

Hewitt Review

HR & Remuneration News

Australia & New Zealand Edition

Winter 2010

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Are you prepared for skills shortages and retention issues?

In late April the Asia Pacific enterprise Managing Director for Google, Doug Farber, commented in the press that Google will be “hiring aggressively in sales, marketing, support and pre-sales”, with around 50 job openings being advertised in the local market.

This should have sent a chill up the spine of anybody with an interest in talent management and retention in the local IT industry. It's no secret that Google is famous for its attractiveness as a place to work and is a talent magnet. How confident are you that you are doing enough for your top talent, and have you kept them engaged through the recent tough times, that they would decline an offer?

Hewitt's recent research revealed that for the first time in a decade more employers are suffering decreasing employee engagement than increasing employee engagement. This means that those who have a great employment deal are at even more of an advantage now than they have previously been. Through our *Best Employers* and *Top Companies for Leaders* research we've identified the five areas where companies with increasing engagement have been successful. Think about these from a Reward perspective:

1. Have a strategy for improving Engagement

Best Employers see Engagement as a means to an end—not an end in itself. They are very clear about what they are trying to achieve around employee Engagement and they take a medium term view to improving Engagement—no knee jerk reactions. They adopt a continuous improvement mindset—with rolling objectives and goals beyond just a score, and they understand the linkages between the Engagement of key workforce segments and performance.

2. Display authentic leadership

During times of change Hewitt *Best Employers* are very transparent about their companies' situations. They increase communication at every level of their organisations and senior leaders spend significant amounts of time coaching and mentoring people in the business. Importantly, these organisations consult their people around major decisions for the business so that employees feel they are part of the change rather than victims of it.

3. Have a valid employment deal

A key finding from 2009 Hewitt *Best Employers* research is that these organisations do not make promises to employees they can't keep. When they make promises they follow through, by ensuring they have:

- A clearly articulated and communicated employee value proposition
- A two way deal—what people can expect AND what is expected of people
- People practices in place to support and deliver on that employee value proposition
- Commitment of Senior Leaders to the employee value proposition

4. Apply robust change management practices

Best Employers focus on managing the personal transition from the 'old' to the 'new'. They are extremely transparent about planned change and impact and when they plan for major change they focus on engaging their workforce every step of the way. They communicate extensively before, during and after change has occurred and they also monitor the impact of change on the work environment and experience versus the employment promise.

5. Focus on flawless execution of HR Programs

Best Employers and *Top Companies for Leaders* focus on the consistent execution of programs. They are more focused and disciplined in refining their HR programs and sticking with them and they are more outcome-focused than initiative-driven. They involve the business in planning and executing HR programs, establishing a business case around initiatives and measuring the impact programs have on the business.

Across each of these factors how are the design and execution of your Reward programs contributing to increasing employee engagement?

Hewitt event

Remuneration Symposium 2010

Auckland and Sydney

Hewitt's 2010 Remuneration Symposium will be held in Sydney on Thursday 16 September and in Auckland on Thursday 14 October.

The Symposium will present the latest thinking in remuneration, addressing both current trends and future perspectives on total rewards.

The event will feature a number of interactive presentations and workshops from key personnel within Hewitt's Reward practice.

The Remuneration Symposium is suitable for all HR/Remuneration Managers and senior professionals wanting to keep up-to-date with the current environment and leading edge thinking on total rewards.

What previous attendees said:

"Very interesting & inspiring."

"The symposium really got me thinking of what we currently do and whether it is appropriate. I also came in with many questions on my mind and all have been addressed. I will be in contact with Hewitt for future discussion."

"Great substance."

"Content was very diverse and useful. Statistics were especially useful. All presenters were clear and explained each subject well."

"Excellent. Well done."

"The symposium was thought provoking and gave me some interesting concepts to think about implementing in my workplace."

"Great seminar. Some very interesting food for thought."

For more information on the Symposium, or to register your expression of interest to attend please contact:

Australia

Bethany Jones
+61 (0)2 9247 8066
bethany.jones@hewitt.com

New Zealand

Jocelyn Anso
+64 (0)9 304 1590
jocelyn.anso@hewitt.com

New survey & event

New attribute-based Sales Compensation Survey

Australia

Designing an effective sales compensation program requires an understanding of how critical traits of a sales role impact compensation.

