

Remuneration Review

New Zealand Edition, Issue 10, Spring 2007



How HR Professionals Can Make Their 'Mark' With CSI MD, Jairus Ashworth

Skills Crisis: The Opportunity Of A Lifetime



Before bemoaning the lack of applicants for your recently advertised job vacancy, or the fact that your biggest competitor is stealing your staff for salaries 20% higher than what you are currently paying, consider the following....

New Zealand is riding the crest of an economic boom. Over the past 20 years the government has worked to transform New Zealand from an agrarian economy dependent on concessionary British market access to a more industrialised, free market economy that competes globally.

This dynamic growth has boosted real incomes, broadened and deepened the technological capabilities of the industrial sector, and contained inflationary pressures. Consumer and government spending have driven growth in recent years. Thus far the economy has been resilient, and the Labor Government promises that expenditures on health, education, and pensions will increase proportionately to output.

We should then look at the low unemployment rate and 'skills crisis' in the context of this superior economic performance – it is a pretty predictable side-effect of being successful.

We are quick to blame the government for skills shortages. However, the market supply and demand curves for labour change a lot quicker than the government and private sector can make changes to skills development apparatuses (this is not to say of course that governments couldn't do a whole lot better!).

The point that should be made is that this economic boom sees the market system working as it naturally should and demonstrates to us why the system works; rewards accrue to those who use resources most effectively.

We would comfort you, our clients, with the thought that if you are having trouble attracting and retaining skills then you are not alone. In fact, most of your competitors are probably doing it just as tough. So what this means is that if you keep on chugging away through this market using the same old techniques to attract, retain and motivate you'll probably be in relatively good company.

And there in lies the opportunity ...

Organisations that can turn attraction, retention and motivation of employees into a source of competitive advantage can achieve lasting and substantial business success in an environment of skills shortages. Remuneration and HR specialists are tasked with exactly this and we are trained to solve these problems.

In short, we were born for this time and this business environment. The current economy presents the opportunity for our profession to contribute to business success like never before.

How will you seize the opportunity?

Smart Shopping Tips

Purchasing The Right Salary Review Software Solution

This is the third 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 ...

There are a number of design features within quality salary review software solutions that HR practitioners should demand when making their purchase. The first of these features is a consistent organisation or department-wide methodology for making salary review decisions. This was discussed in the last edition of this newsletter. The second of these features is greater control mechanisms for HR practitioners to automatically monitor and guide the progress of the salary review.

So how do you assess whether the salary review software you are planning to buy includes this feature? The answer is simple ... make sure it provides the following:

- ✓ Devolved yet controlled budget management. The software should allow you to specify an overall salary review budget and a budget for each reviewing manager. It should also allow reviewing managers to see the impact of their decisions on this budget as they are finalising each salary increase recommendation.
- ✓ The facility for managers to lodge business cases for salary increase recommendations that fall outside of company policy or guidelines. The software should facilitate an automated dialogue between reviewing managers and approval managers for approval of these exceptional recommendations.
- ✓ The ability for the HR team, as leaders of the review, to control and guide all involved parties throughout the review process. HR staff should be able to do this by configuring the software as the review progresses so that specific access to different types of information and screens within the software is provided to managers. The software should also allow HR staff to automatically alert managers to new work and follow up missed deadlines.

... continued on page 2



Job Evaluation In The 21st Century

Job evaluation is a relevant foundation for remuneration and HR strategies, frameworks, policies, practices and decisions.

With the advances in 21st century technology, job evaluation is no longer the cumbersome, time consuming and bureaucratic process it once was.

Job evaluation is the process of assessing the relative size of jobs within an organisation. Size is used to indicate the relative significance or importance of a job to an organisation.

Modern job evaluation can:

- create a transparent and equitable framework from which HR practitioners can make sound HR decisions, including those relating to organisational structure and design, career development and progression, performance management and remuneration and benefits.
- work in synergy with a market pricing approach to making remuneration decisions.
- adapt to organisational structure changes in fast moving businesses.

CSi offers sophisticated job evaluation solutions that provide accurate assessments of the relative job sizes of roles within an organisation.

Our job evaluation software solutions include JJE Hub and Watson Wyatt's Global Grading System (GGS).

For more information please go to: <http://www.csirem.co.nz/RemunerationConsulting/Capabilities/index.htm> and select 'job evaluation'.



