

# Remuneration Review

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Executive Remuneration - From Nigel Gray & Nick Woodward of Hewitt CSI

New HR Policy Report

## Myths, Reality and Challenges!

We have all heard about the gross excesses of executive pay, the huge bonuses and the spiralling executive wage bills. So, let's take a look at one of the major trends relating to executive remuneration in Australia, and try to demystify the myth versus the reality and identify what the real challenge is...

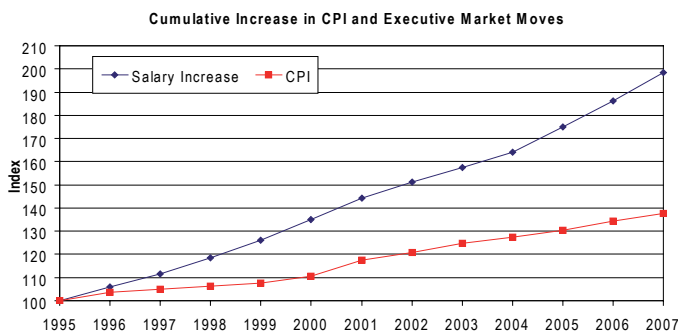
Observation: Remuneration costs are spiralling upwards. How much does executive pay need to be increased and how can I stay ahead of the pack?

Organisations understandably want to attract the best executives and pay them in a more competitive manner than others. Once established in the organisation, the pressure is there to continue to pay above average increases to this executive group – the philosophy being to stay ahead of the competition at any cost!

Spurred on by the significantly increased transparency of executive remuneration and a fairly tight labour market, we are seeing the executive remuneration battleground become bloodier, more savage and merciless. Not only are remuneration committees being exposed to frightening snippets of competitor executive pay practices, the executives themselves are wanting to make sure their own personal remuneration relativities are maintained in their rightful position.

The 'ratchet effect' is a commonly observed phenomenon, characterised by a series of movements that cannot be reversed once commenced. With regard to executive remuneration, salaries are being pitched at the 62.5th or even 75th percentile which by definition will then become the new 50th percentile. The result – upward spiralling of remuneration costs!

To illustrate the movements of executive fixed remuneration, the below graph compares the executive remuneration adjustment to that of the major inflation statistic, the Consumer Price Index (CPI), over the period 1995 to 2007. Growth in executive pay has far outstripped growth in CPI.



The Reality - organisations continue to push their executive pay levels well beyond that of traditional market movements... particularly their CEO's.

The Challenge - In the current environment of ratcheting executive remuneration costs, it seems about time that

organisations started focussing less on aggressively positioning their "On Target" remuneration levels at or around the upper quartile and focus more on ensuring that the more aggressive pay outcomes are only triggered by aggressive performance hurdles. Target the median of the market and pay only your top performers at the 75th percentile through the use of variable (performance-based) pay.

In Summary: Don't worry! Your executives are not on the breadline. They are receiving very healthy remuneration growth. Fixed pay increases are well above most sectors and variable remuneration continues to grow in relative importance. The challenge for us is to manage this wage explosion and make sure our executives are accountable. Don't load them up with fixed pay, turn the heat up a bit and let them back themselves! Control your fixed remuneration budget, set realistic market positioning strategies and give them the opportunity to be a top quartile earner based on outstanding performance. Oh and don't forget about the non financial measures that are going to really count in achieving greatness in the longer term!

## Motor Vehicle Policy & Practice Report - available in September 2008

Motor vehicle benefits policy is often complex and time consuming for organisations to develop, review and manage. Motor vehicle benefits policy can also be a source of confusion and discontent for employees.

Policies in Australia and New Zealand typically centre around three ways in which organisations provide motor vehicle benefits to employees (fully maintained vehicles, novated leases and car allowances). The choices that organisations then make regarding the method by which these benefits are provided can significantly influence how they are perceived by employees.

Unless the employee population of an organisation is small and can easily be surveyed to assess their specific needs, organisations are faced with incredibly difficult decisions regarding conditions specified in motor vehicle benefits policy. As a result, many organisations look to what the marketplace is offering to determine organisational policy.

