

Why change your Employment Reward system?

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VALUING PERFORMANCE

Types of reward systems

People-centric

Money-centric

Business-centric

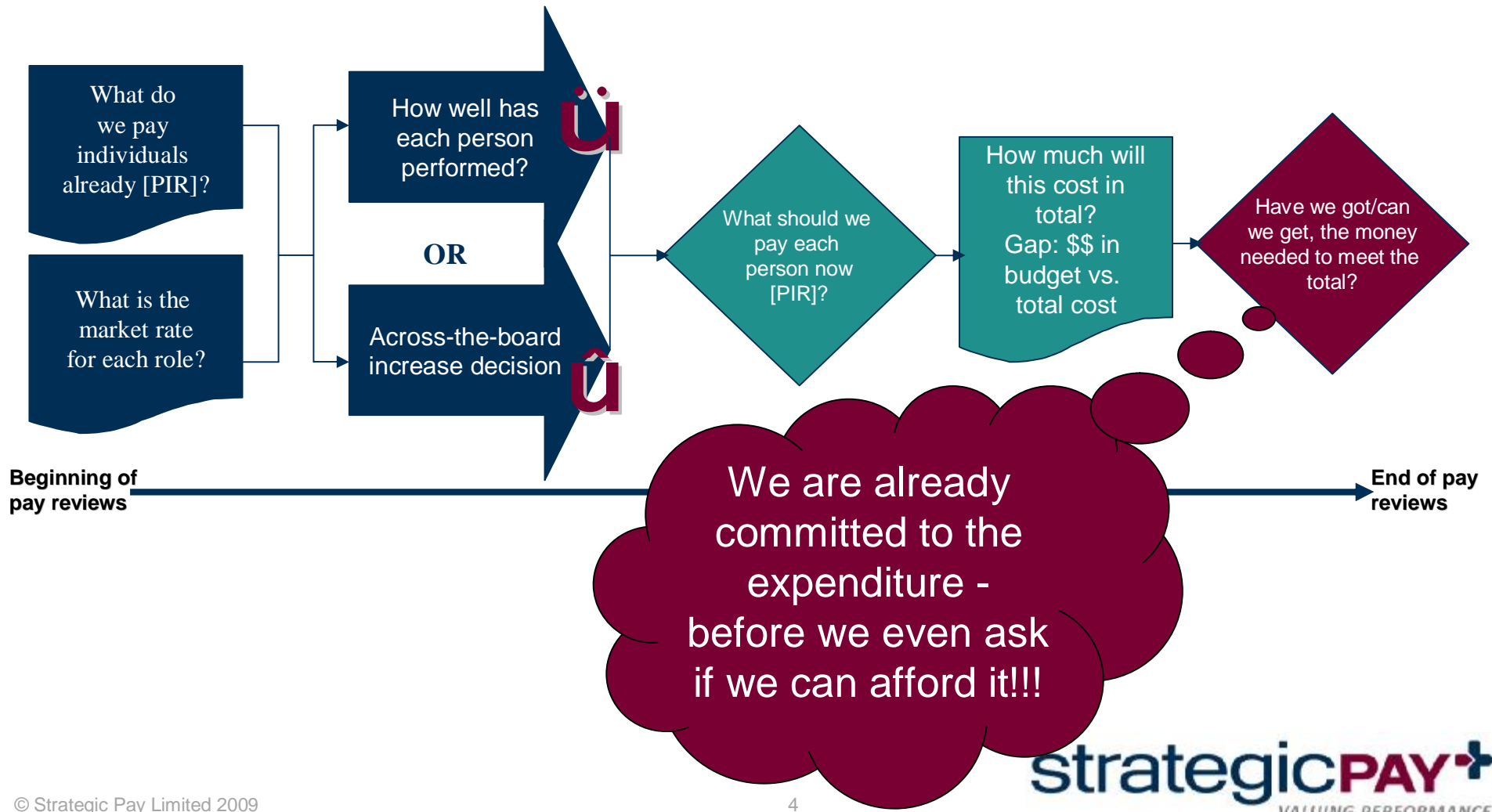
1. People-centric

Employment Reward System

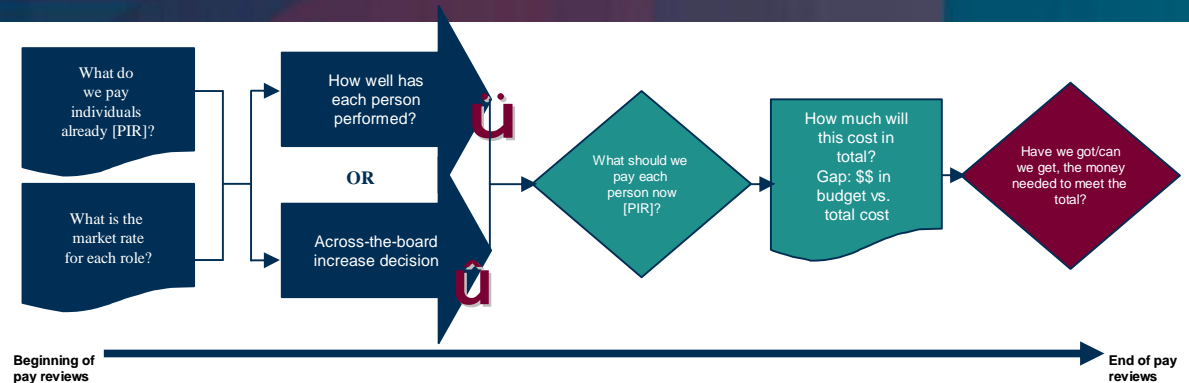
**Widespread in the Public and Not-for-profit Sectors
AND
reasonably widespread in the Private Sector**

1. People-centric

Employment Reward system



People-centric Employment Reward System

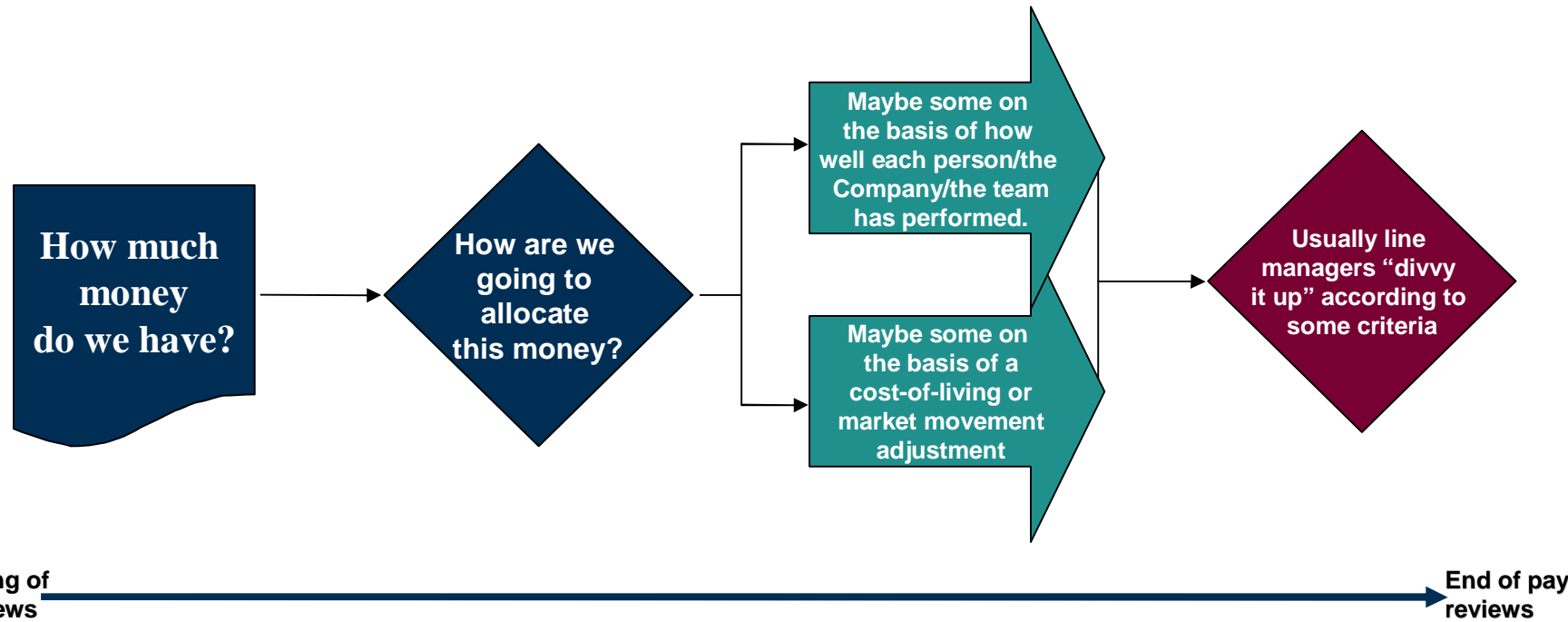


- Ⓟ People first system
- Ⓟ Works in 'good' times
- Ⓟ Staff expectations are met
- Ⓟ Strong link to the market
- ŷ Money second system
- ŷ Problems if money not available
- ŷ Creates "Entitelitus" culture
- ŷ **No link to business outcomes**
- ŷ Can "fall-over" in bad economic climates
- ŷ Leaves no 'wriggle room' for the business

