

REMUNERATION REVIEW

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INSIDE THIS ISSUE

New Online Services

IT Contractor Rates

NGO Salary Survey
Launch

Banking and Finance
Industry Salaries

REM101 - CSi Training
seminar

Paid Maternity Leave
Update

Skilled Vacancies

Executive Demand

New Zealand Statistics

At Your Service - new
column!

A REVIEW OF CURRENT REMUNERATION PRACTICES

REMUNERATION AND FLEXIBILITY KEY TO EMPLOYEE RETENTION

While most organisations offer employees Training and Development as an incentive, those wanting to retain talented staff should consider Flexible Work Hours and Above-Market Remuneration Packages, according to new research by TMP/Hudson.

A survey of almost 5,000 Australian employers by the global recruitment firm found Training and Development (offered by 20.4 per cent of employers); Flexible Working Hours and Conditions (17.7 per cent); Career Progression (17.2 per cent); and Study Benefits (15.3 per cent) to be the most commonly offered incentives, with only 5.4 per cent of employers indicating they offered Share Options as an incentive.

However, survey respondents acknowledged Flexible Work Hours (22.0 per cent), Career Progression (21.4 per cent) and Above-Market Remuneration (20.5 per cent) as the most effective incentives in assisting with staff retention. Study Benefits (2.5 per cent) and Share Options (2.3 per cent) were the least likely to be regarded as the most effective incentives.



Flexible working hours and conditions are regarded as the most effective incentive—TMP.

CSi – your remuneration specialists.

STAT WRAP

With the war on Iraq no longer front-page news and domestic issues coming to the fore, talk about business conditions has now turned from 'uncertainty' about war to 'uncertainty' about the post-war global economy. Add to that the effects of drought and the SARS epidemic and you've got a recipe for caution – particularly in relation to capital expenditure. At least, that's what you would think. In a sign that business is anticipating better times, the RBA is expecting growth in business investment of 11 per cent this year. Here are the latest stats:

- CPI 3.4 per cent annualised to March quarter
- March unemployment rate 6.1 per cent
- Consumer confidence rose 10.9 per cent in April*
- Business confidence fell in the March quarter and wage pressures increased by 0.6 per cent**
- Newspaper job ads rose by 0.8 per cent in March; internet ads fell by 1.1 per cent (ANZ Survey)

*Source: Westpac Consumer Sentiment Index

**Source: NAB Quarterly Business Survey

IT SPOT

Given that corporate restructurings have led to the culling of staff numbers, and organisations across all industries have slimmed down their IT budgets, it is expected that ICT organisations will remain conservative in rewarding staff throughout 2003. However, the RBA says there are signs the industry is making a gradual recovery, after spending on computer software increased by 9 per cent in the six months to the end of September 2002. The latest stats follow:

- 28.7 per cent of IT industry employers expect to increase staff levels over the next three months; 64.7 per cent will maintain existing levels; and 5.9 per cent intend to decrease staff numbers.*
- The DEWR ICT Vacancy Index rose by 5.1 per cent over the four weeks to mid-March 2003.
- Demand for IT executives rose 26 per cent in March according to E.L Consult
- The number of ICT jobs advertised dropped 6.1 per cent in March, according to the Olivier Internet Job Index.

*Source: TMP/Hudson Job Index April-June 2003





EDITOR'S MESSAGE

Just when things were starting to look up, SARS reared its ugly head and gave the world economy a severe dose of pessimism. Hopefully the epidemic will be short-lived so we can all get back to feeling confident about the future, especially now that the 'uncertainty' about war has abated.

The word from the feedback sessions we have held so far this year is that salary freezes are coming to an end, with top performers targeted for good increases, and rationalising has been replaced with the recruiting of new hires to replace employees leaving voluntarily.

This edition of *Remuneration Review* is packed full with our latest survey results and interesting facts and figures to help you through the last stages of the budgeting process for the new financial year. Deborah Howcroft of Vodafone is the subject of HR Spotlight and we've added a new column where your questions will be answered by our Professional Services Team.

We hope you enjoy this edition.
Erica Holburn
 CSI Marketing and Communications

PAID MATERNITY LEAVE DEBATE UPDATE

A survey by researchers at Sydney University has found that the women most likely to receive maternity leave are managers or professionals who work in large organisations and earn more than \$40,000 a year.

According to the survey, 65 per cent of women who earn between \$50,000 and \$70,000 are eligible for paid maternity leave.



I.T. CONTRACTOR RATES SLUMP

IT contractor rates have fallen over the past six months, with daily fees being lowered to accommodate lean company outsourcing budgets and compete in a market saturated with skilled professionals, according to a new CSI survey.