Hewitt CSI's Motor Vehicle Policy & Practice Report provides an overview of market trends in Australia and New Zealand. Vital statistics included in this report can be used to develop market representative motor vehicle benefits policies or to assess the competitiveness of existing motor vehicle benefits offerings.

The report is divided into a number of comprehensive sections that contain market data for fully maintained motor vehicles; novated leases; car allowances; arrangements in lieu of the provision of motor vehicles or car allowances; and common practice for organisations that do not have formal motor vehicle policies.

For further information on Hewitt CSI Policy & Practice Reports please contact: Taryn Timm on +61 2 8440 6500 or taryn.timm@hewitt.com

New Hewitt CSI Mini Surveys - Changes to Salary Packaging & Fuel Impact Report

Two new 2008 HR Impact Surveys entitled 'Changes to Salary Packaging Survey' and 'Fuel Impact Report' have recently been released. Each report contains the findings on these hot topics from over 220 Australian organisations. A free copy of the results will be available to subscribers to Remuneration Review. Please contact Christine Rulli via email: christine.rulli@hewitt.com to request your copy of these reports.

## REM101 - An Introduction to Remuneration

During this full day training session, participants will have the chance to learn about a broad cross-section of remuneration issues and processes and progress from a 'big picture' strategic view of remuneration management down to an individual level and day to day practicalities.

### Who Should Attend?

The course is suitable for those new to the HR/Remuneration profession who want an introduction to this complex area, and also for HR generalists who may want to improve their understanding of this key area of HR practice.

### Course Outcomes

Attendees will walk away with a working knowledge of:

1. Remuneration Principles & Theory
2. Job Analysis
3. Job Structures
4. Market Salary Surveys
5. Determining Individual Rates of Pay
6. The Total Employment Cost (TEC) Approach
7. Managing the Reward Process – Practical Considerations
8. Supporting Key Remuneration Issues

In addition to learning about remuneration theory and principles, participants have the chance to apply their new knowledge via a number of practical exercises and case studies designed to mirror real life situations.

### Dates & Locations

*Sydney* - Friday October 10th  
*Melbourne* - Friday October 17th  
*Perth* - Friday October 24th  
*Brisbane* - Friday October 31st

### Duration

8.30am-5.00pm (includes morning tea, lunch and afternoon tea).

### Cost

\$990 incl GST - discounts apply for organisations registering 3 or more attendees.

### Register

For further information or to register, contact Taryn Timm on +61 2 8440 6500 or [taryn.timm@hewitt.com](mailto:taryn.timm@hewitt.com).



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## Australian General Industry Remuneration Report

The biannual Australian General Industry Remuneration Report is the largest general industry salary survey available in Australia.

In June Hewitt CSI published the latest edition, combining data from organisations unique to the General Industry Report database, as well as data from Hewitt CSI's extensive range of industry specific surveys.

The latest report is the largest general survey ever produced by Hewitt CSI. It contains information from 534 organisations and represents data for more than 86,000 incumbents. The report includes 206 comprehensive remuneration and benefits tables and contains strong samples from a range of Job Families which include Senior Executives, Sales, Support, Marketing, Finance & Admin, HR, Research & Development, Manufacturing, IT, Logistics, Graduates and Agricultural.

The report features:

- A reliable market rate, salary packaging and salary review guide
- 12-month actual salary movements and forecasts
- Inter-industry movement comparisons
- Economic Commentary containing a summary of general trends, up-to-date national and global economic indicators and job vacancy data
- Detailed, full-page Position Descriptions
- Access to online remuneration data through Hewitt CSI's WEBRem portal
- A 'Career Levels' section provides separate remuneration tables for each Job Family
- Career Levels also provides indicative market salary progressions for each level of an employee's career development within a specific job family
- A Feature Survey on employee retention

For further information on this or any other Hewitt CSI survey visit [www.csirem.com.au](http://www.csirem.com.au) or contact Taryn Timm on +61 2 8440 6500 or [taryn.timm@hewitt.com](mailto:taryn.timm@hewitt.com).

## Strategic Remuneration Advice And Market Intelligence

Following the success of the inaugural Remuneration Symposium in 2007, Hewitt CSI is once again holding this event in Sydney and Melbourne in 2008.

