

REMUNERATION REVIEW

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A REVIEW OF CURRENT REMUNERATION PRACTICES

TOP-PLAYER REMUNERATION

According to the 2003 *Australian Top Executive Remuneration Report*, CEOs and senior executives received average remuneration increases (fixed pay and incentives) of 5.0 per cent over the year to June 2003, with base salaries rising by 4.2 per cent over the same period.

CSi's analysis of senior executive remuneration packages in 375 organisations found the average CEO total remuneration cost, across all company sizes, to be \$541,867.

Guaranteed pay (base salary) made up 48 per cent of CEO and senior executive remuneration packages in the 2002/03 financial year:

"The 'best practice' that is emerging is that base salaries are set at the market median, with less emphasis on high base salaries and more on variable pay," says CSi professional services manager Jairus Ashworth. "And to achieve above-market variable pay, executives must give an above-market (not just above-budget) performance."

With increases in guaranteed pay tipped to only marginally outpace the CPI, Australia's senior executives will be working hard in the new financial year to ensure they reap the rewards from short and long-term incentive plans: base salaries are forecast to increase by 4 per cent.

CSi encourages organisations to review their senior executive remuneration policies, if they have not already done so. For advice please phone Jairus Ashworth on 61 2 8440 6500 or email consulting@classinfo.com.au.



Making executive pay look conservative: David Beckham has signed a \$300,000-a-week deal with Real Madrid. Picture source: BBC Sports.

CSi – your remuneration specialists.

STAT WRAP

Unemployment up one month: down the next. Business expectations positive in one survey: negative in another. In the topsy-turvy world of market data, nothing is a certainty, except, of course, for *uncertainty* (which is becoming quite a resilient Stat Wrap theme). Here are our pickings from the latest round of economic indicators:

- CPI 2.7 per cent annualised to June 2003
- June unemployment rate 6.1 per cent
- Anticipated salary increase of 3.8 per cent across all industries*
- Newspaper job ads rose 2.6 per cent in June (ANZ Survey)
- Business confidence increased in June and wage costs rose by 0.5 per cent, according to the NAB index
- The June 2003 D&B Business Expectations Survey reported falls in both capital investment and sales expectations.

*CSi's June 2003 General/Combined Industries Salary Survey

IT SPOT

Those IT specialists who have managed to hold onto their jobs have fared quite well in the pay market over the past 12 months: CSi's *Computer Specialists Survey* shows IT incumbents received average TRC increases of 4.1 per cent in the year to April 2003. As the IT spending freeze begins to thaw over the next 12 months, organisations will be awarding IT staff average annual salary increases of 3.6 per cent. Other statistics include:

- The DEWR ICT Vacancy Index rose by 6.7 per cent over the four weeks to mid-June 2003.
- According to the July-September 2003 TMP/Hudson Job Index, 20.8 per cent of IT employers expect to increase staffing levels over the next three months; there will be good job opportunities in the Computer/IT job family, with hiring expected to increase by 6.3 per cent; and 4.5 per cent of companies using contract/temporary IT workers intend to increase use of these staff.
- The number of IT&T jobs advertised rose 7.5 per cent (an extra 433 jobs) in June according to the Olivier Internet Job Index.



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EDITOR'S MESSAGE

With the salary review process well under way (and complete for some of you), the phone has been running hot at CSI for special cuts of salary data and information on hard-to-match roles. The word from our Client Services Team is that while salary increases remain subdued (particularly for those companies with head office operations in the US), HR teams are feeling relatively optimistic about the future.

In this issue of *Remuneration Review*, we've endeavoured to include snippets of the latest pay, HR and economic information, while Barbara Palframan Smith discusses how to best communicate with your employees during times of change. You'll find all of our regular features, as well as some light relief in the form of a gratuitous shot of David Beckham (any excuse).

At the time of writing, we were yet to have our Top Executive Remuneration Breakfast seminar (24 July), but we'd like to thank all participants for their enthusiastic response to the concept and look forward to holding another forum in 2004.

Please email any feedback or suggestions to remreview@classalinfo.com.au.

Erica Holburn
CSI Marketing and Communications

SUPER UPDATE

As part of the tougher superannuation regulations made effective on July 1, employers must give each employee (including eligible part-time and casual workers) a quarterly report detailing contributions made on their behalf and the name of the super fund.

**SALARY PRESSURES SUBDUED**

Wage pressures remain subdued in corporate Australia, as employees hold onto their jobs in a flat employment market, though employers are intending to award staff modest salary increases in the new financial year.

The 20th biannual General/Combined Industries Salaries and Benefits Survey, accounting for 43,877 Australian employees, suggests that continuing uncertainty about the global economy is keeping increases in guaranteed pay to a minimum across all industries.