When speaking about the design of sales compensation plans we often hear: "Our account managers sell differently than other account managers," or "Our industry is unique, each sales role is different."

To overcome these and other limitations of traditional sales compensation surveys, the Hewitt Sales Compensation Survey allows participants to develop custom benchmark positions by identifying key characteristics of their sales roles, such as:

- "Hunting" new accounts versus "farming" existing accounts
- Large versus small accounts
- Length of sales cycle

The survey provides insights into how sales people are rewarded that are not possible in any other established sales compensation surveys. It allows you to better understand how different sales skills and competencies – or 'attributes' – are rewarded.

If you would like more information about this survey, please contact:

Giles Rhodes
+61 (0)2 9247 8066
giles.rhodes@hewitt.com

Sales Compensation Forum 2010

Sydney

In Sydney on 28 October, Hewitt is hosting the 2010 Sales Compensation Forum showcasing the latest thinking, market practices and techniques in salesforce effectiveness and compensation.

If you would like to know more about the forum, please contact:

Bethany Jones
+61 (0)2 9247 8066
bethany.jones@hewitt.com

New report

Top Executive Climate Report 2010

Hewitt's Top Executive Climate Report 2010 provides information on the impact of recent changes on executive remuneration market practice in Australia.

The report will contain detailed benchmarking information related to salary packaging, benefits and long and short term incentive plan design for executives. It will also include statistics on executive staff attrition and forecast salary increase budgets.

Additionally, it will present an analysis of the most acute top executive remuneration issues, as reported by participating organisations, for the 2010/11 financial year. Key topics discussed within the report will include:

- Major trends in short and long term incentive plan design for executives

- The structure and benefits within remuneration packages for Australian executives
- A summary of 'hot' executive remuneration issues for 2010/11
- The relative importance of the factors organisations consider when determining executive salary increases
- The rates of pay provided to executives who have international responsibilities
- Trends on the positioning of executive pay in the marketplace

Timing and data contribution

The report will be released in late July and is free for organisations that participated and contributed data to the survey.

More information

Please contact Bethany Jones at bethany.jones@hewitt.com or on +61 (0)2 9247 8066 for more information.

Financial Institutions Remuneration Group partners with Hewitt for member surveys

The Financial Institutions Remuneration Group (FIRG) is a not-for-profit membership organisation with a reputation for providing remuneration information of exceptional quality to its members.

Since its inception in 1986 the group has grown from 13 founding members to the current membership of more than 100 organisations across Australia.

Membership to FIRG is limited to financial services organisations that have a core business in at least one of the following:

- Investment Banking
- Retail Banking
- Funds Management
- Institutional Finance
- Wealth Creation / Management
- Superannuation

The FIRG Remuneration Survey covers more than 1,000 positions, equating to over

120,000 lines of data and the Industry Leaders Survey includes over 1,400 records.

The contract for administering the bi-annual FIRG Remuneration Survey and the Industry Leaders Survey was put to market in late 2009. After extensive evaluation, FIRG named Hewitt as the new survey service provider.

Data capture for the first edition to be run by Hewitt will happen in July with the next cycle of FIRG Surveys provided to members in September 2010.

Hewitt is excited about working with FIRG to continue the tradition of survey data excellence FIRG members have come to rely on.

For more information contact Annette Gunnis (annette.gunnis@firg.com.au) or Robyn Wood (robyn.wood@firg.com.au) or visit the FIRG website: www.firg.com.au.

New remuneration framework for SydneyTalent offers a market competitive salary for students and value for employers



SydneyTalent is an initiative of the University of Sydney which sources paid course-related and generic skill-building employment opportunities to pre-graduate and post-graduate students.

Whilst its main role is that of intermediary between employer and student, SydneyTalent also acts as the employer, paying students an hourly rate and statutory superannuation contributions, whilst charging clients for their services.

Challenge

The business challenge that unfolded as the company gained in popularity and began to grow was as unique as SydneyTalent itself.

There had never been a remuneration framework that applied to undergraduates or for students generally across 10 industry sectors. To support the company's rapid acceleration and to ensure SydneyTalent reached its full potential, the next logical step was to develop a meaningful and robust foundation upon which to base the remuneration for students and justify charge out rates to clients.

As Chief Executive, Anne Moore is responsible for setting the strategic direction and business development for SydneyTalent both within the University of Sydney and the external marketplace.

"We needed to review what had become our framework for fair and reasonable market competitive remuneration for our student employees," she said.