CSI's March 2003 *Contractor and Consultant Rates Survey* for the IT industry throughout Australia, including remuneration information for 1128 contractors, found that the majority of daily rates paid to contractors had dropped, with only a handful of roles posting increases.

Just five out of the 25 contract roles surveyed posted marginal annual rate increases, while rates for all other positions, including Group Project Manager, Senior Systems Analyst, Technical Writer and Network Specialist fundered.

However, contractors with premium skills are still in demand. Those classified as having 'Leading-Edge Hot Skills' (such as e-Business, CCIE, SAP, CRM

and XML) are commanding premiums of up to 38 per cent above the average daily rate.

The *Deloitte Re:sources 2003 Survey of Contractors' Intentions*, conducted in March, found that the IT industry is out of favour amongst contractors, with only 16 per cent of them rating it the most attractive industry to work for behind Banking and Finance and Manufacturing (33 and 32 per cent respectively).

"The IT industry was relatively well known for remunerating quite well and that is not necessarily the case for contractors any longer," said Deloitte Re:sources lead partner Deborah Coakley in an interview with *The Australian*.

For more information about CSI's *Contractor and Consultant Rates Survey*, please contact Kylie Crisp on 61 2 8440 6521 or email kcrisp@classsalinfo.com.au.



NEW NGO SALARY SURVEY

CSI is happy to announce the upcoming release of the first Non-Government Organisations (NGO) Remuneration Survey. The new survey, to be published in June, is the latest to be added to CSI's suite of industry-specific salary surveys.

"The establishment of this survey can largely be attributed to the efforts and enthusiasm of both Frank Sedmak (Spastic Centre) and Ed Watts (Autism Association), acting in response to a perceived need for remuneration data within the NGO Sector," says CSI team leader Caroline Hill.

"The Survey will be managed by a steering commit-

tee, elected by participants, who will ensure the content and direction of the survey will be constantly enhanced."

The survey is open to participation from organisations operating within the community and social services sphere of the NGO sector and covers a broad range of roles, including: senior executive; marketing, fundraising and public relations; human resources; finance & administration; IT and Operations.

From 2004 onwards, the survey will be produced annually in May. For further information, please contact CSI's Natasha Edwards on 61 2 8440 6514.

PERFORMANCE PAY UP IN FINANCIAL INDUSTRY

Professionals employed in the banking and finance industries will be receiving healthy salary increases over the next 12 months, while having their remuneration packages bolstered by performance pay, according to a recent CSI survey.

The April 2003 *Banking and Finance Industries Salaries and Benefits Survey* also found executives have been awarded significant remuneration increases over the past 12 months after a period of moderate salary growth.

According to the survey of 34 banking and financial organisations, companies are forecasting average

salary increases of 4.0 per cent over the next year, though they were more optimistic at the same time last year – anticipating annual increases of 5.2 per cent in April 2002.

The 4,239 employees accounted for in the survey were given average total remuneration increases (including bonuses and incentives) of 6.4 per cent over the year to April 2003, while those in the upper echelons received average increases of 8.4 per cent, up from 5.5 per cent in April 2002. The average annual base salary increase was 4.6 per cent.



PROFESSIONAL SERVICES TEAM UPDATE

The CSI Professional Services Team has been in high demand over the past few months, with several projects, including implementing a broadband salary structure for a major communications company, keeping them busy. Other assignments have involved:

- Advising on remuneration arrangements for IT professionals travelling overseas frequently or undertaking foreign 'missions'.
- Recommending appropriate compensation packages for a variety of senior executives and CEOs, mostly based overseas or in regional roles, for a range of companies.

CLIENT SERVICES TEAM

The CSI Client Services Team has been busy since the last edition of *Remuneration Review* with a number of projects, including:

- A special survey investigating the incentive practices for Legal Employees within Private Australian Organisations.
- Examining the salaries and benefits offered for a range of Technology Alliance roles (roles associated with the management of external outsourcing arrangements), on behalf of a major player within Australia's Banking & Finance industry.

CSI LAUNCHES EXCITING NEW WEB SERVICES

CSI launched its new online remuneration services in April, ushering in a new phase in technology innovation, with survey subscribers now able to use the technology for inputting and updating their remuneration data and most able to view their survey online.

The new services comprise both WebRem and RapidRem – WebRem being a secure extension of the CSI website through which clients can access survey data* and download RapidRem, CSI's new on-line data collection program.