From June 2002-03, incumbents have been awarded average total remuneration increases of 4.4 per cent (down from 5.4 per cent in June 2002 and 6.1 per cent in June 2001). Over the same period, employee base salaries increased by 3.7 per cent (down from 5.2 per cent in June 2002).

Annual base salary increases awarded across most job families have fallen, with incumbents working in IT (down to 3.8 per cent from 4.7), Finance and Administration (down to 3.8 from 4.9), Research and Development (4.7 from 7.2), Human Resources (3.4 from 5.6) and Marketing (4.6 from 4.8) receiving rises below levels reported in the June 2002 survey.

CSI OPENS MELBOURNE OFFICE

CSI celebrated the opening of its new Melbourne office in July with a Cocktail Party hosted by managing director Peter Barton and now Melbourne-based professional services consultant Andrew White.

The move to Melbourne is the latest in a series of expansive moves made by CSI in order to better service a growing client base and is set to further affirm CSI's position in the remuneration consulting market.

"CSI's expansion into Victoria is in response to the commitment and loyalty of many clients to our company over the years," says managing director Peter Barton.

"Victorians have played an important role in our growth and we feel it appropriate to provide more support and service by basing one of our key staff in Melbourne. We anticipate much success with this move, particularly as Victoria continues to inspire all Australians with its economic innovation and growth (despite its football code). We have much faith in Andrew's ability to develop the new centre."

CSI RESTRUCTURES

As well as expanding its operations into Melbourne, CSI has restructured its Sydney office to reflect the business's diversification into five service areas (surveys, client services, professional services, training services and computer services).

The new Training Services Division is headed by

- Average TRC up 4.4 per cent (June 2003)
- Average Base Salary up 3.7 per cent
- Forecast salary increase 3.8 per cent

Overall, anticipated increases are homogenous across all industries, with an average of 3.8 per cent, whereas in the past some industries (such as IT or Telecommunications) had forecast larger increases.

"Companies should be reluctant to increase base salaries by more than 3.5 to 4 per cent," says CSI professional services manager Jairus Ashworth. "Employees should have the opportunity to earn more than this through bonus and incentive programs which are tied to improved company performance, making them self-funding."

According to the Survey, employees have been reluctant to change jobs over the past year, with levels of voluntary staff attrition down across all industries: "The low voluntary rates are due to a general uncertainty in the market," says Jairus. "There are less vacancies out there, so employees are staying in positions for prolonged periods of time."



The Melbourne office will enable survey subscribers based in or around Melbourne to readily access expert remuneration advice and a plethora of services, including:

- Salary survey services
- Survey-based technology demonstrations
- Survey data audits
- Remuneration consulting and special projects

For more information about CSI's Melbourne-based consulting services, please phone Andrew White on 61 3 9607 1361, or email awhite@classalinfo.com.au.

former Client Services Manager Kylee Small; Caroline Hill has departed with our best wishes and Professional Services Manager Jairus Ashworth has taken on her responsibilities; new remuneration consultant Jean Williams joined the team in July; and Sean Beazley and Paul Wright have moved from their respective Client Services and Consulting roles into Business Development.

CSI SERVICES UPDATE

CSI's Client and Professional Services Teams have conducted several special projects in recent months, including:

- Research on aspects of incentive schemes in the IT&T sector, focussing on the basis of fixed/variable splits and premiums for Asia-Pacific regional responsibilities.
- The research of market rates of pay for data-warehousing/business intelligence roles.
- Advising an aircraft-sales company on senior executive remuneration arrangements.

- Research on back office operations and business lending remuneration rates and practices.
- Developing pay-trend lines for various employee groupings in a large quasi-public sector organisation.
- Advising a recruitment company on remuneration levels for the country managers of each of its Asian operations.

To discuss how either Team might meet your needs, please phone professional services manager Jairus Ashworth on 6 12 8440 6500 or email consulting@classalinfo.com.au.

EFFECTIVE COMMUNICATION DELIVERS RESULTS

In a global corporate environment where mergers and acquisitions, restructurings and downsizings are as common as the annual Christmas party, it's important not to underestimate the impact of change on employees, says **Barbara Palframan Smith**, Director of BPS Communications.

A vital element of any company change initiative, no matter how big or small, is effective communication between management and staff. A recent study conducted by the International Association of Business Communicators, based on responses from nearly 1,600 global companies that had undergone mergers and acquisitions, showed that communication had played an important role in successful company transformation. It also indicated that the least successful companies – those failing to achieve proposed operating and financial efficiencies – had underused the role of communications during all the merger phases.

During times of business change, senior executives are obviously focused on "getting the deal done" – on due diligence, logistics, financial and legal matters and keeping external audiences informed of their progress. Often, employees are the last to be factored into the information equation. And the results speak for themselves, with contraction and retention issues coming to the fore.