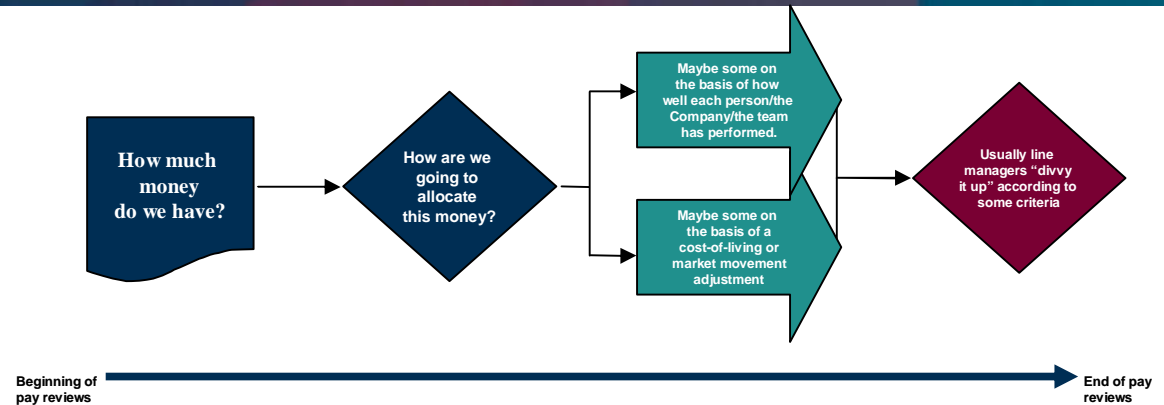
2. Money-centric Employment Reward System

Reasonably widespread in the Private Sector

2. Money-centric Employment Reward system



Money-centric Employment Reward System

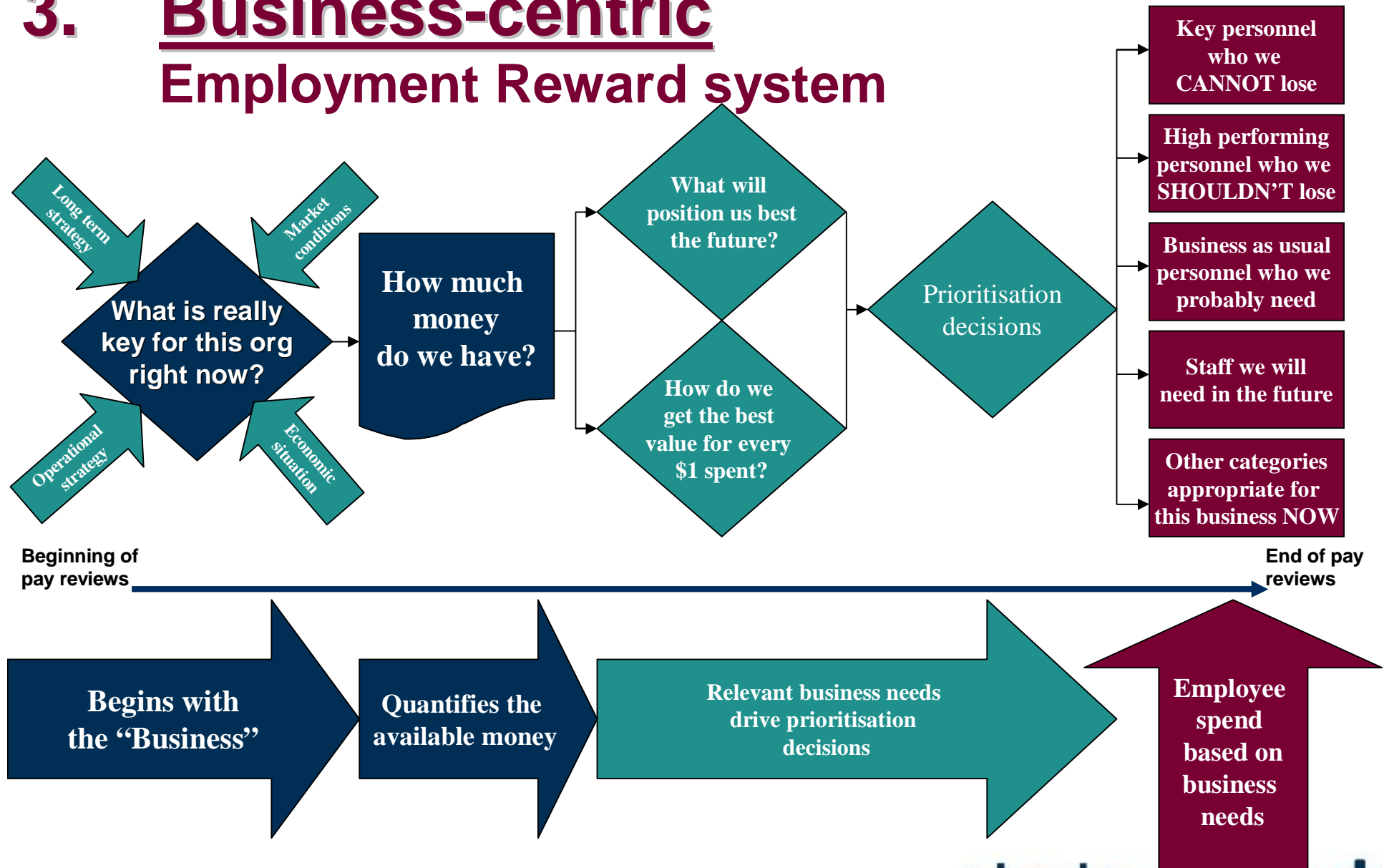


- Ⓟ Money first system
- Ⓟ Works in 'good' and 'bad' times
- Ⓟ Costs are controlled
- Ⓟ Flexible link to the market
- Ⓟ Minimises "Entitelitus" culture
- ŷ People second system
- ŷ Problems with 'fairness' perceptions
- ŷ Individual expectations may not be met
- ŷ Only 'indirect' link to business outcomes (cost)

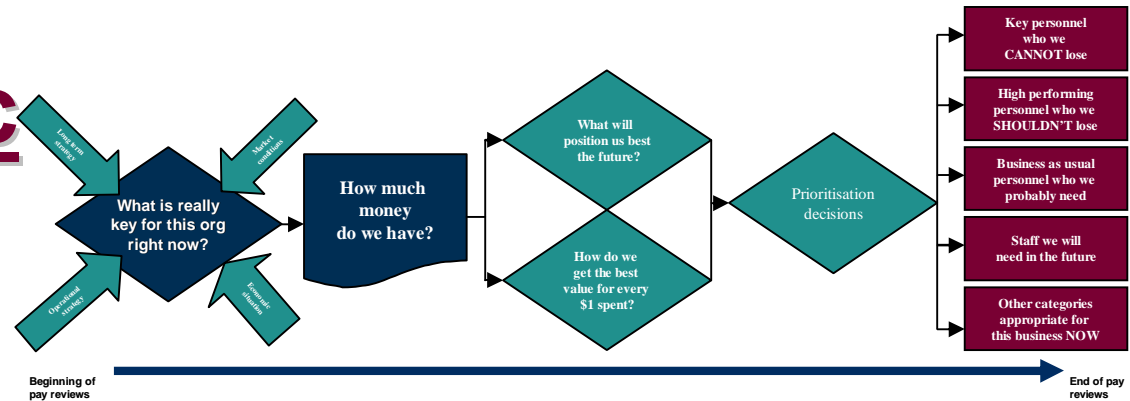
3. Business-centric Employment Reward System

Rare in any Sector!

3. Business-centric Employment Reward system



Business-centric Employment Reward System



- ⌚ Business strategy first system
- ⌚ Very direct link to business outcomes
- ⌚ Prioritisation process
- ⌚ Works in 'good' and 'bad' times
- ⌚ Costs are very carefully controlled
- ⌚ Very flexible link to the market
- ⌚ [Almost] eliminates "Entitelitus" culture
- ŷ Problems with 'fairness' perceptions
- ŷ Individual expectations may not be met

Across-the-board pay increases

What is wrong with them?

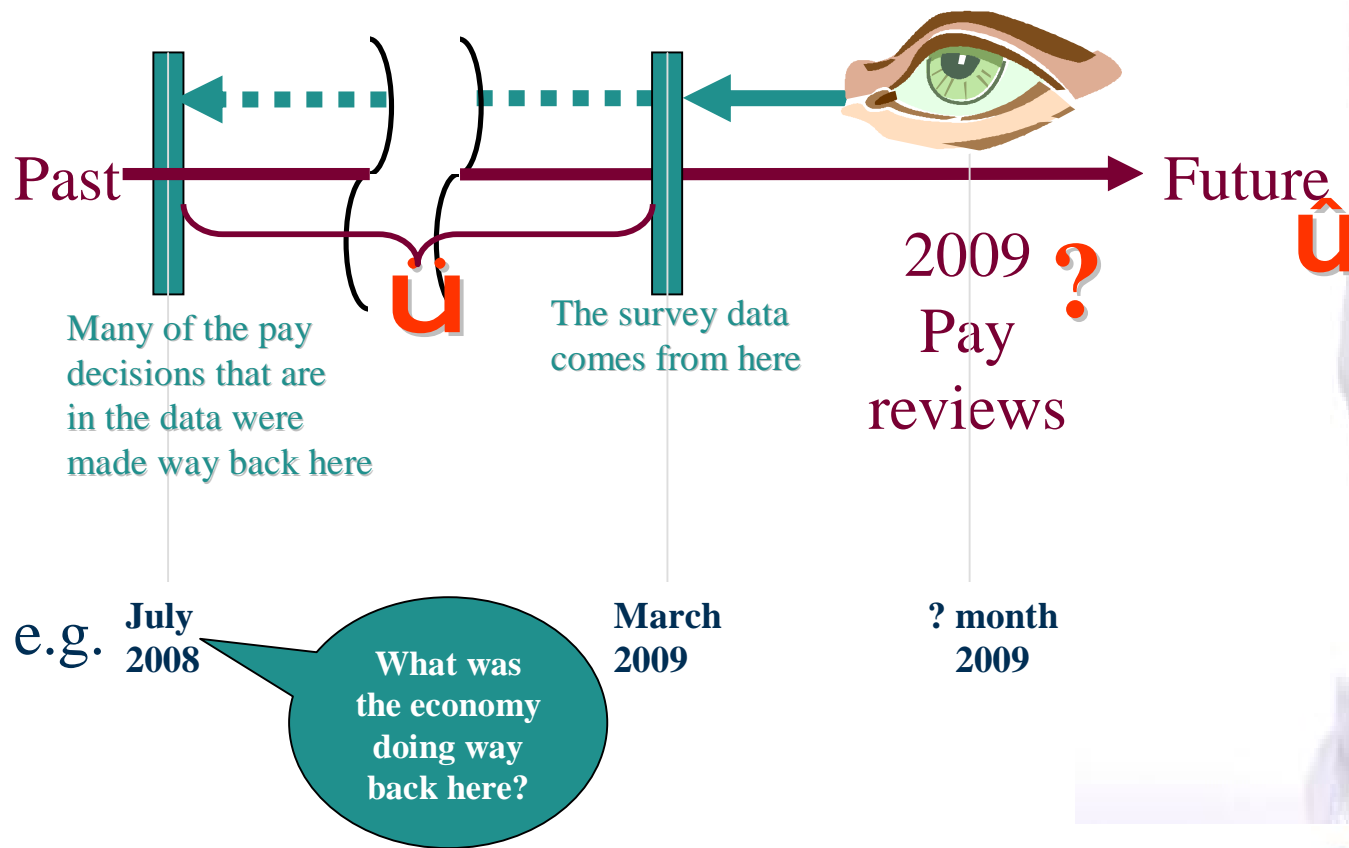
Regardless of which employment reward system is in use