CSi Breakfast Briefing

How Software Can Automate & Enhance Your Salary Review

Featuring a demonstration of Remuneration Decision Assistant (RDA)

We invite you to attend this Auckland breakfast briefing.

Come along and discover how salary review software can:

- Maximise your return on investment (ROI) by controlling your salary budget and reducing the time / resources required to run the salary review;
- Enhance the credibility of your Human Resources function by providing a strategic online salary review process featuring a consistent, organisation-wide methodology for determining salary increases;
- Automate the salary review process to enable a more consultative approach to the HR/business relationship.

This event includes breakfast and is free of charge.

CSi Speakers:

Rachael Finnemore - Practice Manager

Janine Irvin - Remuneration Consultant

Date:

Wednesday 24th October 2007.

Venue:

Cornwall Park Restaurant
(enter) Greenlane Rd West
Cornwall Park
Greenlane

Time:

Breakfast will be served from 7.30am.

The session will conclude at 9.00am

Who Should Attend?:

This event is suitable for HR practitioners at all levels who are interested in understanding how salary review software can automate and enhance the salary review process.

To Register:

To register your attendance at this breakfast briefing, please log onto CSi's website and enter your details.

Go to: www.csirem.co.nz/bb

Smart Shopping Tips

Purchasing The Right Salary Review Software Solution

... continued from page 1

The next article within this series will discuss the third key design feature within quality salary review software solutions that HR practitioners should demand when making their purchase. This feature is time saving and automation devices. Should you require this information before the next edition of our newsletter, please be in contact with Rachael Finnemore on +64 9 522 8194.

CSi's Remuneration Decision Assistant (RDA) is a sophisticated online remuneration solution that facilitates the entire pay review process. It incorporates all of the design principles discussed in this series of articles, go to:

<http://www.csirem.co.nz/Software/index.htm>

Remuneration Dictionary

'Talking The Talk' As A Remuneration Professional

Like many professions, remuneration management has its own language, jargon and acronyms. Understanding and using this terminology can increase the credibility of a remuneration professional.

We challenge you to test your understanding of the following terms:

Pay progression: The position of an employee's pay within the organisation's pay ranges, and the ability for pay movement based upon the employee's performance.

Pay-range overlap: The degree to which the pay ranges assigned to adjacent grades in a structure overlap, or, in numerical terms, the percentage of overlap between two adjacent pay ranges.

How To Maintain Pay Market Competitiveness



The retention of talented employees is currently a 'hot' HR topic. Whilst brainstorming and researching for innovative ways to address the 'retention issue' is important, it is also essential to remember that innovative retention programs will have little or no impact if fundamental elements of the employee value proposition, like market competitive pay, are not adequately addressed.

Remuneration benchmarking is one of the most efficient and effective ways for HR practitioners and business managers to understand whether or not their organisation's remuneration offerings are competitive in the market place.

What Is Remuneration Benchmarking?

Remuneration benchmarking is a two-stage process that involves the matching of an organisation's positions to generic job roles in the market and then comparing the differences in salaries and benefits paid.

Why Do Remuneration Benchmarking?

Remuneration benchmarking can assist with gaining a clear understanding of an organisation's market position and the competitiveness of employees' remuneration packages. It clearly identifies situations where particular employees are paid far more or far less than market rates for their particular roles.

Benefits Of Remuneration Benchmarking

Armed with the results of a remuneration benchmarking project, HR practitioners and business managers can cost and build remuneration strategies to move the organisation to a market competitive position and towards a more focused, targeted approach to remuneration management. This will contribute to business profitability and assist with attracting, retaining and motivating talented employees.

CSi's consultants regularly perform remuneration benchmarking projects for organisations. For more information on CSi's remuneration benchmarking services, go to: <http://www.csirem.co.nz/RemunerationConsulting/Capabilities>.

Hitting The Right Target



not available within 'off-the-shelf' remuneration surveys and HR policy & practice reports.

The types of research that can be conducted on behalf of an organisation are many and varied. To give insight into the depth and breadth of topics and roles that can be surveyed, following is a snap shot of research CSi consultants have conducted for clients:

In the current tight employment market, the quality of the market data upon which HR and remuneration recommendations and decisions are made can be a critical factor in successfully attracting or retaining an employee.

