

Aon Hewitt Review

HR and remuneration news

Winter 2011

Australia and New Zealand edition

How should you be rewarding your sales staff?

What are the factors influencing the performance of sales professionals?

How can you effectively categorise and define the remuneration levels of your sales staff?

Aon Hewitt recently undertook an extensive study seeking to build a descriptive taxonomy of sales roles in the US. Although the research was based in the US, we feel that some findings are equally relevant to the Australian and New Zealand markets.

Based on our analysis, these are the most critical drivers of total remuneration levels.

Career level: Senior level sales resources, generally with more than 12 years' experience, have a total remuneration of nearly 30% higher than junior resources (less than four years).

Customer segment: Selling to small business commands a near 20% premium over selling directly to consumers. Selling to large businesses (revenue greater than US\$1 billion) results in an approximate 20% premium over selling to small businesses.

Sales focus: Hunting for new customers is a more valuable skill, with pay levels more than 15% higher than those for pure farmers (managing current customers).

Team selling: Being a formal team leader commands a 20% premium over selling as an individual contributor.

Product/service: Selling products versus services does not generally result in different pay levels, but selling both products and services results in a 10% premium over selling a product or a service alone.

Territory type: Being deployed against a defined named customer list opposed to selling into a geographic territory commands a 10% premium.

Improvements to Data Centre

Aon Hewitt's Data Centre is an online software tool designed specifically to provide our clients with access to remuneration survey data in the format you require, anytime, anywhere. The reports generated within the Data Centre are designed to make data reporting, analysis and presentation processes more streamlined, efficient and cost effective.

Changes have recently been made to the Aon Hewitt Data Centre service. Our continuous upgrades to the Data Centre are aimed at improving the quality of our data and allowing you to more effectively manage your data requirements.

Data Centre users can now benefit from the ability to:

- Configure views and export settings to suit your organisation's requirements
- Age data to ensure that you have access to the most accurate and reliable data, as you need it
- Download an Adobe Acrobat copy of the remuneration surveys using your online log in
- Download multiple, formatted remuneration tables into Microsoft Excel
- Run compa-ratios on more than one percentile at a time
- View your organisation's previous peer and select cut parameters to enable replication of these data cuts.

Access to the Data Centre is available 24 hours a day, seven days a week from any location with an internet connection.

If you have any questions about the Aon Hewitt Data Centre please contact Aon Hewitt in Australia on +61 2 9253 7100 or in New Zealand on +64 9 304 1594.

Contents

Page 1

- How should you be rewarding your sales staff?
- Improvements to Data Centre

Page 2

- Money talks but talk is cheaper... how to improve employee pay perception in your organisation
- REM101

Page 3

- Who said what... what has people talking in remuneration and reward
- Remuneration Symposium 2011

Page 4

- Current business environment
- The new hires market
- HR community

Money talks but talk is cheaper

Findings from Aon Hewitt's Employee Pay Perception study show that employers don't have to increase pay to achieve a higher level of pay satisfaction. Communication strategies can be just as effective and a far cheaper way of keeping staff happy.

In the study, which surveyed over 37,500 employees from 110 companies in Australia and New Zealand, workers were asked 40 questions. Those that correlated most closely to employees' pay satisfaction rating (ie those that strongly agreed or agreed with the statement 'I am paid fairly for the contribution I make to the organisation's success') are listed in order below.

Table A: Pay satisfaction – I am paid fairly for the contribution I make to the organisation's success

Rank (in order of correlation)	Question
1	Overall, my benefit plan meets my (and my family's) needs well
2	This organisation delivers on the promises it makes to employees
3	Our organisation recognises the need to balance social, environmental and financial responsibilities
4	I rarely think about leaving this organisation to work somewhere else
5	It would take a lot to get me to leave this organisation

By drawing from Aon Hewitt's remuneration survey databases in addition to our pay satisfaction data, we were able to examine the link between the increase in pay and an employee's perception of their pay level. Findings showed that to increase pay satisfaction amongst the employee population by 10%, firms needed to increase pay levels by at least 8.5%.

"When looking at a median salary of AUD\$70,000 per annum, the Employee Pay Perception Report identified that it would cost nearly AUD\$6,000 per employee to achieve increased pay satisfaction, which of course would only increase satisfaction at that point in time; costs would carry on to the next period and grow year on year."

Jairus Ashworth, Head of Reward – Australia and New Zealand, Aon Hewitt.

Talk is cheaper...

Interestingly, the study showed the six perceptions below correlated most strongly to the statement 'I have a good understanding of how my pay and rewards are determined.'