- ý The market does not work like that
- ý Underpays the most valuable jobs
- ý Overpays the least valuable jobs
- ý Creates distortion you have to fix later

0% across-the-board is no different, it has all the same negatives

Look at your traditional surveys What are they telling you?

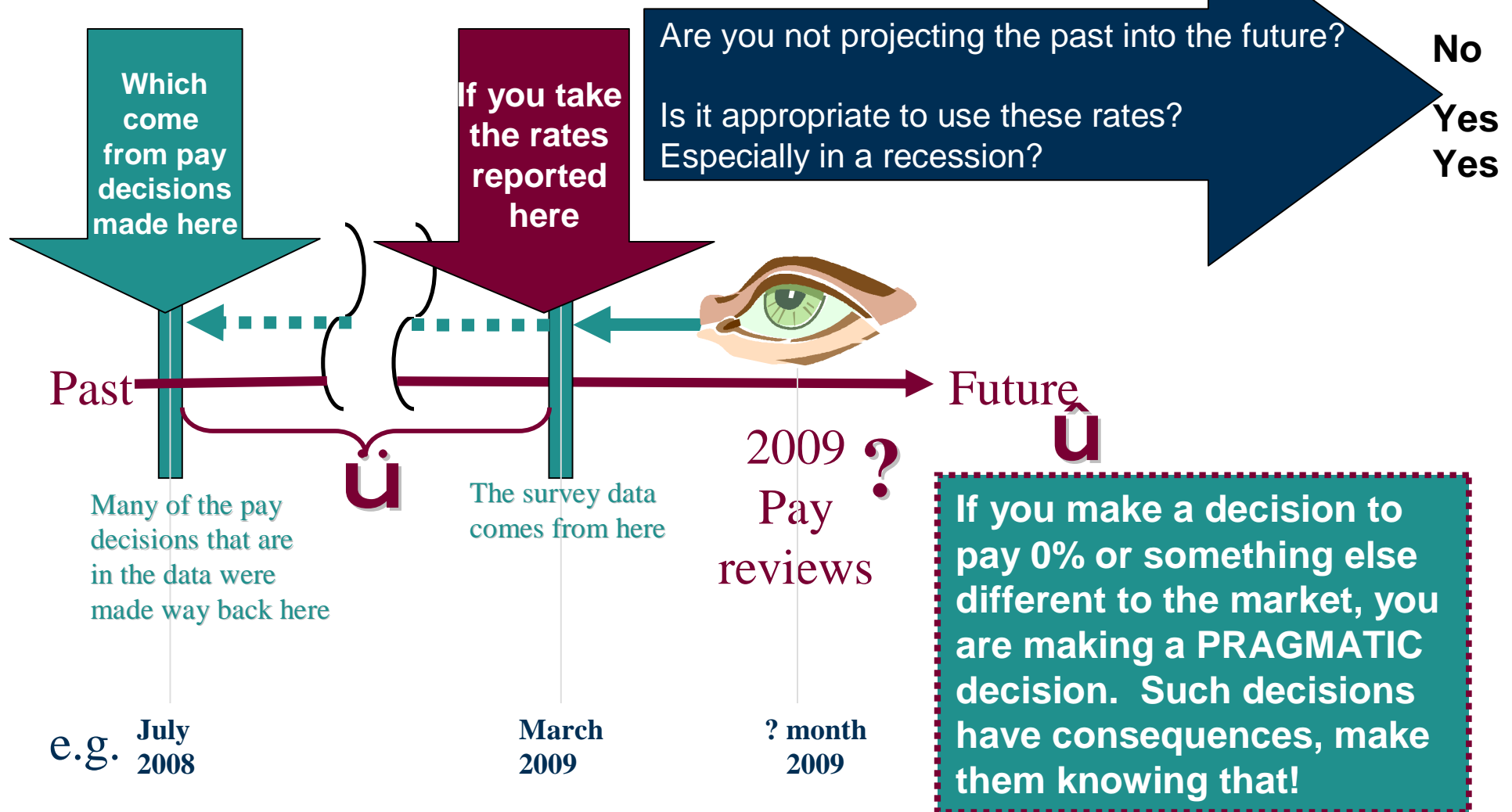


General Market | Median | Fixed Remuneration

SP10 Size	Data by job size				Data by group movement				Difference Size vs Range%
	\$ 03/08	\$ 03/09	\$ increase	% increase	Size range	% movement	\$03/08 to 03/09 by %	\$ increase	
200	\$ 35,000	\$ 35,800	\$ 800	2.29%	<400	2.1%	\$ 35,735	\$ 735	\$ 65
300	\$ 51,200	\$ 52,050	\$ 850	1.66%	<400	2.1%	\$ 52,275	\$ 1,075	-\$ 225
400	\$ 67,500	\$ 69,050	\$ 1,550	2.30%	400 - 800	2.4%	\$ 69,120	\$ 1,620	-\$ 70
500	\$ 88,800	\$ 91,000	\$ 2,200	2.48%	400 - 800	2.4%	\$ 90,931	\$ 2,131	\$ 69
600	\$ 110,200	\$ 113,250	\$ 3,050	2.77%	400 - 800	2.4%	\$ 112,845	\$ 2,645	\$ 405
700	\$ 133,950	\$ 137,400	\$ 3,450	2.58%	400 - 800	2.4%	\$ 137,165	\$ 3,215	\$ 235
800	\$ 157,700	\$ 161,600	\$ 3,900	2.47%	400 - 800	2.4%	\$ 161,485	\$ 3,785	\$ 115
900	\$ 182,200	\$ 187,200	\$ 5,000	2.74%	800 - 1200	3.8%	\$ 189,124	\$ 6,924	-\$ 1,924
1000	\$ 206,750	\$ 212,900	\$ 6,150	2.97%	800 - 1200	3.8%	\$ 214,607	\$ 7,857	-\$ 1,707

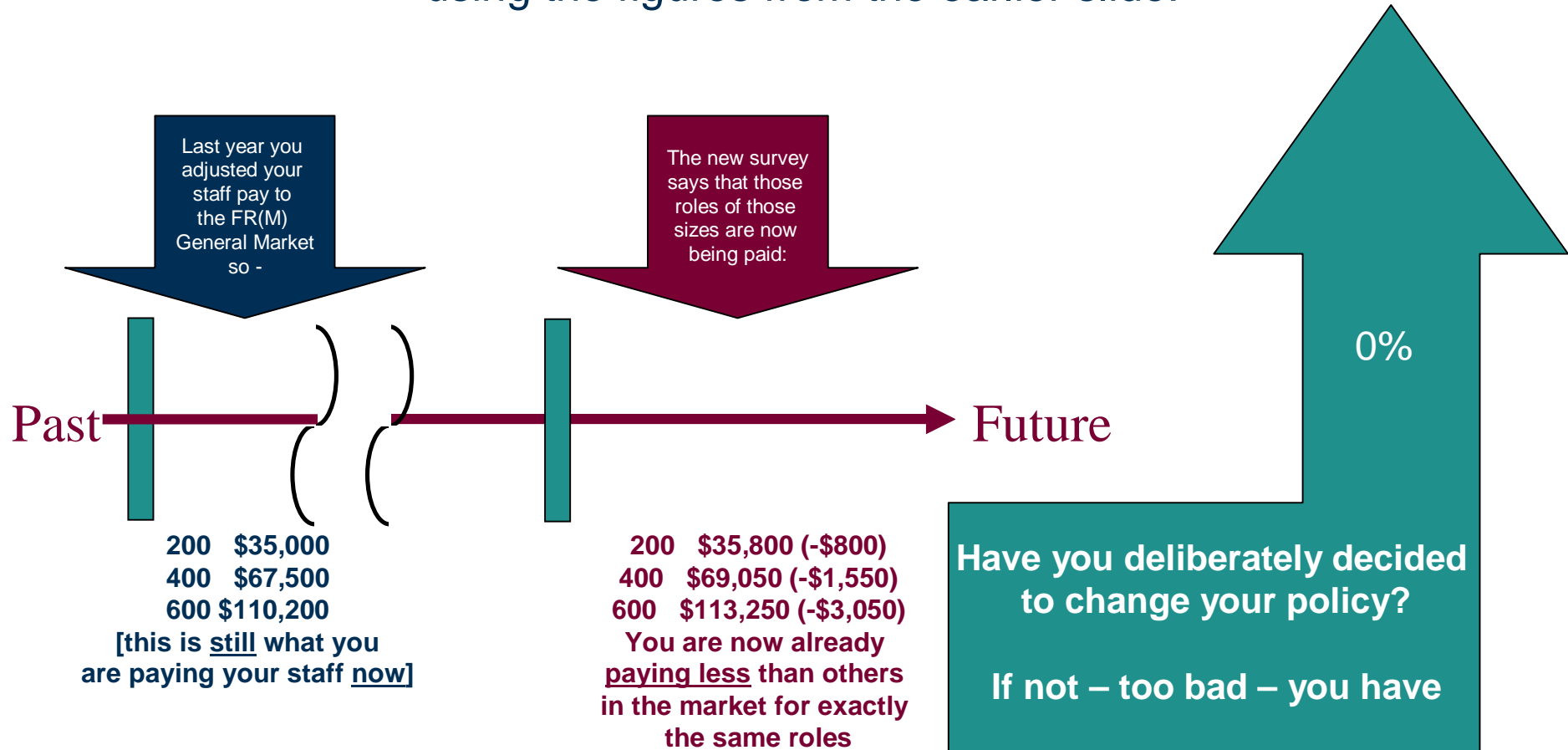
- ý **Across-the-board movements (even at 0%) will be wrong**
- ý **Using wide-range-percentages is also a distortion**
- þ **What the survey says for a particular size is what is actually being paid**
- þ **If your role is paid less, you are catching up, not pushing forward**
- ý **If you do not move the rate for a role, you will eventually have to fix the distortion that you just created!**
- Ø **Fixing it may involve changing your policy (e.g. to “*Median – x%*”) or changing your system (to money or business-centric)**