For this reason, it is crucial for HR practitioners to clearly define the 'target' or the benchmark against which a recommendation or decision is made *before* sourcing the detailed and specific market intelligence they need to facilitate informed decisions across the business.

When an HR or remuneration recommendation or decision is highly contentious or business-critical it is often the case that more detailed market data and analysis is required than that which can be found in standard market data reports.

For this reason, HR and remuneration consultancies often provide an additional service whereby they will survey the market for specific information and conduct particular analyses on behalf of an organisation. We at CSi refer to this service as 'Customised Market Surveys'.

Following is an overview of what customised market surveys are and how they can enhance the recommendations and decisions HR and remuneration practitioners make.

What Are Customised Market Surveys?

Customised market surveys are reports containing market intelligence on unique roles or highly specific HR/remuneration policy and practice information currently

- Market remuneration rates for shared services roles that require translation skills.
- Market remuneration rates for particular roles within a specific geographical region, for example, Palmerston North, North Island, New Zealand.
- The minimum thresholds (floors) and caps (ceilings) related to commission payments for a selected group of sales roles within organisations offering similar products and services to the organisation who commissioned the research.
- The 'soft' benefits (ie. benefits outside of the salary package) provided to certain job families of employees within a group of competitor organisations.

Results of customised market surveys are typically based on market data collected from a selected group of organisations. The format of the results is tailored to meet the needs of the organisation commissioning the research.

Benefits Of Customised Market Surveys

Customised market surveys allow HR practitioners to gain the exact market intelligence they need to make market-related pay decisions and to develop competitive HR/remuneration policies. They can be beneficial in a variety of circumstances, as follows:

- Customised market surveys that present market rates for highly unique job roles can save HR practitioners from the inevitable guesswork that must take place to arrive at a decision when precise market data is not avail-

able. They can ensure that pay decisions are made in a fair, consistent and equitable manner for all roles within the organisation, not just the ones typically found in 'off-the-shelf' remuneration reports.

- Customised market surveys that present intelligence on specific areas of HR/remuneration policy and practice can assist with assessing the competitiveness of prevailing arrangements within an organisation. They provide crucial evidence required for formulating a case to shift policies and practice to a more market competitive position.

Format Of Results

The results of a customised market survey can be tailored to suit the individual needs of an organisation. Typically, the results are presented as follows:

- Customised market surveys that report market remuneration data for requested roles will generally be provided in the standard survey format, unless an organisation requires a different format to suit an organisational need. Where data samples permit, market remuneration rates are presented for the average and 25th, 50th, 62.5th and 75th percentiles for all elements of employees' salaries and benefits packages, including taxable base salary, superannuation, performance pay and various FBT-able and non FBT-able benefits.
- Customised market surveys that present market intelligence on areas of HR/remuneration policy and practice will typically be presented in a report format that shows the results of the research in easy-to-read graphs and charts with accompanying commentary.

CSi regularly conducts customised market surveys on behalf of clients to ensure that they are hitting the right target with the HR and remuneration recommendations and decisions they are making.

For more information or to discuss a specific organisational requirement, please contact Rachael Finnemore at CSi on +64 9 522 8194 or rfinnemore@csirem.co.nz.

CSi Welcomes New Clients

- Datacraft NZ Ltd
- Mediterranean Shipping Company
- Tenon Manufacturing
- United Group Rail

We look forward to working with you!

A Little Chuckle About Pay

Dilbert's "Salary Theorem"

Dilbert's "Salary Theorem" states that:

"Engineers and scientists can never earn as much as business executives and sales people."

This theorem can now be supported by a mathematical equation based on the following two postulates:

As every engineer knows:

$$\text{Power} = \text{Work} / \text{Time}$$

Since:

$$\text{Knowledge} = \text{Power}$$

$$\text{Time} = \text{Money}$$

$$\text{Knowledge} = \text{Work} / \text{Money}$$

Solving for Money, we get:

$$\text{Money} = \text{Work} / \text{Knowledge}$$

Thus, as Knowledge approaches zero, Money approaches infinity, regardless of the amount of work done.

Conclusion:

The less you know, the more you make.

As listed on:
www.lifeisajoke.com

Stat Wrap

GDP (annualised March 07)	1.7%
CPI (annualised June 07)	2.0%
Unemployment (annualised June 07)	3.6%
Wages Growth (annualised June 07)	3.2%

IT Spot

According to CSI's New Zealand 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 September 06-07 was 5.8%.