Successful companies communicate with their employees on an ongoing basis – not just intermittently or during times of crisis. For instance, when implementing a new remuneration system, the objective is obviously to obtain "buy-in" for the new system. A good communication strategy can:

- Identify any challenges, concerns and priorities that have to be addressed before the system is launched;

- Provide comprehensive, understandable and consistent information to employees;
- Provide an opportunity for any concerns to be aired via a managed process;
- Provide appropriate feedback; and
- Ultimately, ensure a successful launch of the system.

The best internal communication initiatives are often those which are partnerships between HR and communications executives, with internal and external messages working in synergy, and, most importantly, with the CEO being seen as sponsor of the whole initiative and lending his backing to it.

By treating employees as a key audience when communicating company developments, the employer will derive a number of long-term outcomes, among them are:

- Maintaining productivity and profitability;
- Retaining and enhancing management credibility; and
- Ensuring positive internal perceptions of the company. (Remember that your employees can be your best image builders and can assist in positioning your company as an Employer of Choice.)

Communicating effectively with your employees will pay off handsomely. It will ensure understanding and involvement in your company's strategic business decisions and directions, with a resulting spin-off on retention rates.

For more information on organisational communication that delivers results, contact Barbara Palframan Smith, BPS Communications, on (02) 9362 5686 or 0402 206 932.



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NZ STATISTICS

The number of jobs advertised in New Zealand newspapers fell by 3.6 per cent in May – the third monthly drop this year – amid slowing economic growth.

The seasonally adjusted decline comes after a 1.4 per cent rise in April, leaving the ANZ Job Ads series 6.1 per cent below levels recorded in May 2002.

ANZ Chief Economist David Drage said evidence was starting to emerge that economic growth has slowed in 2003, coming off the highs generated by the agricultural export boom in 2000/01, and the more recent boom in net migration levels.

"While the overall level of job ads remains consistent with a relatively solid labour market, employment growth in 2003 is likely to be slower than seen over the past couple of years," he said.

New Zealand's jobless rate remained at a near 15-year low of 5 per cent in the March quarter. There was no increase reported in the June Quarter CPI, though it has increased 1.5 per cent on an annual basis.

The Reserve Bank of New Zealand estimates the economy grew 4.5 per cent in the year to March 2003 and expects this rate to ease to 2 per cent as a firmer NZ dollar weighs down on the export sector.

SKILLED VACANCIES

The Department of Employment and Workplace Relations' Skilled Vacancies Index decreased by 2.2 per cent in June 2003, with two of the occupational groups, Professionals and Trades, experiencing falls of 3.4 and 2.4 per cent respectively.

REMUNERATION TRAINING SEMINAR — SEPTEMBER 2003

Something to add to this year's budget: In addition to our Introduction to Remuneration (REM101), In-House Training and RapidRem seminars, CSI is conducting a 'How to Use Salary Surveys' Seminar on Wednesday 10th September, 2003.

Aimed at HR and remuneration professionals working at the Analyst level, as well as those seeking knowledge of survey methodology and data interpretation, the Seminar will provide an interac-

tive learning session (each participant will have access to a computer), broken down into practical examinations of CSI's data input tool, RapidRem, and survey output.

For more information on this CSI Training Seminar, please contact Kylee Small on 61 2 8440 6500, email ksmall@classalinfo.com.au or visit the 'Services' section of our website.

EXECUTIVE DEMAND INCREASES

Demand for Australian executives rose 17 per cent in May, with broad-based gains experienced across industry sectors, according to E.L Consult.

"We are seeing a general upturn in the executive job market and we will see a slow but continuing upward trend for the rest of this year," said E.L managing director Grant Montgomery.

Mr Montgomery said the gains were particularly evident in sectors such as information technology, which were the most exposed to international economic conditions.

By industry, marketing took the biggest step forward in May, followed by IT and engineering.

Meanwhile, over half of the 231 CEOs surveyed by The Executive Connection (TEC) Australia in May 2003 are planning to increase staffing levels over the next 12 months, while 48 per cent identified the 'recruitment and hiring of top talent' as the most important business strategy to help their companies grow.

AUSTRALIA: LAND OF THE HEDONIST OR WORKAHOLIC?

Are the words 'too busy' starting to sound a little too familiar? Well, research conducted by The Australia Institute has found that of the 57 per cent of full-time employees who didn't take all their annual leave in 2002, 42 per cent were unable to get away from the office because they were 'too busy' or couldn't get time off that suited them.

In 2002, about 1.7 million Australians worked 50 hours or more per week, a 50 per cent increase since 1982, according to the Australian Bureau of Statistics. As a proportion of full-time workers, those working 50 hours or more per week increased from 20 to 30 per cent.