Replacing SmartDisk, RapidRem is built on the Microsoft Excel™ program, with built-in facilities for importing data and checking anomalies. The program is designed to make the data-entry process easier and less time consuming for clients, according to CSI remuneration specialist Natasha Edwards.

"RapidRem saves our clients time," says Natasha. "It is based on Microsoft Excel™, so they no longer have to learn a separate and unfamiliar program in order to provide survey data to CSI."

The program consolidates the various aspects of data capture into a single file. Completion of remuneration data, organisational size data and feature surveys are all facilitated through RapidRem. The program also allows you to update company contact details and send your data at the click of a button.

So, how do you access RapidRem? You will be sent an email at data capture time containing a link to the WebRem site. (If you don't have internet access, RapidRem can be sent to you on a CD-ROM.) When you access WebRem for the first time, you will have to register as a New User by



following the prompts. Confirmation of your password will then be sent to you via an 'activation' email. It is then simply a matter of selecting either 'Download RapidRem' or 'Surveys Online' from the WebRem menu. When you choose to download RapidRem, you will be asked to save the file, follow the 5-step data input process and click 'Send Your Data'. Any problems? Help is at your fingertips:

"There is plenty of help available within RapidRem," says Natasha. "A comprehensive help guide can be accessed at a mouse click and there are helpful message boxes as you move through the program. We have also incorporated links to our website so that position descriptions and definitions of remuneration items can be viewed easily."

CSI managing director Peter Barton says that while RapidRem will streamline the data input process for clients, the ability to access survey data through WebRem is another beneficial part of the new client technology package:

"We are extremely excited about WebRem," says Peter. "And this is only the beginning. From here we will be progressively adding more innovative, interactive client services. The possibilities are limitless."

For more information about CSI's new technology services, please contact Natasha Edwards or Terry McCracken on 61 2 9415 3455.

*Unfortunately, subscribers to the Top Executive, New Zealand IT&T, Defence and ACICG surveys cannot yet view their data online through WebRem. Subscribers to these surveys will be notified as soon as the service is activated.

REMUNERATION TRAINING SEMINAR — MAY 2003

CSI has developed a new training seminar, covering the fundamentals of remuneration theory and practice, and invites all clients to attend.

The seminar, aptly named REM101, will address several topics, including: the role of remuneration in corporate strategy; methods for analysing and valuing jobs; managing the reward process; and the practical application of remuneration concepts.

Suited to HR generalists wanting to extend their knowledge of remuneration and junior to mid-level staff requiring a comprehensive introduction to this important part of the HR function, the one-day seminar will be held at the North Sydney Harbourview Hotel on Wednesday 28th May 2003.

For more information, please contact CSI Customer Training Manager Kylee Small on 61 2 8440 6522, email ksmall@classalinfo.com.au.

US – SALARIES UP, BUDGETS DOWN

Despite decreasing IT budgets, a survey of IT managers in 650 large and medium-sized US companies has found salaries and other payments to IT staff make up an increasing share of annual budget expenditure.

Over 60 per cent of respondents to the META Group's 2003 *IT Staffing and Compensation Guide* said payments to staff consume between 25 per cent and 50 per cent of their IT budgets, compared with 40 per cent of respondents in 2002.

While IT salaries continue to rise, the report shows the annual rate of increase is in line with last year's results, averaging 5 per cent for base salaries; though positions requiring 'hot skills' continue to see increases of 8 to 10 per cent.

Source: DM Review

EXECUTIVE DEMAND

The E.L Consult Executive Demand Index rose for the second straight month in March, with demand for IT executives outpacing other sectors for two consecutive months, after a 46 per cent rise in February.

"The demand for executives has risen a combined 24 per cent in the past two months," says E.L Consult managing director, Grant Montgomery, "The continuing performance of the Engineering sector is indicative of a growing economy, with strong investment in capital, particularly infrastructure."

"The IT sector's second consecutive monthly demand increase is a strong sign that the IT sector has probably reached bottom when it comes to confidence levels. We are confident that 2003 will be much stronger than previous years."



NZ STATISTICS

The number of jobs advertised fell in March, according to the latest ANZ Job Ads series, indicating that the labour market is softening and with it the pay market. There was a 3.1 per cent decrease in job ads in March, following a 2.2 per cent drop in February.

ANZ chief economist David Drage said in an interview with *The New Zealand Herald* that the fall in jobs advertised was probably at least partly due to strong immigration taking the pressure off the labour market and reducing the need to re-advertise.

