

# Remuneration Review

Australian Edition, Issue 24, Autumn 2007



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

Smart Shopping Tips!

## 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.

## 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 do 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 Sydney: Paul Wright on +61 2 8440 6500

① Melbourne: Nigel Gray on +61 3 9607 1361

**CSI is holding a June Breakfast Briefing to discuss how software can automate and enhance your salary review. To request an invite, please email [crulli@csirem.com.au](mailto:crulli@csirem.com.au)**

## Employee Attraction, Motivation & Retention Strategies

In July 2007, CSI will be holding Remuneration Symposia in Sydney and Melbourne to discuss the important role remuneration management plays in employee attraction, motivation and retention.

Feedback from clients suggests that this area of HR, whilst always a critical focus area, is becoming increasingly important in the current environment, which is characterised by climbing voluntary staff attrition rates, lengthy hiring periods, demands from staff for a greater range of employee benefits and programs and pressure for increased rates of remuneration. A significant portion of clients have expressed a need for strategic advice and market intelligence to assist with ensuring their remuneration management strategies, policies and practices are geared towards attracting, retaining and motivating employees.

The Symposia will be divided into three sessions. Each session will feature a panel of expert speakers who will provide insight into recommended strategic approaches, current market trends and innovative practices for each major topic area, as shown below:

### Employee Attraction

The employee attraction panel will feature:

- **Nicole Isaacs, Regional Director, Hays Human Resources**, who will provide an overview of remuneration for employee attraction from a recruitment perspective.
- **Kylee Small, Executive Director** (Sydney session) and **Nigel Gray, Practice Manager** (Melbourne session), **CSI**, who will present the results of the inaugural edition of CSI's New Hire Remuneration Rates Survey.
- **Paul Wright, Business Development Manager, CSI**, who will provide a global view on employee attraction strategies as revealed at the Total Rewards 2007 World@Work Conference & Exhibition

held in Orlando, Florida (6<sup>th</sup>-9<sup>th</sup> May 2007).

### Employee Retention

The employee retention panel will feature:

- **Ian Crichton, Managing Director, Corporate Remuneration Advisors**, who will discuss the use of long term incentives to drive employee retention.
- **Nick Woodward, Consultant**, (Sydney session) and **Nigel Gray, Practice Manager**, (Melbourne session), **CSI**, who will present an executive summary of the results of CSI's 'Employee Retention Strategies Report 2007'.
- **Paul Wright, Business Development Manager, CSI**, who will provide a snapshot of new global trends in employee retention strategies as revealed at the World@Work Conference.

### Employee Motivation

The employee motivation panel will feature:

- **Yomna Sader, Remuneration Specialist, CSI**, who will discuss employee motivation in relation to the latest trends, changes and innovations in sales commission plan design, as published in CSI's Sales Commission Policy & Practice Report 2007.
- **Paul Wright, Business Development Manager, CSI**, who will report on current global approaches to employee motivation strategies as presented at the World@Work Conference.
- A CSI client who will provide an overview of innovative employee motivation strategies within their organisation.

**Jairus Ashworth, CSI's Managing Director**, will chair each session and provide examples and anecdotes where appropriate to illuminate each discussion. There will also be time at the end of each session for participants to direct questions to panel members.

**Melbourne Remuneration Symposium**  
Wednesday 18th July 2007

**Sydney Remuneration Symposium**  
Wednesday 25th July 2007

To request an invite to this event, please email [crulli@csirem.com.au](mailto:crulli@csirem.com.au)

## Benchmarking Your Organisation's Sales Commission Plan

It is common practice for sales commission plans to be amended or tweaked with each new performance period to reflect the changing nature of an organisation, its products and services, its strategic direction and changes within the industry the organisation is operating in.

As these small amendments are usually occurring on a regular basis it is easy for HR practitioners to overlook analysing current market trends in sales commission plan design and performing an objective review of their plan.

A comparison of key market trends reported in the latest edition of CSI's Sales Commission Policy & Practice Report (2007) with the previous 2003 edition suggests that analysing market trends and benchmarking your organisation's plan is important for maintaining a competitive market position.

To illustrate why this is so, we have provided a couple of examples of differences in market trends that have emerged in the 03-07 period.