From 1982 to 2002, the proportion of female full-time workers working 50 hours or more per week almost doubled from 10 to 19 per cent. Similarly, 35 per cent of male full-time workers worked in excess of 50 hours per week, up from 23 per cent in 1982.

Sources: The Australia Institute (www.tai.org.au) and ABS.



AT YOUR SERVICE



Q&A with the CSI Professional Services Team

Q: With the decreasing pool of cash available for fixed salary increases, what are some of the more creative solutions I can use to reward employees?

A: Within the remuneration framework, there are many options outside cash-based rewards that can be considered. If your company is having trouble justifying fixed salary increases, whether it be due to low profitability, revenue or other economic pressures, focus should move to other critical HR functions such as Training and Development, which will ultimately increase the value of employees and make them feel more empowered to do their work.

Investments in company culture will also be valuable in the long term and provide a low cost alternative. Activities that bring employees together and reinforce company values and missions are great for morale, which we all need in tough times. Things like employee picnics, charity days and family days incur only the cost of the employee not being at work (as opposed to additional costs) and will help 'soften the blow'.

However, you must remember that every year a small or no salary increase is provided, the harder it will be to catch up to the market in the future; so things like salary freezes are not a long-term option and will put a lot of stress on companies to perform.

Please email your questions to remreview@classalinfo.com.au. The Professional Services Team will endeavour to reply to all questions: pertinent questions will be published in the next edition of Remuneration Review.

ADVERTISEMENT

HR Professional Seeking Salary Data

Thirty-something HR Professional seeking data for hard-to-match roles; information on on-call/shift allowances; better software to manage the salary increase process; customised survey output; soft-copy survey tables I can manipulate; and efficient service.

CSI can help: phone CSI Sydney, 61 2 8440 6500, or Melbourne, 61 3 9607 1361, today.

HIRING INTENTIONS STABLE

Of the 5,938 employers surveyed by TMP/Hudson, 26.7 per cent have indicated they are anticipating an increase in current staffing levels over the coming three months, compared with 7.5 per cent who are expecting to reduce current staffing numbers. The majority of employers surveyed (64.3 per cent) will be maintaining current levels.

Sector	% employers creating new jobs July-September 2003
Construction/Property/Engineering	29.8
Professional Services	25.0
Healthcare/Medical/Pharmaceutical	23.7
Information Technology	20.8
Manufacturing	19.4
Finance/Insurance	19.0
Telecommunications	14.7
Advertising/Marketing/Media	9.5

SURVEYS ONLINE

View your salary survey online: <https://www.csirem.com.au/webrem/webrem>

SURVEYS FOR RELEASE

August

AIIA IT&T
IT IS
Telecommunications
New Zealand IT&T

September

New Zealand IT Sites
Contractor & Consultant Rates
Business Equipment
Insurance Remuneration Group

October

Banking & Finance
Diagnostics, Medical Devices & Scientific Product & Equipment

SURVEY FEEDBACK SESSIONS

August

AIIA

September

New Zealand IT&T/Sites

HR SPOTLIGHT

Cathy Hein
Human Resources Manager
Nestle Globe Center AOA



Managing the HR department of the Sydney-based Nestle GLOBE Center (there are three worldwide) is the multi-tasking Cathy Hein. The Centers were established last year in order to standardise the company's worldwide IT systems infrastructure. While at Sydney HQs (as apposed to being in her 'virtual office' abroad), Cathy spoke to us about her role and the challenges faced by the HR team.

What does your role at the Sydney-based Nestle GLOBE Center (Asia, Oceania, Africa) involve?

I'm HR Manager for this 'start up' entity, a business unit which is expanding at a rapid rate – it will have well over 200 employees by the end of 2003. This has been accomplished over a relatively short period (eighteen months or so). The HR team covers all generalist functions, such as recruitment and selection, policy, training and development and performance management.

The GLOBE Center AOA services a vast geographic zone. What remuneration issues have risen as a result of the geographic complexities?

Perhaps the biggest challenge has been recruiting the skilled employees we need from all over the world, who have worked within different environments and conditions, and ensuring they understand and are aware of the Australian conditions. Other challenges have been moving our teams to work overseas for extended periods of time in any of 12 time zones, with diverse cultures, languages and religions across the countries.

Nestle has conducted research with CSI into the provision of on-call/shift allowances for IT support staff. What changes or policies have been implemented as a result of this project?

We have introduced an initial trial of shift/on call arrangements for the technical support areas and are currently undertaking a further review now that we have implemented the GLOBE Solution within the Malaysia/Singapore Region and are further expanding our support activities to cover countries such as South Africa and New Zealand (significant time zone differentials).

Cathy is tertiary qualified, with post-graduate HR and teaching qualifications.



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