

REMUNERATION REVIEW

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SPECIAL NEW ZEALAND INSERT

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CORPORATE GOVERNANCE & EXECUTIVE PAY



Michael Ashe -
Watson Wyatt
Worldwide

The recent strengthening of international rules of governance for boards has led to greater focus on governance in New Zealand along with greater scrutiny of remuneration decisions at the executive level. Michael Ashe of Watson Wyatt Worldwide untangles these issues and offers a checklist of practical measures organisations can implement to ensure objective determination of executive pay.

The international trend for closer scrutiny of executive pay has been brought about, in part, by the inappropriate use of market data by some high profile organisations in the US and other countries. The apparent misuse of data, in many cases, involved the targeting of inappropriate organisations as 'peer' groups for market comparisons. More disturbingly, these peer groups and associated market data were selected by the very executives, or their close associates, who would benefit from decisions based on that data. The role played by the board in these cases was to ratify the recommendations, essentially providing no more than a 'rubber stamp' for the decisions. Clearly, this lack of objectivity, opens the door to questions of conflict of interest, even if it is done with the intention of assisting the board in its deliberations. Whilst best practice governance for boards has always been to provide a prudent and independent process for advice, this has not always been rigorously held to. Hence the strengthening of the rules in recent times.

What does this mean in practice for New Zealand organisations? It means that the governing board needs to:

- establish clear processes and accountabilities;
- ensure independence of all advice, including that of consultants;
- determine how the organisation establishes the relationship between the level of risk and reward;
- ensure that the total reward payments are appropriate - with particular attention to the cumulative affect of short and long term incentive programmes;
- represent the best interests of the organisation and its owners and not the executives concerned when deciding what level of remuneration is 'fair' and reasonable.

For more information, contact Michael Ashe at Watson Wyatt Worldwide on Michael.Ashe@watsonwyatt.com.

CSi – Your Remuneration Specialists.

WORKERS AGED 65 YEARS +

There is an increasing trend for paid employment amongst those people aged 65 years and over.* This trend will have a significant impact on the responsibilities of Human Resources and Remuneration Specialists within organisations. The facts include:

- Employment rates for people aged between 65 - 69 years have doubled since 1986*;
- Workers aged over 65 years are collectively referred to as the 're-generation';
- Typically, the 're-generation' have a differing set of values to other generations of workers and seek a different experience in the workplace.

*Source: Statistics New Zealand - Older New Zealanders: 65 and Beyond Report

THE IT INDUSTRY IS GROWING

According to the Information Technology Survey - 2002 financial year*:

- Sales of IT products and services (excluding communications services) are up 1%;
- Total exports of IT products and services (excluding communications services) increased 22%;
- Sales of IT products and services to New Zealand end-users was worth \$4.3 billion in the 2002 financial year, up 1%;
- There was a 45% increase in exports of computer hardware and peripherals.

*Source: Statistics New Zealand



CSi IN AUCKLAND

CSi held a feedback session for all New Zealand survey contributors at the Stamford Plaza in Auckland on 18th March 2004. More than thirty five Human Resources professionals from New Zealand organisations attended.

CSi's Remuneration and Benefits Specialist, Nick Woodward provided attendees with an in-depth analysis of market trends for IT&T professionals in the past 12 months. Although retrenchment activity has slowed, growth in the IT & T employment market remains flat. There is evidence of selective recruitment or 'cherry-picking' occurring at the senior management level. Attendees cited that despite the flat nature of the market, a shortage of strong senior IT candidates with both technical and business skills still exists.

CSi's Consultant Paul Wright provided attendees with a demonstration of CSi's RemSys salary review software. This presentation was widely appealing to those attendees in the room that have lost sleep and sanity during their organisation-wide salary review processes in the past!

Tina Miller from Smoke Signal Consulting shared her experiences managing work/life balance in IT project teams. Tina provided attendees with some insights on how to best achieve a balance in this inevitably difficult environment.

An open discussion held amongst attendees demonstrated that the major issues affecting HR and Remuneration professionals at present included the flexible packaging of benefits, the impacts of changes to the Holidays Act and the management of on-call allowances.

CSi feedback sessions provide a forum for HR professionals and Remuneration specialists to network with peers and discuss current trends in the New Zealand HR/remuneration markets. CSi holds feedback sessions in Auckland every March and Wellington every September and encourages all survey contributors to attend.

CSi would like to thank all attendees for their participation in the New Zealand Surveys Feedback Session.

HIRING INTENTIONS POSITIVE

The results to the Hudson Report (January - June 2004) are in line with other recent economic indicators expressing an optimistic mood. Results show that 44.9% of employers indicated they are expecting to increase staff numbers over the coming six months, compared with 9.1% anticipating a reduction in current staffing levels.

Sector	% employers creating new jobs
Professional Services	34.0
Construction/Property/Engineering	55.0
Government	44.0
Information Technology	54.0
Healthcare	40.0
Financial Services/Insurance	31.0
Education	38.0
Advertising/Marketing/Media	31.0

THE HOLIDAYS ACT 2003

The Holidays Act 2003 has made changes to the provision of annual leave holiday entitlements and payments. The way entitlements and payments are calculated has also been amended. The changes are designed to make the management of annual leave easier and it is vital that all organisations are aware of the new legislation.

One of the most significant changes under the Holidays Act 2003 is the move from three to four weeks of annual leave for employees that have been with organisations for a period of one year or more. The entitlement to four weeks annual leave will take effect as of the 1st of April, 2007.

For more information on the Holidays Act 2003 refer to the Department of Labour - www.ers.dol.govt.nz

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HR SPOTLIGHT

Dianne Dumper

Human Resources Manager
Axon Computer Systems Ltd



Dianne Dumper chatted to us about her career, her life and finding her niche working in Human Resources.

How did your career start and how has it progressed?

I started out in administration roles moving through Accounts Payable, Accounts Receivable and general sole charge roles. I then moved to Axon fourteen and a half years ago and performed administration, before becoming the Administration Manager, the Finance Manager and finally the HR Manager.

With first-hand knowledge of many different roles, what attracted you to HR?

After working in Finance and Administration roles I realised I like the interaction with people and I like dealing with issues and helping people to resolve those issues.

What are the most important remuneration activities that you have steered at Axon?

Moving to salary bands across the board; changing the salary structure and cashing up some benefits; moving employees from at risk pay to fixed salary.

What is your work/life philosophy?

Enjoy what you are doing and have fun!

What are you passionate about outside of work?

I am an avid sports fan and I follow the NZ Warriors (Rugby League) and support the Auckland Blues (Rugby Union). I also read, do scrap booking, enjoy easy listening music and trying different restaurants. I really like One Tree Grill which is at Greenwoods Corner, they have a great selection of food.

You have been a very loyal CSi client, what does CSi offer your organisation?

I use CSi for salary comparisons and banding and for networking with other leading IT & T organisations.



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