The 'Lag' problem:



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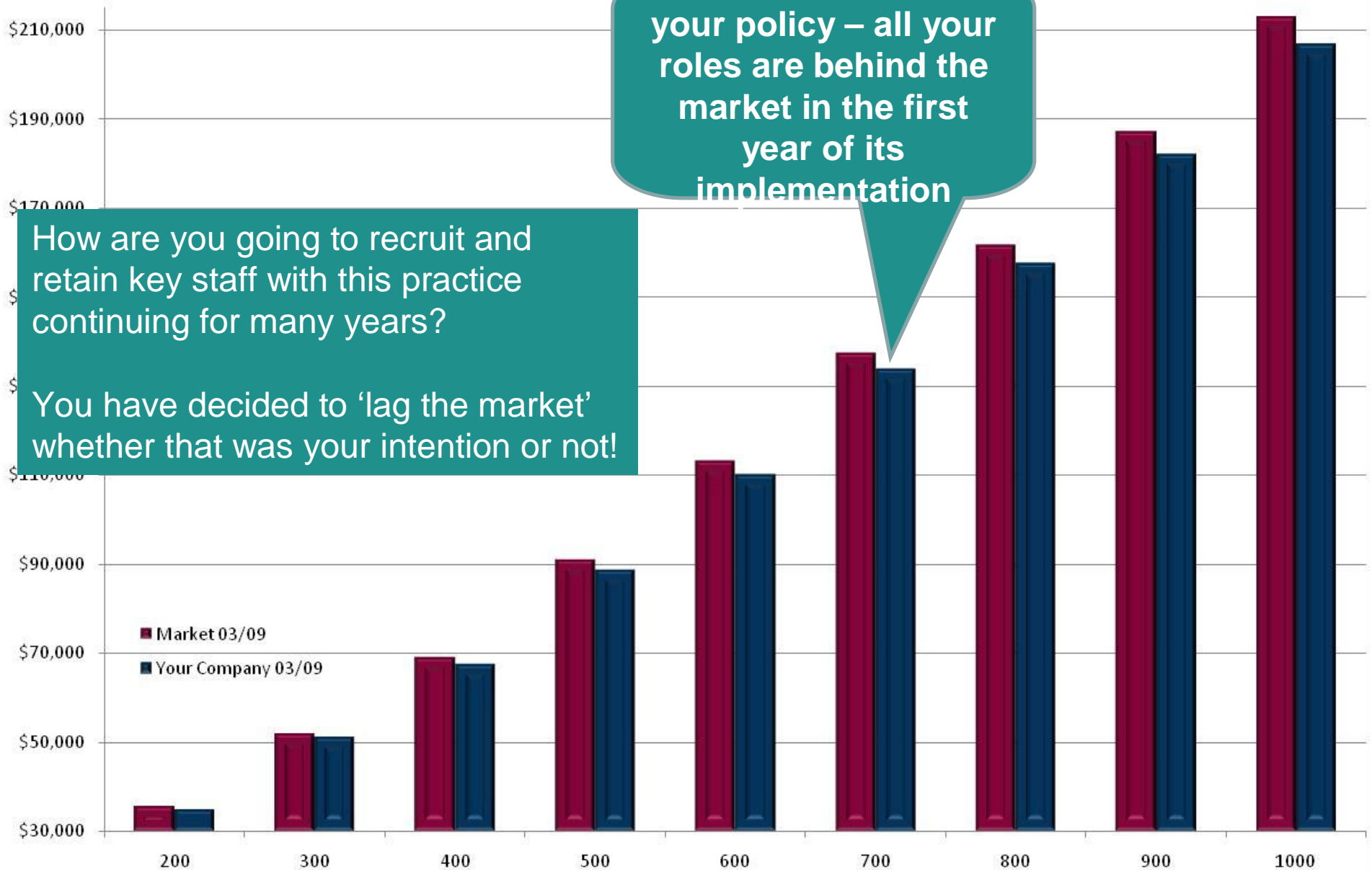
Lets just assume that your **policy** is to pay at the "Median of the Fixed Remuneration of the General Market" – using the figures from the earlier slide:



This is the effect of your policy – all your roles are behind the market in the first year of its implementation

How are you going to recruit and retain key staff with this practice continuing for many years?

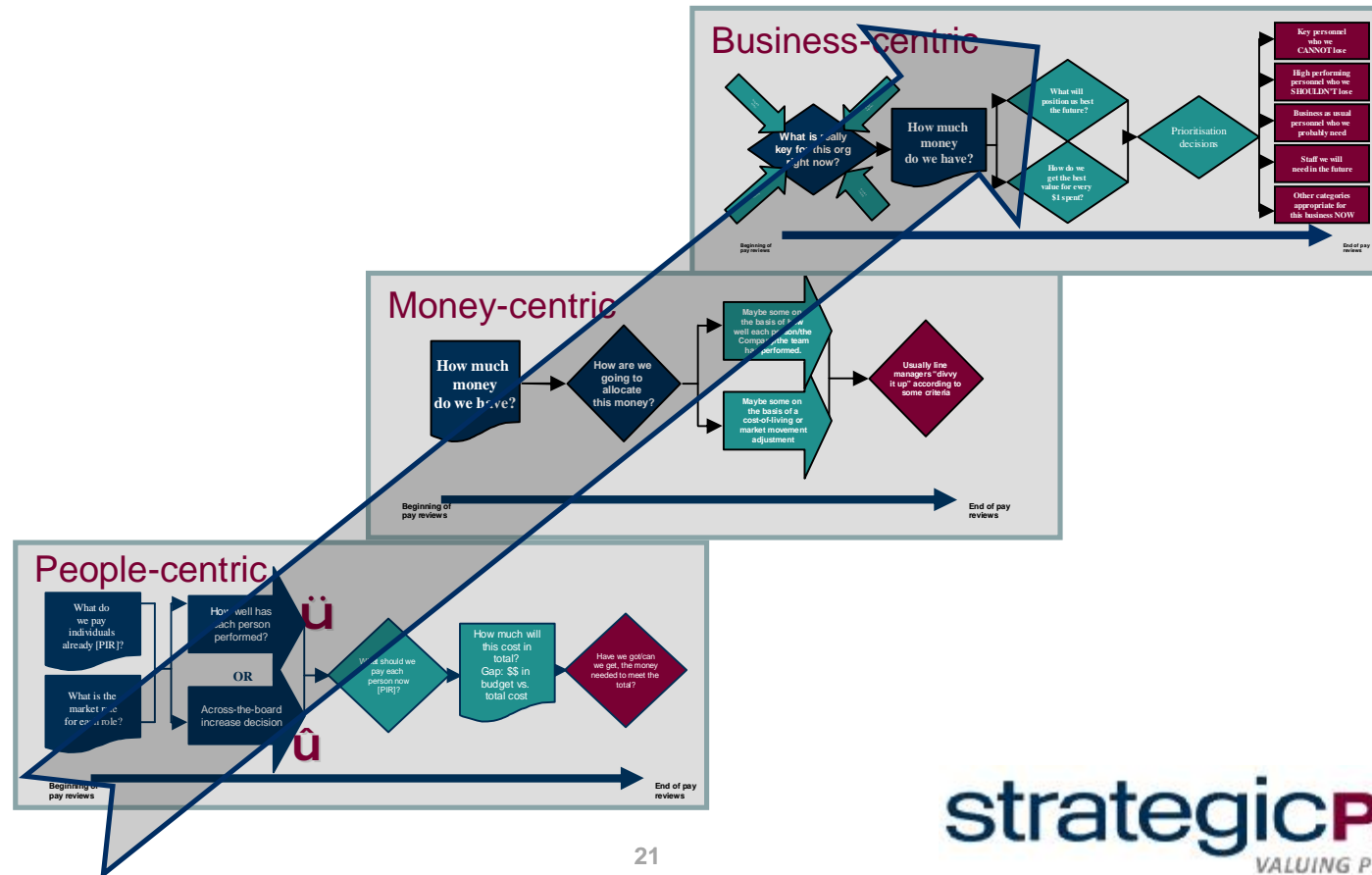
You have decided to 'lag the market' whether that was your intention or not!