Table B: Communication of pay and rewards

Rank (in order of correlation)	Question
1	This organisation delivers on the promises it makes to employees
2	Overall, the way we reward and recognise people in this organisation helps us produce the results we want
3	It would take a lot to get me to leave this organisation
4	My performance has a significant impact on my pay
5	The way we manage performance here keeps me focused on achieving this organisation's goals
6	My manager helps me understand the organisation's goals and how my work contributes to them

Note: Common outcomes from survey results in Tables A and B are highlighted in grey, with additional benefits derived from communication left clear.

These results prove that organisational communication and ensuring an understanding of pay amongst the workforce can lead to similar positive benefits as a pay increase, namely retention and perceived delivery of promises. However, there are also other benefits such as a focus on achieving the organisation's goals.

"The linkages between communication and perception of pay are striking; we can immediately see that a good reward communication strategy gives us a workforce that believes their employer delivers on its promises to employees, and motivates staff to stay there. In addition, we can see that when employees clearly understand how their pay and rewards are determined, staff are focused on achieving goals and feel that their performance has a significant impact on their pay" notes Ashworth.

"Whilst effective communication of reward strategies would have cost implications in terms of time and resources, it would certainly cost less than an average AUD\$6,000 per employee. It is clear that driving pay satisfaction through increased remuneration is a very expensive process and fails to emphasise to employees the importance of performance." summarises Ashworth.

REM101 An introduction to remuneration

Aon Hewitt's highly regarded remuneration training sessions are run throughout the year in Sydney, Melbourne and Brisbane.

During these full-day sessions, participants will learn about a broad cross-section of remuneration issues and processes. The session progresses from a 'big picture' strategic view of remuneration management down to an individual level, addressing the day-to-day practicalities of remuneration.

For information on upcoming REM101 sessions please contact us on +61 2 9253 7100 or by email at austraining@aonhewitt.com



Who said what...

Reactions to the exposure Draft Corporations Amendment (Australia) (Improving Accountability on Director and Executive Remuneration) Bill 2011

'Impractical and seemingly pointless ideas are being proposed in relation to remuneration, including criminal penalties for some violations. Strangely, the obligations being placed on remuneration consultants are even more onerous than those that apply to auditors. And the idea that directors will, in effect, project-manage the activities of remuneration consultants in respect of the pay and conditions of all senior staff in a company is both unrealistic and unworkable.'

Judith Sloan, Economist and Company Director.

'This two strikes test implies that remuneration is the single most important matter for the Board and that there is a weakness in the Corporations Act holding directors to account on this issue, neither of which we believe to be the case.'

Lane McAllon, Group Company Secretary, BHP Billiton

'The "one-size-fits-all" coverage of the bill exposes a lack of appreciation by the legislators of the scope and complexity of the remuneration and human resources consulting experience in contemporary competitive companies. To undertake this work remotely and in isolation, through a part-time intermediary will result in a blanching of inappropriate, plain vanilla standardized solutions unsuited to the dynamics of contemporary business.'

Ian Creighton, Managing Director, CRA Plan Managers

'Management would be prohibited from directly engaging external remuneration consultants. This would handicap management and negatively impact the Board's deliberations, because it would diminish the depth of views presented to the Board on key remuneration issues. We believe the bill as currently drafted will result in significant unintended consequences.'

Tony Burke, Australian Bankers' Association

Remuneration Symposium 2011

AON Hewitt

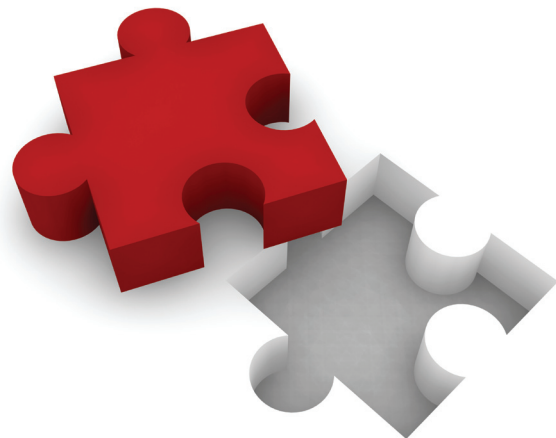
The Remuneration Symposium 2011 series provides:

- Insights on reward practices and strategies;
- An in-depth review of current trends in reward and engagement;
- Case studies from leading organisations, including Telstra Corporation and SingTel Optus; and
- Optional workshops targeting specific areas of remuneration and reward.

Attendance at the Remuneration Symposium will provide participants with a comprehensive and relevant perspective on total rewards.

The fifth annual Remuneration Symposium series will be held in **Melbourne on 30 August, Sydney on 1 September** and **Auckland on 7 September 2011**.

* The program may vary slightly in New Zealand.



