and insurance administrators at the mid to senior level

### Resources & Mining / Oil & Gas

- Technical specialists
- Project managers
- Specialist trades staff
- Intermediate level geologists and engineers

### Legal

- Mid level finance, corporate and specialist area commercial lawyers

- Commercial litigators and property lawyers
- Tax lawyers; lawyers with energy experience; in-house lawyers; public sector lawyers

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

## Free CSI Report Download

### Fuel Price Impact Report 2007

Go to: [www.csirem.co.nz/Knowledge/strategy.htm](http://www.csirem.co.nz/Knowledge/strategy.htm)

For the second cycle in a row, CSI has researched the impact fuel prices are having on New Zealand organisations and has produced a report featuring the key market trends related to this issue. Although fuel prices have dropped in recent times, fuel related expenses continue to be a major concern for staff who rely on private vehicles for personal and business use.

Market trends in response to the following questions are provided within the report:

- Has your organisation been receiving pressure to increase compensation as a result of increasing fuel prices?
- If your organisation has not been receiving pressure, is this attributable to any pre-emptive action that has been taken by your organisation in response to increasing fuel prices?
- If you are receiving pressure from employees, how would you rate that pressure?
- If you are experiencing pressure from employees, where is the pressure coming from?
- If you provide motor vehicle benefits, what form do they take?
- Have you considered changes to your organisation's motor vehicle policy as a result of the rising fuel prices and/or employee pressure?
- Are you considering / already implementing any other compensatory measures as a result of increasing fuel prices?

### More Info

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## HR Spotlight

Rachel Wells

People Manager

Ricoh New Zealand

Rachel Wells is responsible for HR management, health, wellness and the environment at Ricoh. We recently chatted to her about remuneration, her colourful career and her life.

### What's your work background?

I spent 7 years in the Airforce working in logistics and air movements (throwing things out of aircraft). I also worked for Ericsson, Tranzrail, 3M and Griffins prior to Ricoh.

### Describe a career highlight.

Changing careers! I went from logistics to HR and did my Business and Masters degrees in between. I believe that having experience outside of HR helped me move into an HR Management role within 5 years of being in the profession.

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

Ensuring that there is a fair and equitable process based on trustworthy data – that's been my challenge this year at Ricoh.

### How has remuneration management changed within Ricoh over the past year?

The tightening labour market and small pool of candidates in the office automation industry has meant that we need to get serious about remuneration and ensuring that we are competitive in the market, from both a remuneration and benefits perspective.

### Describe something wild about yourself.

I was once an Ironman and mad endurance athlete. Ironman was probably the maddest thing I ever did, but it was also the most incredible life changing experience. I still get goosebumps when I think about running across the finishing line.

### How do you spend your free time?

I love spending time with my beautiful wee daughter who is nearly 1! We (with husband Mark) love the outdoors, walking, jogging or just hanging at the beach (no...I don't do 40 km runs any more!).

### What do you use CSI for?

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 is tertiary qualified with a BBS (HRM) Massey and MBS (HR/OD) 1st class honors, Massey Scholar.*

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