Remuneration strategy is a crucial aspect of strategic HR Management and has a significant impact on attracting, retaining and motivating employees. This event will bring together a panel of expert speakers from Hewitt CSI to cover key topics relating to local, regional and global trends in remuneration.

The agenda will include topics such as:

- Latest global & regional trends in remuneration strategy
- Cutting edge developments in remuneration in Australia
- Leveraging technology solutions to achieve results in remuneration
- Trends and best practice in executive remuneration
- Results from Hewitt CSI feature survey on employee retention

The sessions will be interactive with plenty of opportunities for

open discussion and question and answer time to ensure that attendees get practical, actionable and relevant information relating to this important area within the HR function.

Participants at this event will gain strategic advice and market intelligence from remuneration experts to ensure their remuneration management strategies, policies and practices are geared towards attracting, retaining and motivating employees.

Optional workshop and panel sessions will allow attendees to get maximum value from their attendance at the event.

Detailed information covering the symposium agenda, costs, how to register and venue details will be made available in September. To request a copy of the information pack and event invitation once released, please email [christine.rulli@hewitt.com](mailto:christine.rulli@hewitt.com)

### Melbourne Symposium

Thursday 13th November 2008

### Sydney Symposium

Thursday 20th November 2008

## 2008-09 Study: Hewitt's Global Salary Increase Survey

Originally launched in the U.S. over 30 years ago, Hewitt's Salary Increase Survey today spans more than 41 markets and represents the compensation practices of 4,000 organisations around the world. Results of the survey provide an analysis of salary movements for the current year and projections for the upcoming year, salary structure, and other topics in salary planning for five specific employee categories. Individual market reports also provide information by industry along with other broad trends in compensation.

The Salary Increase Survey also provides insights at global, regional and local levels on current economic trends; compensation trends; performance trends (in particular, the prevalence of performance management systems and pay-for-performance programs); and other special and current hot topics affecting compensation.

Participants receive complimentary online access to the final report with the added convenience of regularly updated preliminary data until the final results are released. Participants also have the ability to run customised analyses of the Salary Increase Survey results, assisting in meeting their organisation's specific data requirements.

### Take Advantage of Our Online Tools

Data submission materials can be easily downloaded from a secure website. Your organisation will be able to quickly access results from the Reporting tool, fully customise searches according to your individual needs, and access your organisation's reports and special analyses at anytime.

### No Participation Fee

There is no participation fee for Hewitt's Salary Increase Survey. All participants get a free copy of the report. To participate or for more information please email [annette.hang@hewitt.com](mailto:annette.hang@hewitt.com).

# Hewitt CSI Announces Launch of Data Cuts Online



Hewitt CSI is excited to announce the launch of Data Cuts Online.

This online software is available to Hewitt CSI Data Centre subscribers from August 2008 and extends the current functionality available through the existing online Data Centre. This new feature allows users to generate reports featuring market data using multiple filters or based on data from a group of individually selected organisations.

## What existing functionality is available through Data Centre?

Data Centre gives you easy access in one place to the remuneration data for all surveys to which your organisation subscribes.

Data Centre allows you to view and download remuneration survey data at varied market percentiles and in a number of different report formats.

Within each survey, you are provided with the facility to view or download the data according to the standard 'cuts' that are presented in your survey report.

For example, within the General Industry Remuneration Report, average pay rates are reported by industry grouping, organisation size and region.

In the Data Centre, you can filter the data by these categories and view and download the filtered data at the various market percentiles you need.

## What reports can you view and download in Data Centre?

As well as the standard remuneration tables, Data Centre allows you to view and download comparisons, and 'data dump' Excel reports.

### Compa-ratio Report

The Compa-ratio Report shows employees' remuneration data alongside market remuneration rates for their role and the difference between the two.

### Data Dump Excel Report

The 'Data Dump' Microsoft Excel report shows market remuneration rates for every role surveyed within a Hewitt CSI survey report.

## How does Data Centre give you more market intelligence than the standard survey report?

1. Within a standard Hewitt CSI survey report it is possible to view market data at the average and the 25th, 50th, 62.5th and 75th percentiles.