If you have any further questions regarding the 2011 Remuneration Symposium or any other Aon Hewitt events please contact Sarah Falk on +61 2 9253 8252 or by email at sarah.falk@aonhewitt.com

Current business environment

Stat wrap

	Aust	NZ
Economic Growth	+1.2% (Mar 11)	+1.5% (Mar 11)
Inflation	+3.3% (Mar 11)	+4.5% (Mar 11)
Unemployment	4.9% (Mar 11)	6.6% (Mar 11)
Wages Growth	+3.9% (Feb 11)	+1.9% (Mar 11)

(Annualised trend figures – abs.gov.au, stats.govt.nz and dol.govt.nz)

The new hires market

IT spot

According to Aon Hewitt's IT Specialists Remuneration Report, employers of IT staff are predicting an average 2.9% (Australia) and 2.5% (New Zealand) salary increase for the 2011/12 financial year.

Australia

The Internet Vacancy Index (IVI) increased by 0.5% in trend terms in April 2011 with rises being recorded in six of the eight occupational groups. In seasonally adjusted terms, the IVI decreased by 8.4% over the month, with significant declines in New South Wales (down by 11.1%) and Tasmania (10.8%). The newspaper-based Skilled Vacancy Index (SVI) decreased by 0.4% in May 2011, although vacancies for Professionals increased by 1.5% over the month.

New Zealand

The average salary increase at total remuneration cost for incumbent employees between March 2010 and March 2011 was 4.3%.

The voluntary staff attrition rate related to IT specialists was 11.8% (weighted average).

Employment expectations

The Hudson Report: Employment Expectations survey (hudson.com) for Q2 2011 (April-June) shows that national sentiment among Australian employers remains strong.

Australia

A net 32.9% of employers are planning to increase their permanent staff levels during the next three months – representing a very slight decline of 0.2 percentage points from the previous quarter.

The majority of employers nationally continue to report plans to maintain their current head count (54.5%). The proportion of employers intending to increase their permanent head count remained

The new hires market... cont'd

virtually the same as last quarter at 39.2% while the proportion looking to decrease head count rose very slightly from 6.1% to 6.3%.

New Zealand

Hudson's surveying period coincided with the Christchurch earthquake. Many South Island employers were suffering business interruption at the time and were unable to participate in the survey. The uncertainty arising from what was an unfolding event at the time will be more adequately measured in future Hudson Report surveys when employers have a better idea of the economic consequences of the earthquake.

Following a slight increase in net sentiment for the first quarter of 2011, hiring intentions have slipped 4.4 percentage points to 20%. This is being driven largely by fewer employers planning to hire new staff and instead intending to hold their head counts steady. A small number (10.1%) are planning to decrease their head counts.

Skilled vacancies – Australia

The newspaper-based Skilled Vacancy Index (SVI) decreased in May 2011 (down by 0.4%), with professionals recording the only increase (up by 1.5%). Trades and associate professionals both recorded declines over the month (1.1% and 1.0% respectively). Over the year, vacancies have declined by 11.1%. This trend is expected to continue as employers move away from newspaper advertising to online advertising.

The new hires market – New Zealand

The Manpower Employment Outlook Survey for the third quarter 2011 was conducted by interviewing a representative sample of 655 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 September 2011 as compared to the current quarter?"

Employers anticipate an upbeat hiring pace in New Zealand during Quarter 3 2011. While 26% of employers expect to increase head count, 9% forecast a decrease, and 64% predict no change; resulting in a net employment outlook of +17%.

Quarter-over-quarter, the outlook remains relatively stable, while year-over-year, it strengthens by two percentage points.

Once the data are adjusted to account for seasonal variation, the net employment outlook stands at +19%, having improved by four percentage points when compared with the previous quarter. Year-over-year, hiring prospects strengthen by two percentage points.

HR community

HR spotlight



Penny Mabbutt
Group General Manager,
People & Culture
PMP Limited

PMP Limited is a marketing media organisation that offers customer data and analytics, creative advertising solutions, photographic services, printing and distribution across Australia and New Zealand.

What are your responsibilities in your role with PMP Limited?

My role is to develop and drive people and culture strategies which will create and sustain a high-performing, one team culture. My focus areas include organisational change, HR strategy, policy and programs, diversity management, and reward.

What is your work background?

I have worked in HR, OD and strategic planning across media, electricity, pharmaceuticals and software. I have also lectured in HR management and organisational behaviour.

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

For me it's system design. Customising processes and systems which 'best fit' the company's specific needs for attraction and retention is critical. It is important that all stakeholders have confidence that the approach and resulting pay positions are affordable, equitable and relevant to market. Business strategy and performance always change over time but a well-designed and managed remuneration system can provide rigour and reliability throughout all economic cycles.