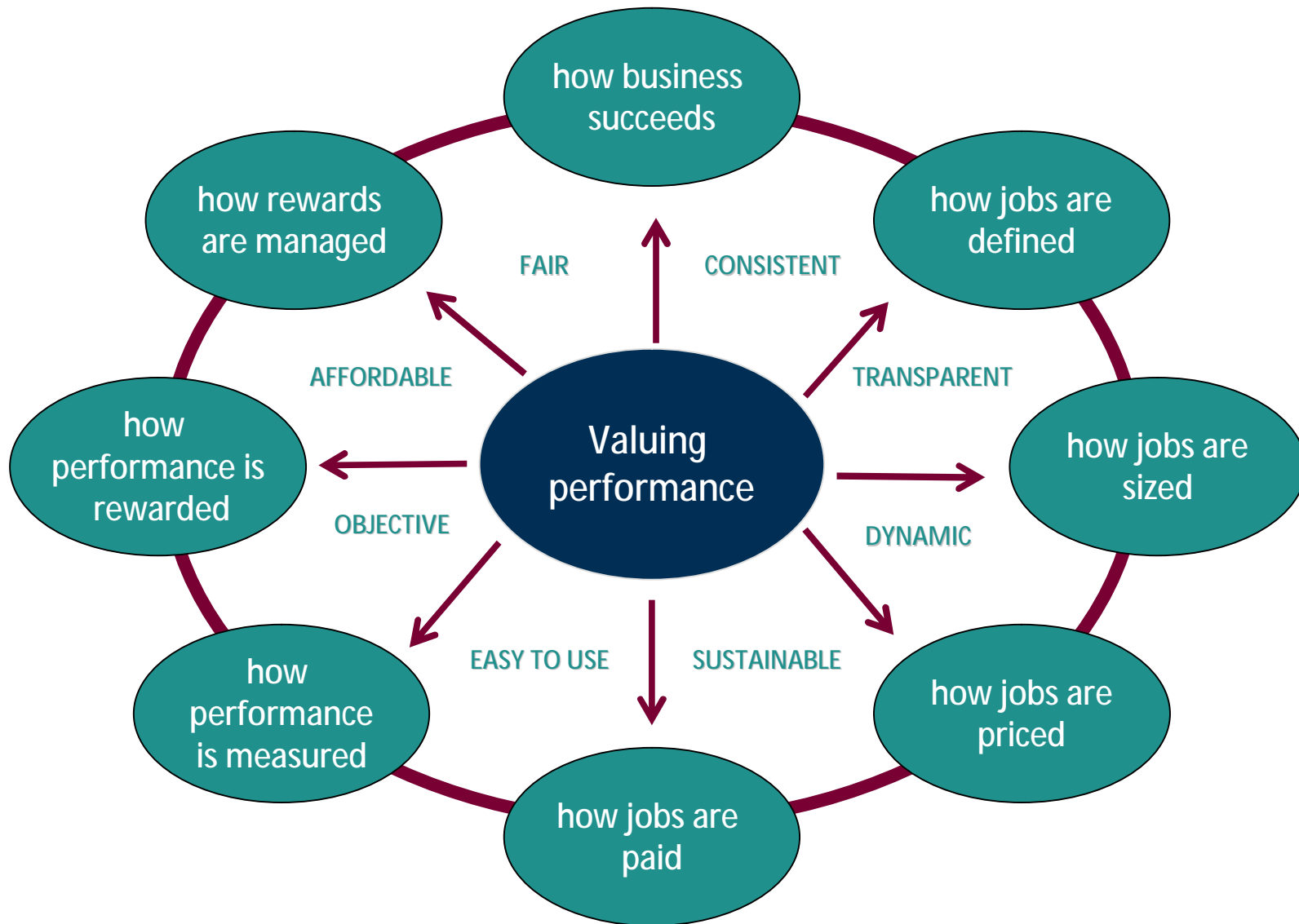


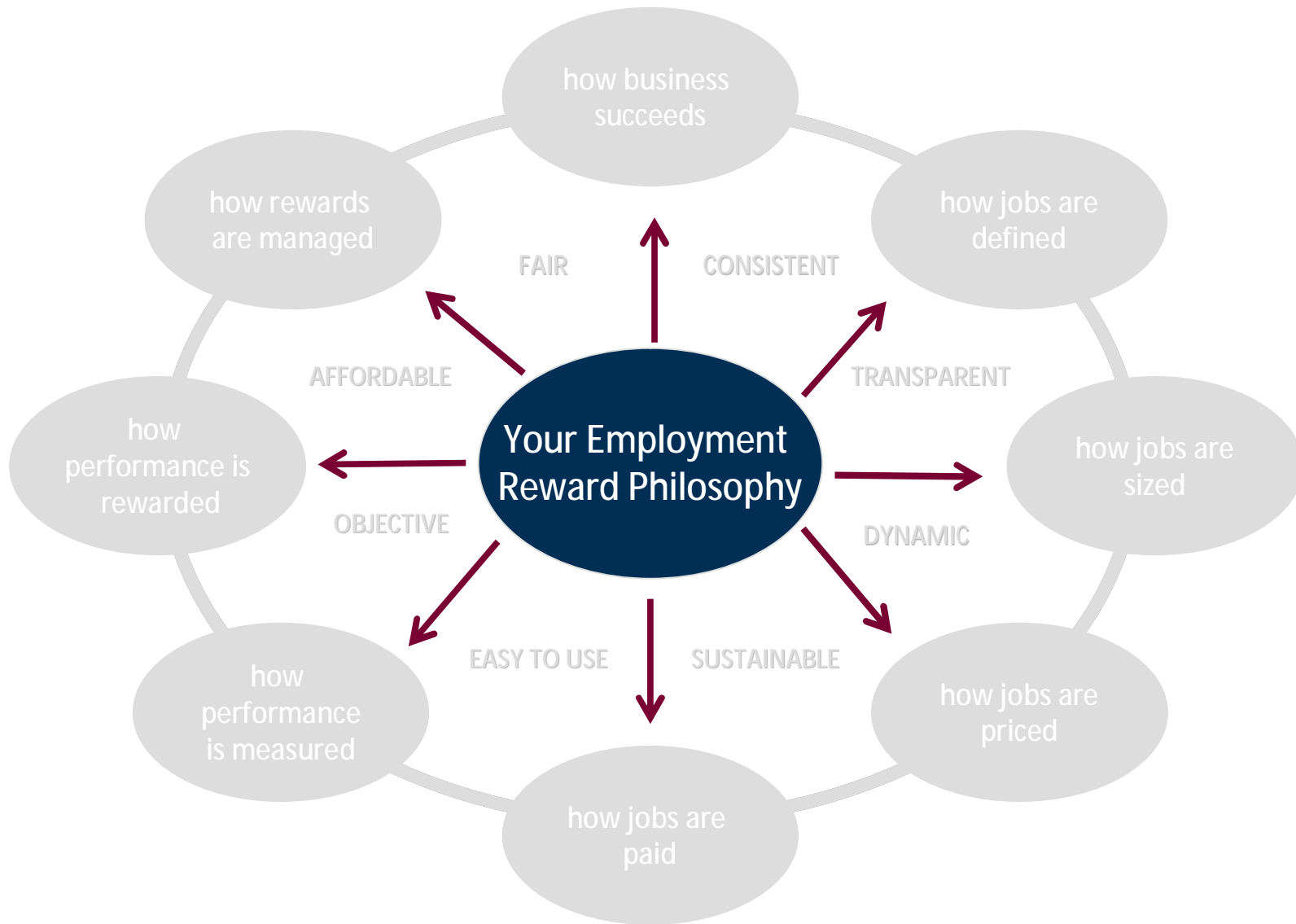
How would you implement a Business-centric Employment Reward System