In Data Centre, you can view and download percentiles in aggregates of five, between the 5th and 95th (provided there are sufficient data samples).

2. On the lower half of remuneration data tables within standard Hewitt CSI survey reports, average rates for 'select cuts of data' or 'filters' are presented in terms of Nominal Base Salary (NBS), Total Fixed Remuneration (TFR) and

Total Remuneration Cost (TRC).

Data Centre allows you to view and download standard cuts of this data at varied percentiles for all salary and benefit items.

## What new functionality is available with the launch of Data Cuts Online?

Data Cuts Online allows you to download survey data as "peer cuts" using data from selected organisations (minimum six organisations to protect the confidentiality of participants' data) or "select cuts" using multiple filters such as company size and industry and region.

For example, an HR professional subscribing to Hewitt CSI's Australian General Industry Remuneration Report, a survey that features more than 400 organisations, can select 20 of these organisations operating in a similar environment to their own organisation and conduct a 'peer group' analysis.

Alternatively, they may choose to view data only for those organisations based in Queensland with annual revenues of less than \$10 million. Data Cuts provides the flexibility to view and download an unlimited number of cuts of the survey data based on your specific requirements.

## How do I gain access to Data Centre and Data Cuts Online?

Data Centre and Data Cuts online are available to Hewitt CSI survey subscribers and can be accessed in the secure area of the Hewitt CSI website.

The majority of Hewitt CSI's survey subscribers receive automatic access to the Data Centre and Data Cuts online as part of their survey subscription. In a small number of cases, survey subscribers need to take up an additional subscription specifically to these functions.

For more information contact Hewitt CSI on +61 (2) 8440 6500.

## Hewitt CSI Welcomes New Survey Clients

- Anglicare SA Inc
- ArthroCare Corporation
- Australian Academic Press
- Bilfinger Berger Services (Australasia)
- Brookfield Multiplex
- CBIO
- Endeavour Industries
- Hardie Grant Publishing
- Harvey Norman
- Henry Schein Halas
- Hotel Club
- Imperial Tobacco Australia
- Interrelate Family Centres
- Mayo Group International
- Medecins San Frontieres
- Objective Corporation
- Olympus Australia
- OSI International Foods
- Percepta
- Qantas Staff Credit Union
- Quaker Services Australia
- Readers Digest Services
- Red Balloon Days
- Simon & Schuster Australia
- Sydney IVF
- Sylvanvale Foundation
- Transport Infrastructure Development Corporation
- U@MQ
- University of NSW
- Victim Support Service Inc
- Windermere Child & Family Services
- Wolters Kluwer Asia Pacific

We look forward to working with you!

## A Little Chuckle....

My boss was complaining in our staff meeting the other day that he wasn't getting any respect. Later that morning he went to a local sign shop and bought a small sign that read, "I'm the Boss". He then taped it to his office door.

Later that day when he returned from lunch, he found that someone had taped a note to the sign that said, "Your wife called. She wants her sign back!"

<http://jokes4all.net/jokes/job/jokes.html>

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## Pressures In The Recruitment Market

### Employment Expectations

The Hudson Survey of permanent hiring expectations ([www.hudson.com](http://www.hudson.com)) for the July to September quarter, reveals an easing in employer optimism from the peak in the first quarter this year.

A net positive 34.2% of the 7,358 employers surveyed indicated an intention to increase their permanent staff levels over the coming three months.

The level of employer optimism has been varied throughout the country with Victoria reporting the largest decline with sentiment falling 7.4pp to a positive 28.3%. This is in contrast to WA and QLD where employer optimism rose 4.2pp to 52.8% and 1.2pp to 42.2%, respectively.

### Executive Demand

The E.L Consult Executive Demand Index ([www.elconsult.com.au](http://www.elconsult.com.au)), an indicator of executive employment trends, has fallen 4% in June, bringing the index down below the corresponding month in 2007. The fall is in line with the continuing decline first flagged nine months ago by the E.L Index. According to Mr Grant Montgomery, Managing Director of E.L Consult, "The only good news is that the decline in the E.L Index has been so gentle we can also expect that the employment of skilled and semi-skilled will not plummet suddenly and the fallout will also be mild."