Solution

"We looked in the marketplace to see who could provide that expertise. After speaking with a number of remuneration specialists, it occurred to me that Hewitt was most able to satisfy our requirements given the industry and the market we operate in.

"We worked with them to understand what was actually going on in the employment marketplace with respect to how organisations in various industries determine remuneration. Hewitt conducted research interviews with a number of organisations that represented each of the sectors we were targeting."

As well as providing the initial research and industry data for SydneyTalent, Hewitt developed a framework that formed the basis for the remuneration model the company now uses.

The ultimate aim of the remuneration framework is to establish competitive market rates for each level of skill/development (junior undergraduate, senior undergraduate and postgraduate) and each type of employment (course-related, generic skills or basic income), which they can interpret and utilise in developing their employment offer and charge out rate for each individual student and client.

Results

"We have placed more than 600 students in roles since inception across a broad range of industries, but with particularly good take up in ICT and engineering, professional services, finance and banking and in the infrastructure sector," Anne said.

"The success of this project is based on the fact that SydneyTalent can now offer students a market competitive salary and add value for employers in a market-acceptable pricing structure on the basis of the work involved."

"Being a short project meant there were fixed timelines, which were met by Hewitt and which resulted in a successful outcome. Engaging their expertise means we are able to demonstrate that our rates are based on a proven framework and credible, objective market data."

For more information, contact Hewitt's Reward team on +61 (0)2 9247 8066 or email infoaustralia@hewitt.com.

Hewitt expands into Western Australia

This month Hewitt announced its expansion into Western Australia with the appointment of John Pollaers to its consulting practice in Australia and New Zealand.

Based in Perth, John will work with Hewitt's existing clients in Western Australia and develop new client relationships, particularly within the resources sector.

John has worked in HR consulting for the past 7 years and has over 13 years experience in the HR field. His areas of expertise include Leadership Effectiveness, Management Development, Organisational and Workforce Performance and Executive Coaching.

"We have worked with John in the past on important client engagements in the Western Australia market and have been very impressed with his professionalism and ability to deliver positive outcomes for clients", said Hewitt's Managing Director in Australia and New Zealand, Tim Powell.

"We are delighted to welcome John to Hewitt and I look forward to working with him to grow our business in Western Australia".

"There are great opportunities for Hewitt in Western Australia", said John. "Organisations in the West understand the importance of strong people management strategies and practices in improving organisational performance. Hewitt's offerings that focus on aligning total rewards with business strategy and strengthening leadership performance and employee engagement, are ideally suited to the needs of the WA market".

John can be contacted via email at john.pollaers@hewitt.com.

Win an AUD\$250 Red Balloon voucher

Sign-up to receive your future copies of Hewitt Review in soft copy and you will go in the draw to win

In an effort to save some trees we are encouraging our readers to take up a soft-copy subscription to replace their current hard-copy edition of the newsletter. All readers who sign-up before June 30, 2010 will go in the draw.

For your chance to win go to this web page — <http://eepurl.com/bmKQ> — and enter your details. The prize draw will take place on July 2, 2010 and you will receive your first soft copy newsletter when the next issue is published in Summer 2010.

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Current business environment

Stat wrap

	Aust	NZ
Economic Growth	+2.0% (Dec 09)	+ 0.8% (Dec 09)
Inflation	+2.9% (Mar 10)	+0.4% (Mar 10)
Unemployment	5.30% (Apr 10)	6.0% (Mar 10)
Wages Growth	+5.60% (Nov 09)	+0.4% (Dec 09)

(Annualised trend figures)

The new hires market

IT spot

According to Hewitt's IT Specialists Remuneration Report, employers of IT staff are predicting an average 2% (Australia) and 1.4% (New Zealand) salary increase for the 10/11 financial year.

Australia

The DEEWR ICT Vacancy Index (trend) increased by 1.0% in May 2010 to 46.8. In April 2010, four of the eight States and Territories recorded increases in vacancies with the largest increases recorded in Western Australia (up by 3.7%) and the Northern Territory (up by 1.0%). The largest decreases were recorded in Tasmania (down by 4.4%) and South Australia (down by 2.3%).

New Zealand

The average salary increase at Total Remuneration Cost for incumbent employees between March 09–10 was 2.0%. The voluntary staff attrition rate was 6.7% (weighted average).