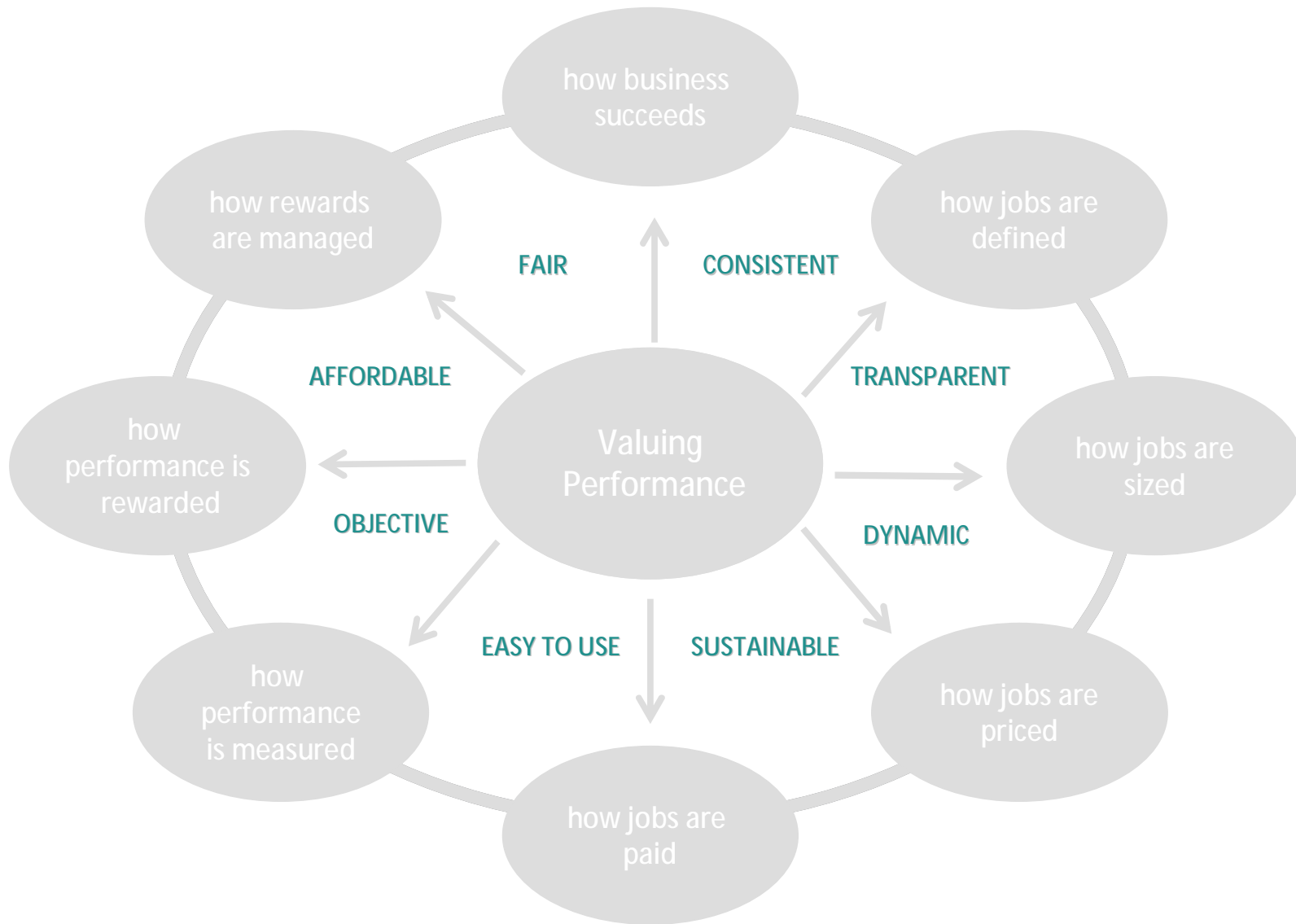
Stepped approach

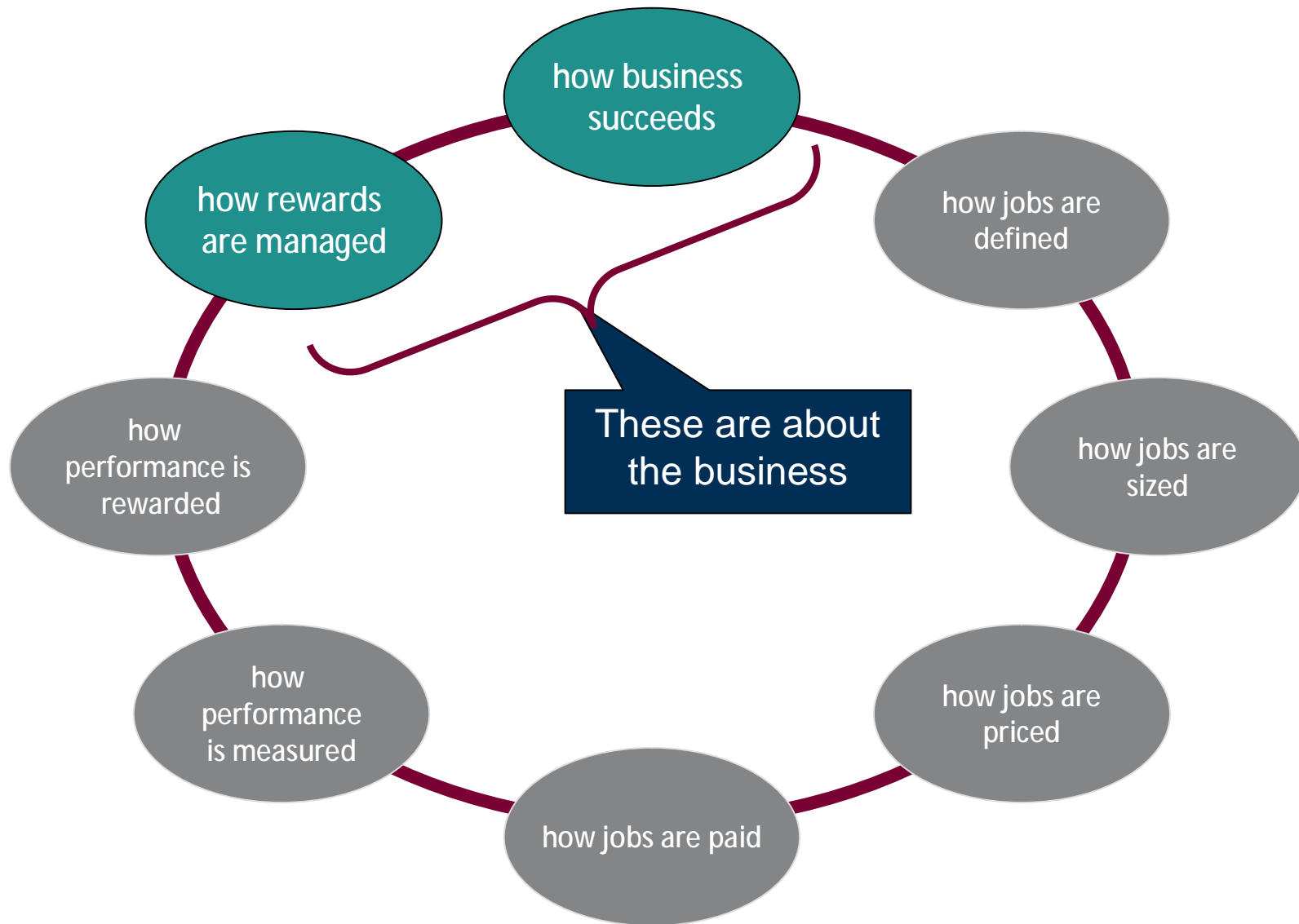
Too difficult to go direct from people-centric model to business-centric model