- In 2007, 70% of organisations across all industries have 'commission floors' (which specifies a minimum level of achievement employees must reach) in place. This contrasts to 2003 where only 49% of organisations specified a 'floor'. This could suggest that organisations now have a lower tolerance towards poor or under performing employees in the current environment.
- The 2007 report shows the most common frequency for commission payments is at quarterly intervals (56% of organisations). This is different to 2003 when the most common payment frequency was monthly payments (63% of organisations). This shift could suggest that organisations are using the quarterly payments as a retention tool.

For details on CSI's 2007 report, go to: [www.csirem.com.au/Surveys/HRPolicy/SalesCom.htm](http://www.csirem.com.au/Surveys/HRPolicy/SalesCom.htm) or contact Carlie Epple, Client Support Consultant on +61 2 8440 6512.

## Free CSI Report Download

### Fuel Price Impact Report 2007 Featuring a case study from CSC Australia



Go to: [www.csirem.com.au/Knowledge/strategy.htm](http://www.csirem.com.au/Knowledge/strategy.htm)

For the third cycle in a row, CSI has researched the impact fuel prices are having on Australian organisations and 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

Please contact Taryn Timm, Research Analyst, on +61 2 8440 6530 or [ttimm@csirem.com.au](mailto:ttimm@csirem.com.au)

# 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 (AANSW).

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.com.au/Promos/JE.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

- Able Australia
- Arthritis NSW
- Australian Super
- Bakers Delight Holdings
- Boys' Town Engadine
- Bristol-Myers Squibb Australia
- Brock & Associates Pty Ltd
- Cambridge University Press
- Christian Blind Mission
- Compuat Research
- Corrs Support Services Trust
- Dept of Education & Children's Services
- Disability Services Australia
- Eaton Electrics
- Elsevier Australia
- Employers Mutual Ltd
- Fairfield Community Resource Centre
- FreshTel Pty Ltd
- Goodman Fielder Ltd
- H & R Block
- Halcrow Pacific
- Honeywell
- Inspire Foundation
- Karingal Inc
- Kurrajong Waratah
- Lanier Australia Pty Ltd
- Mai-Wel Limited
- Make-A-Wish Foundation of Australia
- Medcraft Hill-Rom Australia
- Melbourne University Publishing
- Navitaire Australia
- NICTA
- NTT Australia Pty Ltd
- Optium Australia
- Pearson Australia Group
- Poker Stars
- RDDT Pty Ltd
- SCOSA (Spastic Centres of SA)
- Spiritus
- Unico Computer Systems
- UXC Business Solutions
- VaST Systems Technology
- Verizon Business
- Walker Books Australia
- WestNet Rail

We look forward to working with you!

## A Little Chuckle About Pay

After a recent salary survey, it was clear that the man's salary was well below the industry average for his IT specialisation. To correct the situation, the Boss changed the man's title. Later, the man submitted a suggestion to the Boss that would save the company millions. After 2 weeks of silence, the man went to the Boss to get some feedback. The Boss said "Oh, I threw your suggestion away. Only managers can make suggestions."



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:

### Human Resources - Private Sector

- Candidates with specialist knowledge in remuneration and benefits, OH&S, in-house recruitment and organisational development
- Generalist HR candidates at all levels

### Information Technology - Private Sector

- .NET analyst programmers at the medium to senior level, especially those with web application skills in C#, SQL Server and OO programming
- Java/J2EE developers with experience in Struts and Hibernate
- Test analysts at the medium to senior levels, especially those in automation end-to-end testing with rational tools or mercury tools and testers based in Brisbane
- Infrastructure and development project managers
- Business analysts, for contract and permanent positions
- Business intelligence analysts (business objects and cognos)
- IP telephony
- ERP consultants (oracle and 2nd tier products)

### Insurance

- Brokers, from account brokers to senior account executives, particularly tier complied candidates with 3+ years of experience
- Commercial underwriters with 3+ years of experience

### Sales & Marketing

- Experienced marketers with private label product experience within the FMCG industry
- Senior account managers and account directors in the advertising and media industry, particularly in direct marketing
- Marketing managers with financial services industry experience

### Office Support

- Experienced administrators and executive assistants/personal assistants
- All types of entry-level roles
- Legal secretaries, both temporary and permanent candidates
- Corporate receptionists
- Document controllers within the construction and property industries
- Part-time receptionists and general administrators

For full details of the Hays Quarterly Forecast, including current market conditions for sectors across Australia, visit: [www.hays.com.au/forecast](http://www.hays.com.au/forecast).