Employment expectations

The Hudson Survey of permanent hiring expectations (www.hudson.com) for the January to March 2010 quarter (Australia) and April – June 2010 period (New Zealand), reveals that sentiment amongst employers has surged again to reach the highest level of confidence seen since September 2008.

Australia

A net positive 29.1 percent of 4,470 employers have indicated an intention to increase their permanent staff levels during the January–March 2010 period. This result is a considerable 10.6pp higher than that reported last quarter and well above the record low in the June 2009 quarter when sentiment was virtually zero.

New Zealand

A net 19.8% of the 1,158 employers surveyed reported an intention to increase their permanent staff levels during the April–June 2010 period, a quarterly increase of 0.2 pp.

The new hires market cont'd...

Skilled vacancies - Australia

The Skilled Vacancy Index (SVI) (trend) increased by 1.0% in May 2010 to 46.8 (2007 = 100). Vacancies rose for two of the three occupational groups: Trades (up by 2.2%) and Associate Professionals (up by 0.8%), while Professionals decreased by 2.1% over the month. In annual terms, the SVI is 24.4% higher than in May 2009.

In May 2010, rises were recorded in advertised vacancies for four of the 18 skilled occupations. Increases occurred for Marketing and Advertising Professionals (up by 7.5%), followed by Construction Trades (up by 6.0%), Chefs (up by 4.7%), and Wood Trades (up by 4.5%). The largest decreases were recorded for Hairdressers (down by 8.7%), Organisation and Information Professionals (down by 5.8%) and Medical and Science Technical Officers (down by 5.2%).

Over the year to May 2010, increases in skilled vacancies were recorded for Western Australia (up by 78.2%), New South Wales (up by 44.0%), South Australia (up by 20.7%), and Victoria (up by 11.5%). Queensland recorded the only fall (down by 37.2%), and Tasmania remained steady over this period.

The new hires market - NZ

The Manpower Employment Outlook Survey for the second quarter 2010 was conducted by interviewing a representative sample of 576 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 June 2010 as compared to the current quarter?"

New Zealand employers anticipate respectable headcount growth in Quarter 2, 2010. While 23% of employers expect an increase in staffing levels, 6% forecast a decrease and 71% predict no change, resulting in a Net Employment Outlook of +17%. Quarter-over-quarter, employers report slightly stronger hiring intentions, with a three percentage point improvement in the Outlook. Year-over-year, the Outlook improves sharply, by 26 percentage points. Once the data is adjusted to account for seasonal variation, the Outlook stands at +14%, remaining relatively stable when compared to the previous quarter, but 26 percentage points stronger year-over-year.

HR community

HR spotlight



Steve Grimaldi

**Executive Director
Remuneration,
Benefits & HR
Services**

Telstra Corporation

What are your responsibilities in your role with Telstra?

I am the Executive Director, Remuneration, Benefits & HR Services for Telstra Corporation. I look after all remuneration and benefit programs, executive rem, global mobility, HR Systems (and soon to be payroll), HR reporting and analytics, and a relatively new group called HR Direct.

What is your work background?

I'm from the US. Prior to joining Telstra, I was the Vice President, Compensation, Benefits, & Global Mobility for a division of GE Capital. Before GE, I was the Director, Global Compensation for America Online which was an amazing journey of a company that skyrocketed in the 1990's then crashed back to Earth with the Time Warner acquisition. Prior to that, I worked in consulting and as an economist for the US Department of Labour.

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

Accountability to the shareholder. It takes a great deal of work to ensure remuneration plans are aligned to business objectives and the company's philosophy but, in the end, we're spending shareholder money. Pay decisions, just like any other company investment, need to be reviewed meticulously.

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

It has been a very busy 12 months considering all the attention the global recession has put on pay. In addition to the more typical reviews and changes we've made around fixed remuneration, short-term incentives, and long-term incentives, we have also spent a good deal of time ensuring remuneration is aligned with updated regulations, recommendations from advisors and investors, and community expectations.

Sydney - Level 6, 155 George St, The Rocks, Sydney, NSW, 2000, Ph: +61 2 9247 8066

Melbourne - Level 30, 360 Collins Street, Melbourne VIC 3000, Ph: +61 3 9614 6100

Auckland - 91 St Georges Bay Road, Parnell, Auckland 1052 New Zealand, Ph: +64 9 304 1590

www.hewittreward.com.au or www.csirem.co.nz

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