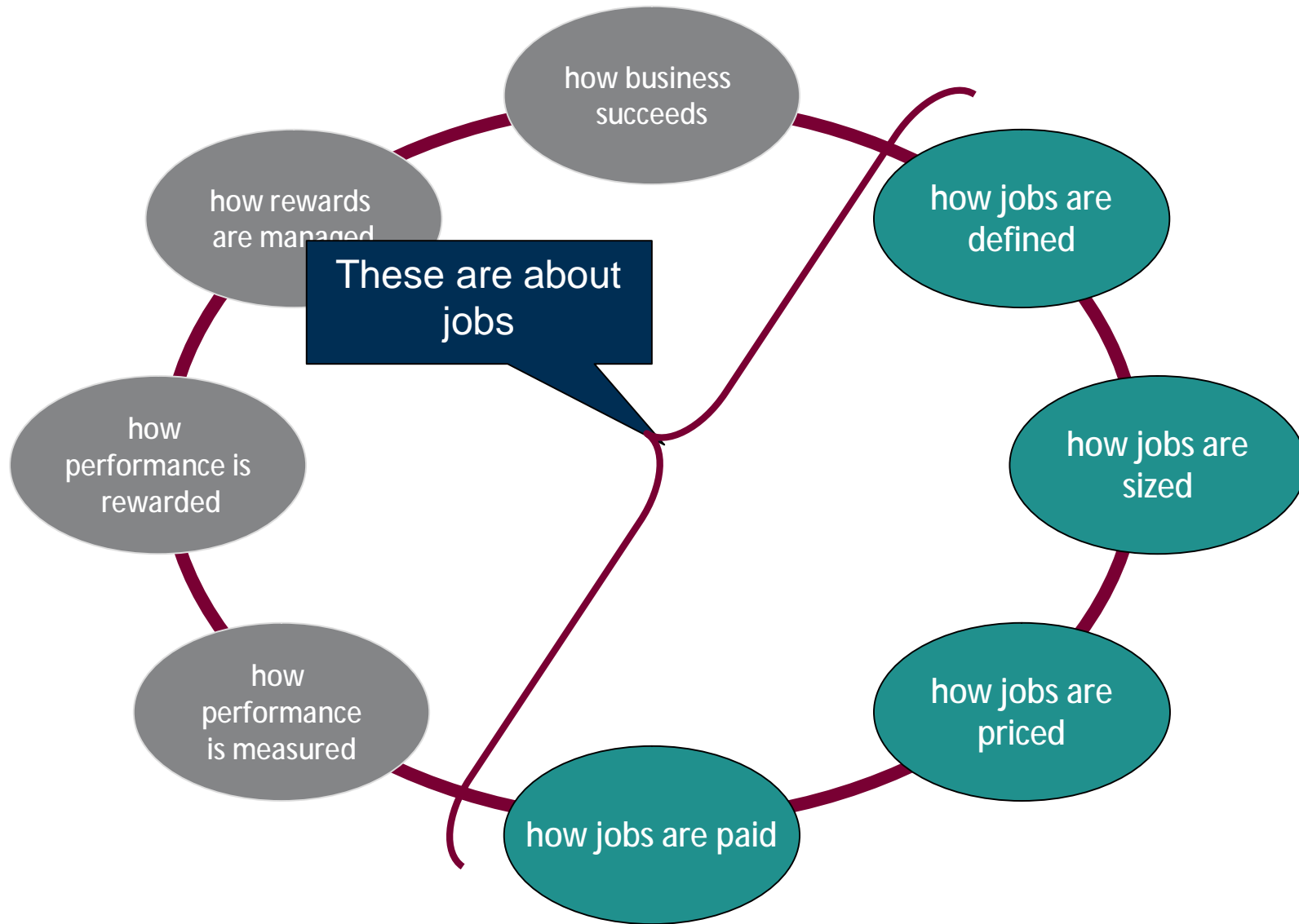


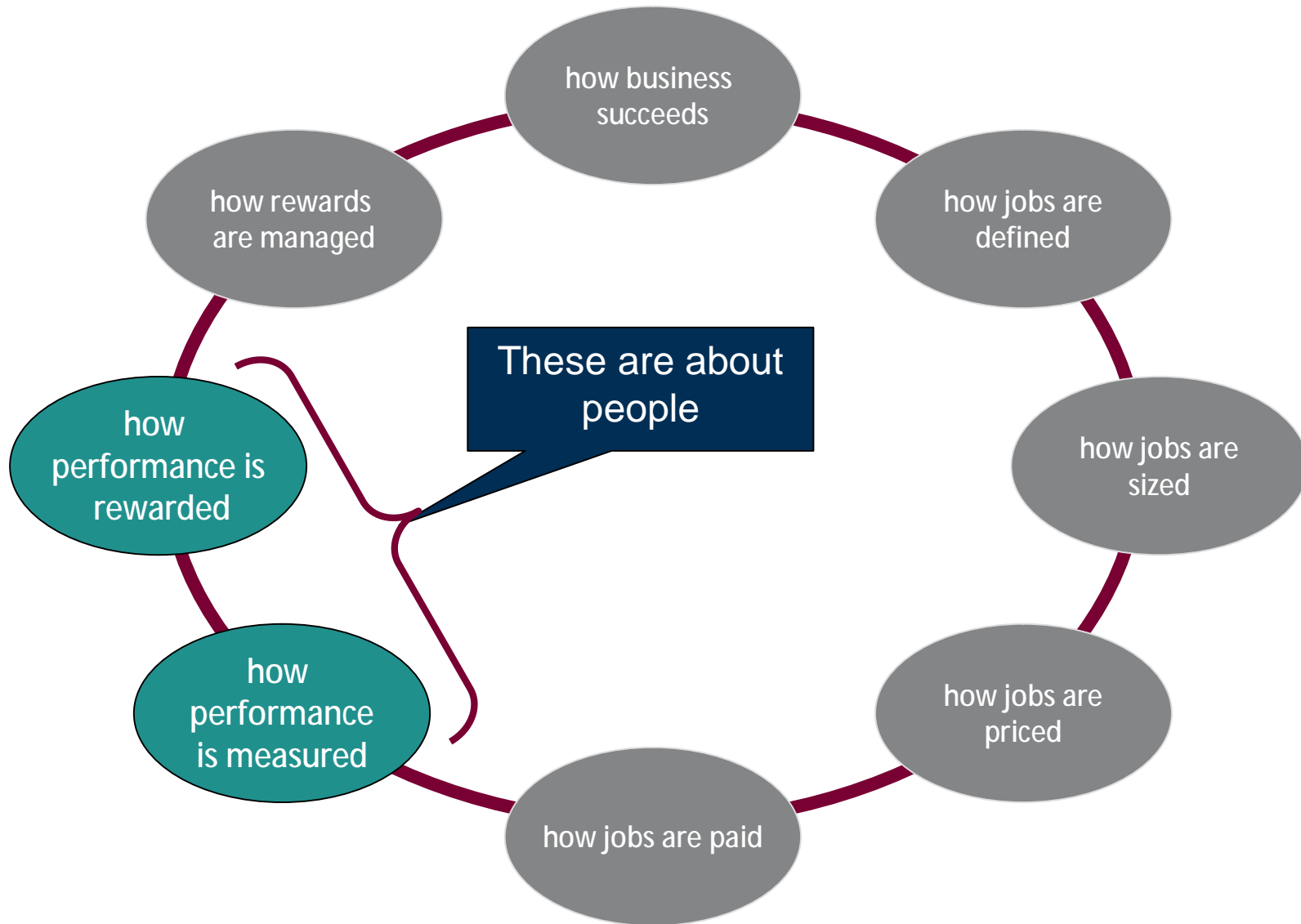


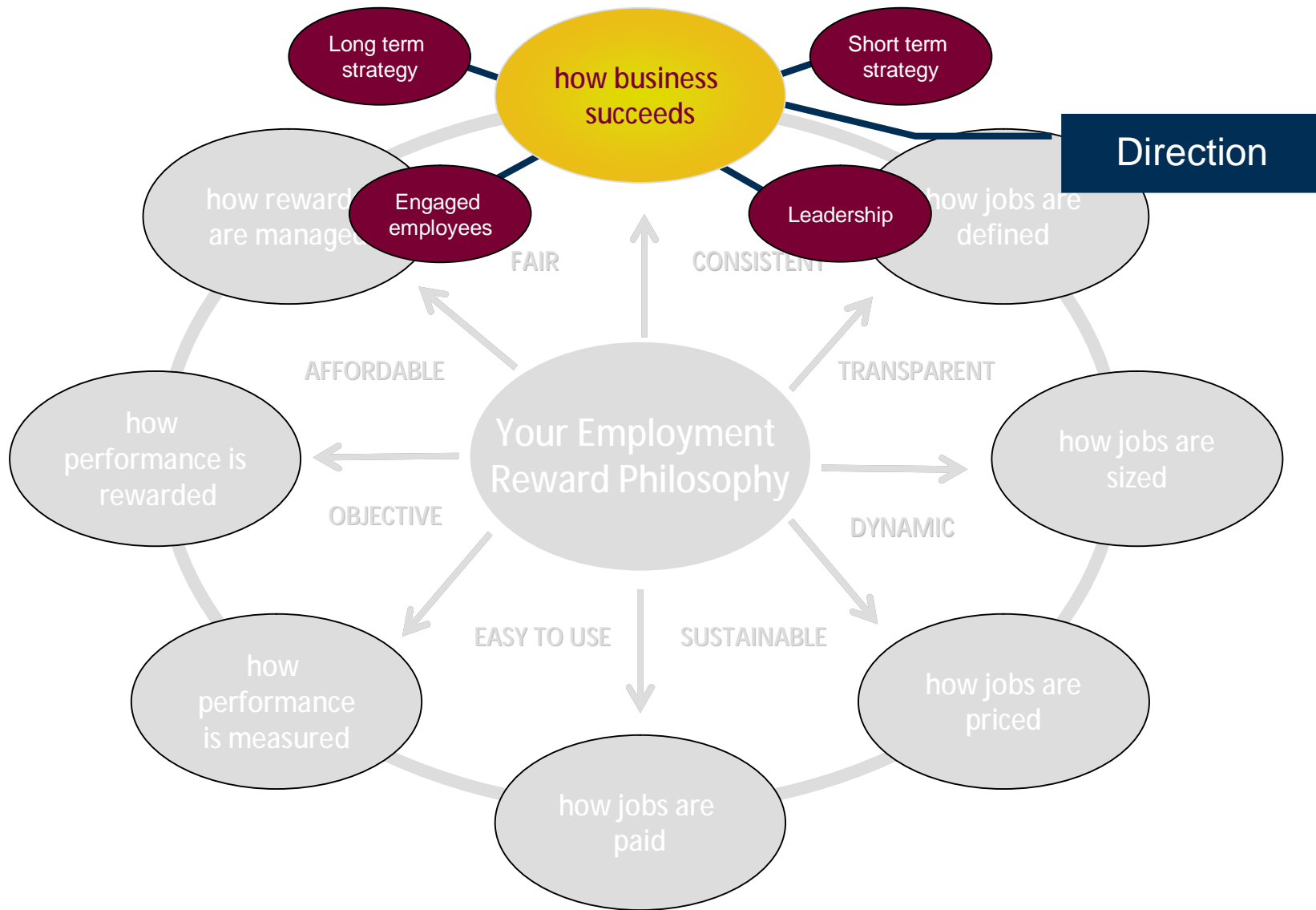


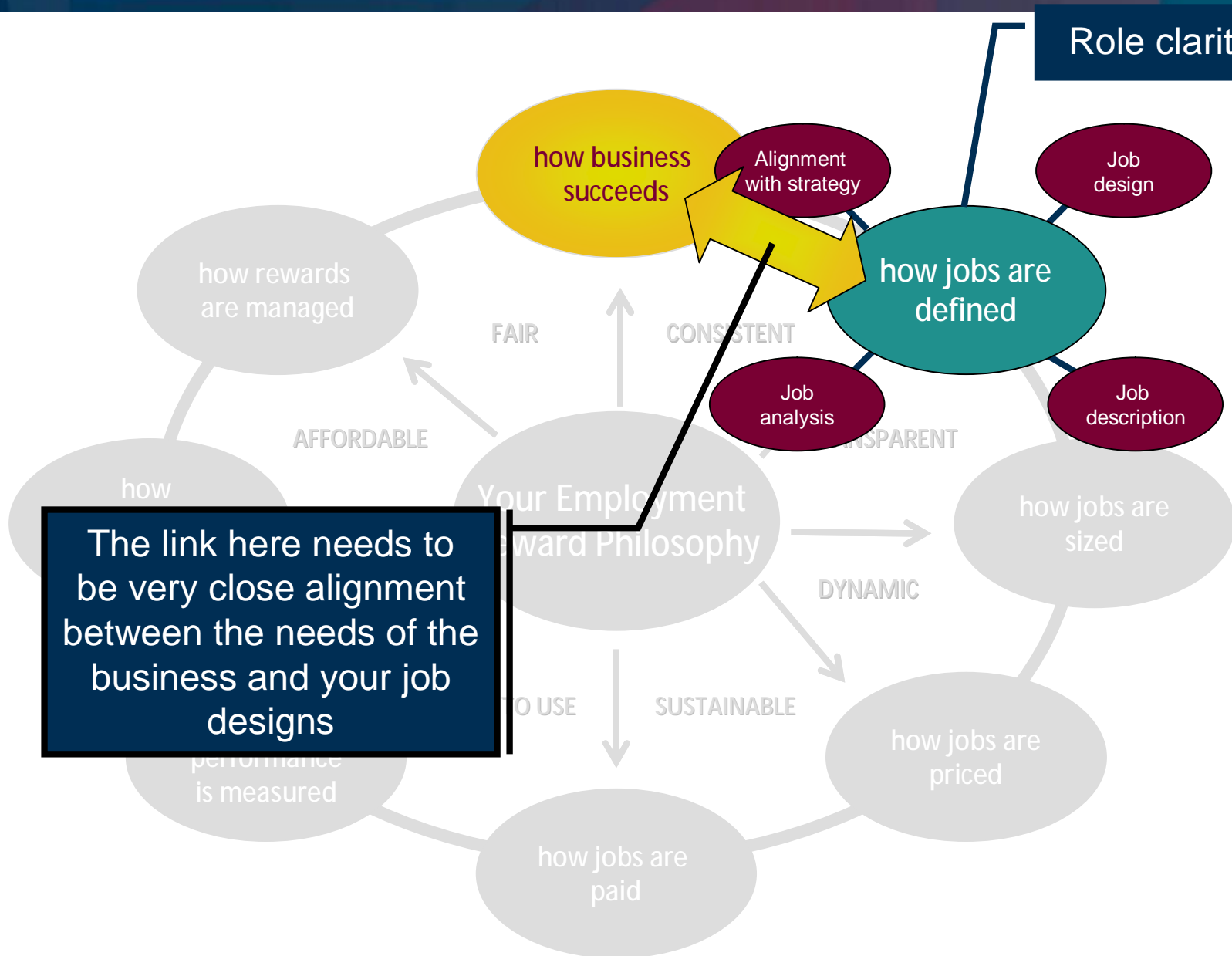