## Stat Wrap

GDP (annualised Dec 06 trend figure)	2.4%
CPI (annualised Mar 07 trend figure)	2.4%
Unemployment (annualised Mar 07 trend figure)	4.5%

[www.abs.gov.au](http://www.abs.gov.au)

## IT Spot

According to CSI's IT Specialists Survey, employers of IT staff are predicting an average 4.4% salary increase for the 07/08 financial year.

There was a 1.71% drop during April 2007 in the number of vacant jobs in the IT&T sector according to the Olivier Internet Job Index. The index stands at 131.09 in April 2007, down from 134.61 in February 2007.

The DEWR ICT Vacancy Index fell by 4.1% to 347.6 over the four weeks to mid April 2007. The index stands at 300.7 (November 2002 = 100) and is 25.3% higher than in April 2006. The three Australian ICT online recruiting sites included in the index averaged around 25,900 vacancies in the 4 weeks to mid April 2007.

## Skilled Vacancies

The Skilled Vacancies Index ([www.workplace.gov.au](http://www.workplace.gov.au)) fell by 2.2% in April 2007 to 99.3.

Vacancies for all occupational groups fell:

- Professionals (down by 2.4%)
- Associate Professionals (down by 9.6%)
- Trades (down by 2.2%)

In annual terms, the SVI is 6.5% lower than in April 2006.

## Employment Expectations

The Hudson survey of permanent hiring expectations ([www.hudson.com](http://www.hudson.com)) for the 3 months to June 2007 reveals the highest level of optimism in five years of surveying.

A net positive 34.3% of the 7,426 employers surveyed indicated an intention to increase permanent employment levels over the forthcoming quarter.

Seven times as many employers have indicated that they intend to increase their permanent staffing levels (40%) over those who have indicated a decrease (5.8%), while 54.2% expect to hold their current staff levels steady.

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



## HR Spotlight

**Francesca Wood**

**Remuneration Specialist  
Insurance Australia Group**

With over 9 years of HR experience within the Insurance, Retail Banking, Distribution and Public sectors, Francesca Wood returned from the UK two years ago and over the past year has been with leading insurance company, IAG. We caught up with Francesca to discuss remuneration management and her work/life back here in Australia.

### Describe your current role responsibilities.

I am responsible for providing specialist support to business unit managers and HR managers in the development, recommendation, implementation and maintenance of remuneration and performance management systems.

### Tell us about a career highlight.

In a previous company, I was given the opportunity to contribute to the company's global expansion strategy. This allowed me to gain valuable international HR experience in the creation of Joint Ventures, building new companies and the further development of established overseas operations.

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

To SELL, SELL, SELL our remuneration packages. I believe that whilst we (the remuneration community) develop amazing products/programs, we sometimes forget to sell them to our employees on a continual basis and therefore, employees believe that the grass is greener elsewhere (and in most cases it's not).

### How has remuneration management changed in your organisation over the past year?

IAG has recently expanded into new international markets which has highlighted a need to develop a global remuneration strategy. This is an exciting time for the company and I'm looking forward to watching our strategy evolve.

### How do you spend your free time?

With my husband and 2 year old daughter; and playing field hockey with my local sports club.

### What do you use CSI for?

Market data and tailored remuneration and benefits advice. CSI also facilitates the Insurance Remuneration Benchmarking Forum which IAG founded in 2006.

*Francesca has a Bachelor of Applied Science and Information Management.*



**CSI - The Remuneration Specialists Pty Limited** A.B.N. 86 003 854 920

Head Office - Level 12, South Tower, 1-5 Railway Street, Chatswood NSW 2067, Ph: +61 2 8440 6500

Melbourne - Level 9, 440 Collins Street, Melbourne VIC 3000, Ph: +61 3 9607 1361

Auckland - 8a Melrose Street, Newmarket, Auckland, New Zealand, 1023, Ph: +64 9 522 8194

[www.csirem.com.au](http://www.csirem.com.au) or [www.csirem.co.nz](http://www.csirem.co.nz)