The index is representative of the broader economy with the only gains coming from Queensland and Western Australia.

### General Recruitment Trends

The Olivier Internet Job Index ([www.olivier.com.au](http://www.olivier.com.au)) fell 3.58% (seasonally adjusted) in June, with fewer jobs advertised in 14 of the 16 sectors surveyed. Significantly, the Trend Index is now tilting down for the first time since September 2002.

Despite this, it remains to be seen as to what effect this downward trend has on the official unemployment rate. Robert Olivier, a Director of the Olivier Group, states, "That will be the real tipping point for confidence in the economy".

## Stat Wrap

GDP	3.7%
<i>(annualised March 08 trend figure)</i>	
CPI	4.2%
<i>(annualised March 08 trend figure)</i>	
Unemployment	4.2%
<i>(annualised June 08 trend figure)</i>	
Wages Growth	4.1%
<i>(annualised March 08 trend figure)</i>	

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

## IT Spot

According to Hewitt CSI's IT Specialists Survey, employers of IT staff are predicting an average 4.0% salary increase for the 08/09 financial year.

The DEEWR ICT Vacancy Index fell by 2.4% in June 2008 to 251.1, which puts the index 8.7% lower than in June 2007.

In June 2008, Tasmania experienced the largest decline (down by 10.2%), followed by Victoria (down by 5.6%) and Western Australia (down by 5.4%). The Northern Territory and Queensland experienced increases in ICT vacancies.

## Skilled Vacancies

The Skilled Vacancies Index (SVI) ([www.workplace.gov.au](http://www.workplace.gov.au)) decreased by 0.1% in June 2008 to 94.4. Vacancies rose for Associate Professionals (up by 3.8%) and Trades (up by 0.6%), but fell for Professionals (down by 1.9%).

In June 2008, Western Australia experienced the strongest growth in skilled vacancies (up by 3.2%), followed by Victoria (up by 0.4%). Over the same period, the largest falls in skilled vacancies were recorded for South Australia (down by 3.1%), Tasmania (down by 2.7%) and Queensland (down by 2.5%).

Over the year to June 2008, increases in skilled vacancies were recorded in Victoria (up by 13.0%), the Northern Territory (up by 10.7%) and Western Australia (up by 8.3%). Over the same period, the strongest decreases in skilled vacancies were recorded in Queensland (down by 21.7%), New South Wales (down by 13.1%) and Tasmania (down by 11.7%). In annual terms, the SVI is 2.9% lower than in June 2007.



## HR Spotlight

**Anne Ridgway**  
Head of Human Resources  
Australian Synchrotron

Anne Ridgway is the Head of Human Resources at Australian Synchrotron which opened in July 2007 and is the newest and brightest major national research facility in Australia. In her role, Anne is focused on the fulfilment of strategic and operational people initiatives. She is also involved in establishing and maintaining people and organisational development systems in order to achieve organisational goals. We spoke to Anne to find out more...

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

Having been involved in several start-up HR systems I see simplicity and effective internal communication as the most important factors in delivery of remuneration systems. Secondly, it is crucial that people can now see flexible rewards and a career path tailored to their changing needs.

### How has remuneration management changed in your organisation or in your industry over the past 12 months?

We have successfully transitioned from being managed by the Victorian Government to all of our employees coming onboard with the Australian Synchrotron Company. Consequently we have transferred some legacy conditions regarding remuneration management, so the challenges are really in front of us. Initially, we have been focussing on soft benefits to add to the offering to our employees.

### What do you use Hewitt CSI for?

We use Hewitt CSI to assist us with the challenges of the future regarding how to reward one of the smartest workforces in the world. Hewitt CSI assists us with remuneration benchmarking of roles and specialised distinct matches we require as we develop and change our organisational structure.

### How would you rate Hewitt CSI's service?

Hewitt CSI is delivering a clear tailored approach to our remuneration needs and has forged a relationship with us based on trust, rigour, expert professionalism and charm.

### What are your tertiary qualifications?

My initial qualifications were in education and I later completed additional qualifications in Human Resources Consulting. I have a Master Degree of Management from Monash University and am also a chartered member of the Australian Human Resources Institute.