The voluntary staff attrition / turnover rate related to IT specialists is 18.5% (weighted average).

The New Hires Market

Employment Expectations According To The Hudson Report

The Hudson survey of permanent hiring expectations (www.hudson.com) for the six months to December 2007 recorded positive sentiment. The survey of 1,567 clients showed a positive net effect of 39%. Positive net effects have been recorded across all industries and regions. The results represent an increase of 5 percentage points on the previous survey (January - June 2007). This is the highest level recorded since the survey of July 2005.

Positive net effects were recorded across all regions surveyed. The South Island has, for the first time since January 2004 recorded the most optimistic results of all regions. With a net positive effect of 47.3% of respondents expecting to increase permanent employment expectations over the coming six months representing a movement of 10.4pp on the last survey. Net positive results have also been recorded in the Lower North Island (net positive 44.9%) and the Upper North Island (net positive 33.3%).

Current 'net effect' is arrived at by subtracting the expected decrease in employee numbers from the expected increase in staff levels.

The New Hires Market Continued ...

Job Vacancies Levels According To The Job Vacancy Monitor

According to the Job Vacancy Monitor (JVM) (www.dol.govt.nz), there were 6,360 advertised job vacancies measured in July 2007 – the same level as a year ago.

Despite the sustained negative fall in vacancies this year, there were still 18% more advertised vacancies in July 2007 than in July 2003.

The total number of highly skilled job vacancies increased by 11% in the year to July 2007, whereas skilled job vacancies decreased by 11%. Semi-skilled/ elementary vacancies increased by 2% from the level a year ago.

Employment Outlook According To The Manpower Survey

The Manpower Employment Outlook Survey (www.manpower.co.nz) for the October – December quarter of 2007 was conducted by interviewing a representative sample of 910 employers in New Zealand.

All survey participants were asked, "How do you anticipate total employment at your location to change in the three months to the end of December 2007 as compared to the current quarter?"

Of the employers interviewed in New Zealand, 31% said they expect to hire more people during the fourth quarter of 2007. Only 5% anticipate that their workforce would decline, and 62% expect no change.

CSI - The Remuneration Specialists
now produce the

**New Zealand
General Industry
Remuneration Report**

and the

**New Zealand
Top Executive
Remuneration Report**

For more information,
visit CSI's website:

[http://www.csirem.com.au/Surveys/
NewZealand/index.htm](http://www.csirem.com.au/Surveys/NewZealand/index.htm)



HR Spotlight

Colin Baruch

Remuneration & Reward Specialist
New Zealand Post Group

Colin Baruch's career has spanned roles in sales and marketing; recruitment and selection; and remuneration and rewards. He has worked for top companies including IBM, Price Waterhouse, Sheffield Consulting Group, National Bank of New Zealand and is currently employed as a contractor at New Zealand Post Group. We caught up with Colin to discuss remuneration management, his experiences with CSI and life outside of work.

Describe your remuneration management philosophy ... Linking pay to performance remains the most critical element to successful remuneration management in the current skill-short market. Contributing to this is the need to understand the true cost of employment and link that clearly to employer requirements. Remuneration management now requires the delivery of pro active solutions that ensure the business, not just HR, makes remuneration decisions that reflect employer values, requirements and responsibilities.

Describe how remuneration management has changed over the past year ... Traditional remuneration packaging is being challenged and there is increased pressure for transparency and flexibility. The arrival of Kiwisaver has shifted the level of paternalism that may be appropriate.

Describe something wild about yourself ... For the last 9 years my wife and I have operated LOT EIGHT an award winning boutique Extra Virgin Olive Oil grove in Martinborough. Our oil is now available from a number of quality restaurants and food outlets around NZ.

What is your association with CSI? ... As a contractor and consultant I have introduced CSI to clients as the most reliable source of IT remuneration data available. NZ Post Group contributes to the executive survey and the NZ Call Centre Survey and will provide data to the IT survey this year.

CSI places emphasis on excellent service and the provision of information that suits the client requirement. I liken CSI to my own business, genuinely interested in the client, providing honest feedback and recognising that one size does not fit all.

Colin holds a Bachelor of Commerce (Marketing Management) from the University of Otago, NZ and a Certificate of Direct Marketing.

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