In contrast to the ANZ survey and despite business confidence plunging to 17-year low, hiring intentions remain high, according to the Quarterly Survey of Business Opinion (QSBO) published by the New Zealand Institute of Economic Research (NZIER).

The NZIER survey found 56 per cent of respondents are pessimistic about business conditions over the next six months, though the proportion of firms reporting difficulty in finding both skilled and unskilled labour has increased.

SKILLED VACANCIES

The Department of Employment and Workplace Relations' Skilled Vacancies Index decreased by 1.6 per cent in March, with all major occupational groups (Professionals, Associate Professionals and Trades) experiencing declines.

The occupational groups recording the strongest monthly falls include: Medical/Science Technical Officers (down 9.0 per cent); Building/Engineering Associates (5.0 per cent); and



AT YOUR SERVICE



Ask the CSI Professional Services Team

Q. We are in the pharmaceutical industry. I am looking to hire a financial analyst/ accountant for our small office in Malaysia. What should I offer?

A. We would recommend a base salary of RM 50,000 to 60,000, depending upon experience; a guaranteed bonus equal to one month's salary; and a variable bonus targeted at 15 per cent of salary.

Benefits are also important in Malaysia. It is market practice to provide fully funded clinical and hospitalisation coverage to the employee and their dependents. You will also need to provide life and disability insurance. And it is common to contribute above the statutory minimums required in pension plans.

Q. How can I structure Performance Pay for tough times?

A. This is a fairly common question asked of us in recent times. Companies are finding that with fixed salary increases remaining very low, if not flat, more emphasis is being put on performance pay - particularly incentive/ commission payments.

Companies need to implement the 'more with less' mindset here. Innovative strategies will set stretch targets that still provide for a healthy incentive - in part to compensate for low fixed increases and also in recognition of organisational performance.

By structuring stretch targets with healthy payouts upon achievement, the employee can still maintain a competitive Total Remuneration Cost, while the organisation benefits from the employee's performance, whether it be based on revenue generation, other activities or behaviours.

Ask the CSI Professional Services Team a question and you'll be in the running for a prize pack valued at over \$50. Email your question to remreview@classalinfo.com.au.

AUSTRALIAN EMPLOYERS SHOW CAUTION

Unstable international political conditions have impacted on employer hiring intentions, with the April-June TMP/Hudson Job Index showing employment expectations are down slightly from the Nov 02-Jan 03 quarter, though 28.1 per cent of employers are anticipating an increase in current staffing levels

Sector	% employers creating new jobs April-June 03
Professional Services	29.5
Construction/Property/Engineering	28.8
Healthcare/Medical/Pharmaceutical	23.1
Information Technology	22.9
Finance/Insurance	18.7
Manufacturing	15.9
Telecommunications	13.9
Advertising/Marketing/Media	11.4

WEBSITE UPDATE

For a range of articles and news updates, please visit CSI News at www.classalinfo.com.au.

SURVEYS FOR RELEASE

MAY

Defence Systems Engineers

JUNE

General/Combined Industries

NGO

General Insurance (GIRG)

SURVEY FEEDBACK SESSIONS

MAY

Biotechnology

General Insurance

Australian Computer Specialists

Consulting Engineers Australia

JUNE

NGO

HR SPOTLIGHT

Deborah Howcroft
Director, Brand & People
Vodafone



If you have ever doubted the legitimacy of HR as an organisational function, Deborah Howcroft will soon banish those fears. As well as being a member of Vodafone's board of directors, she is responsible for the overall development of the Vodafone brand and how it is communicated to their customers and partners. Debbie took the time to speak to us about the recent structural changes at Vodafone and the important role the company's People Strategy has played.

Last year's company restructuring resulted in a number of redundancies and an overhaul of Vodafone's corporate culture. Could you tell us a bit about the background and your involvement?

During my time at Vodafone we have been working towards streamlining our company to deal with only our core business - I have been involved in the decision making process to determine what is core to our business. These discussions have resulted in the outsourcing of a number of our business areas, resulting in quite a few staff redundancies. This is always a difficult process, and I have been involved from the start to the finish, from the discussion stage to the redundancy stage.

Vodafone's HR focus for 2003?

We are promoting a work/life balance for our employees. This involves us understanding ourselves more clearly, taking personal responsibility for our jobs, the way we do things. Making sure we have the tools we need to work effectively so we don't have to work 12-hour days.

Profile:

Debbie joined Vodafone in 1999, having spent 10 years in HR and business management within both the telecommunications and career-managed industries. She has a BA from Sydney University and a graduate diploma in HR Management from Monash University.

CSI has been working with Vodafone to create a new broad-band salary structure.



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