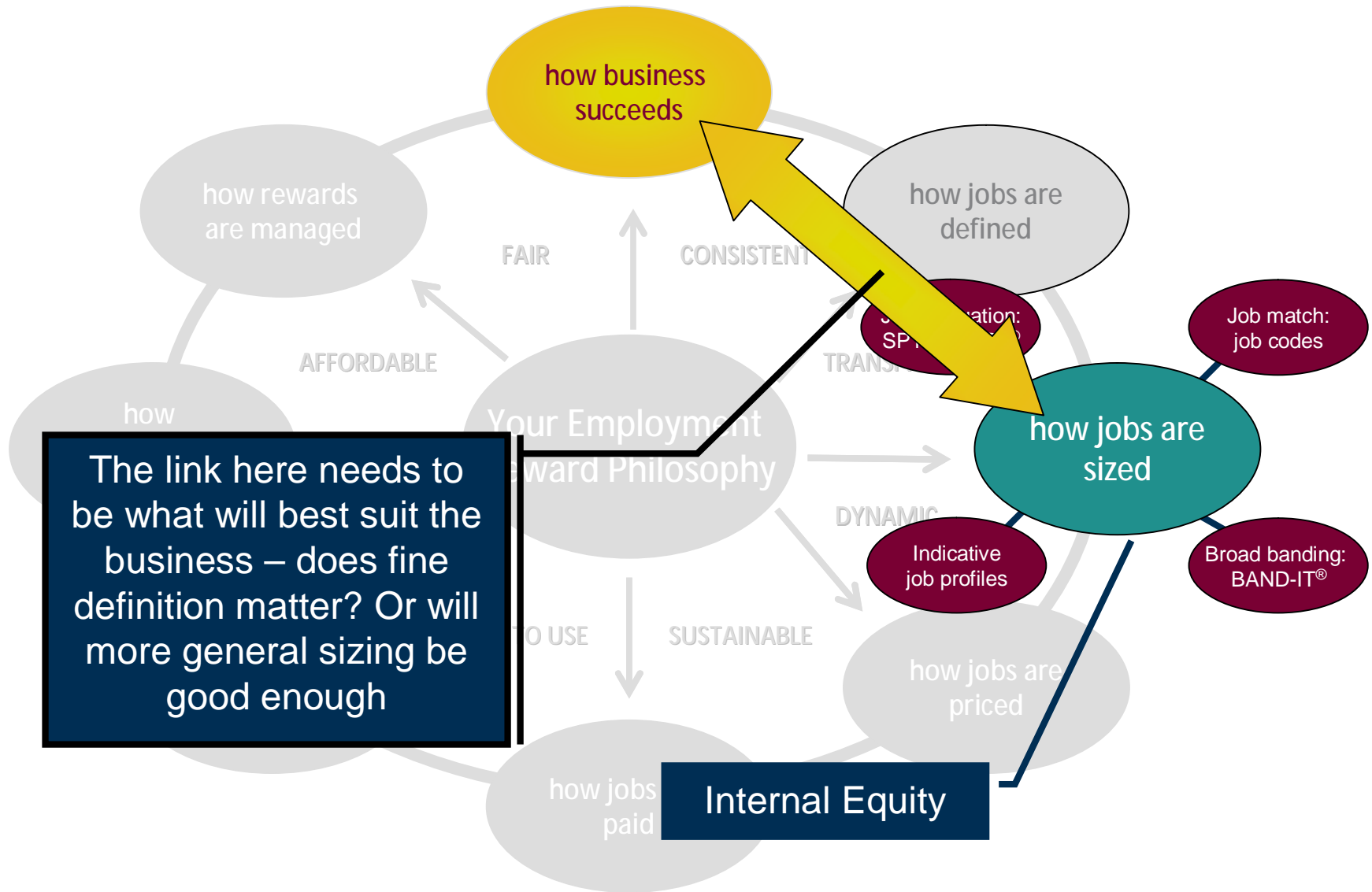


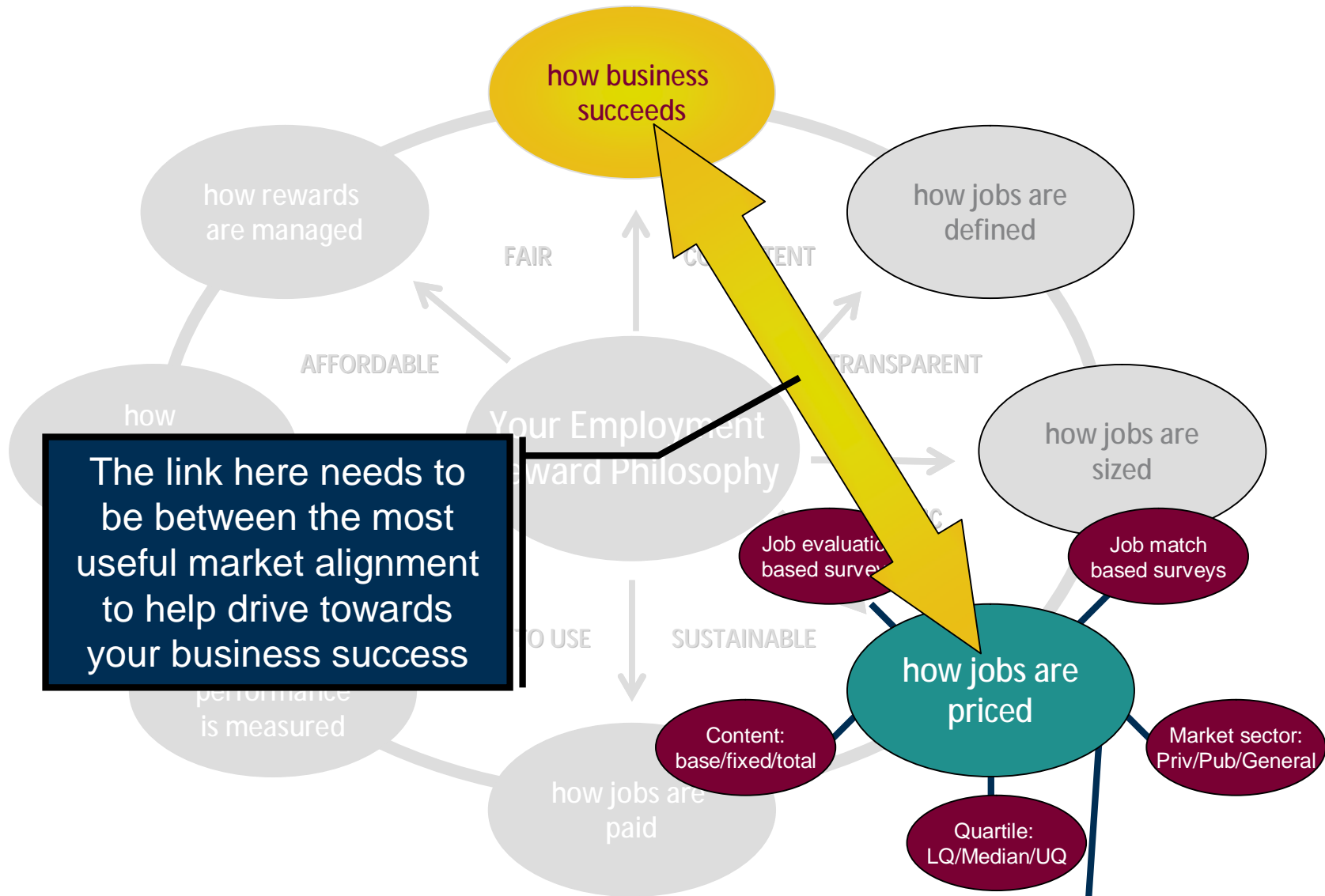




The link here needs to be very close alignment between the needs of the business and your job designs

Role clarity

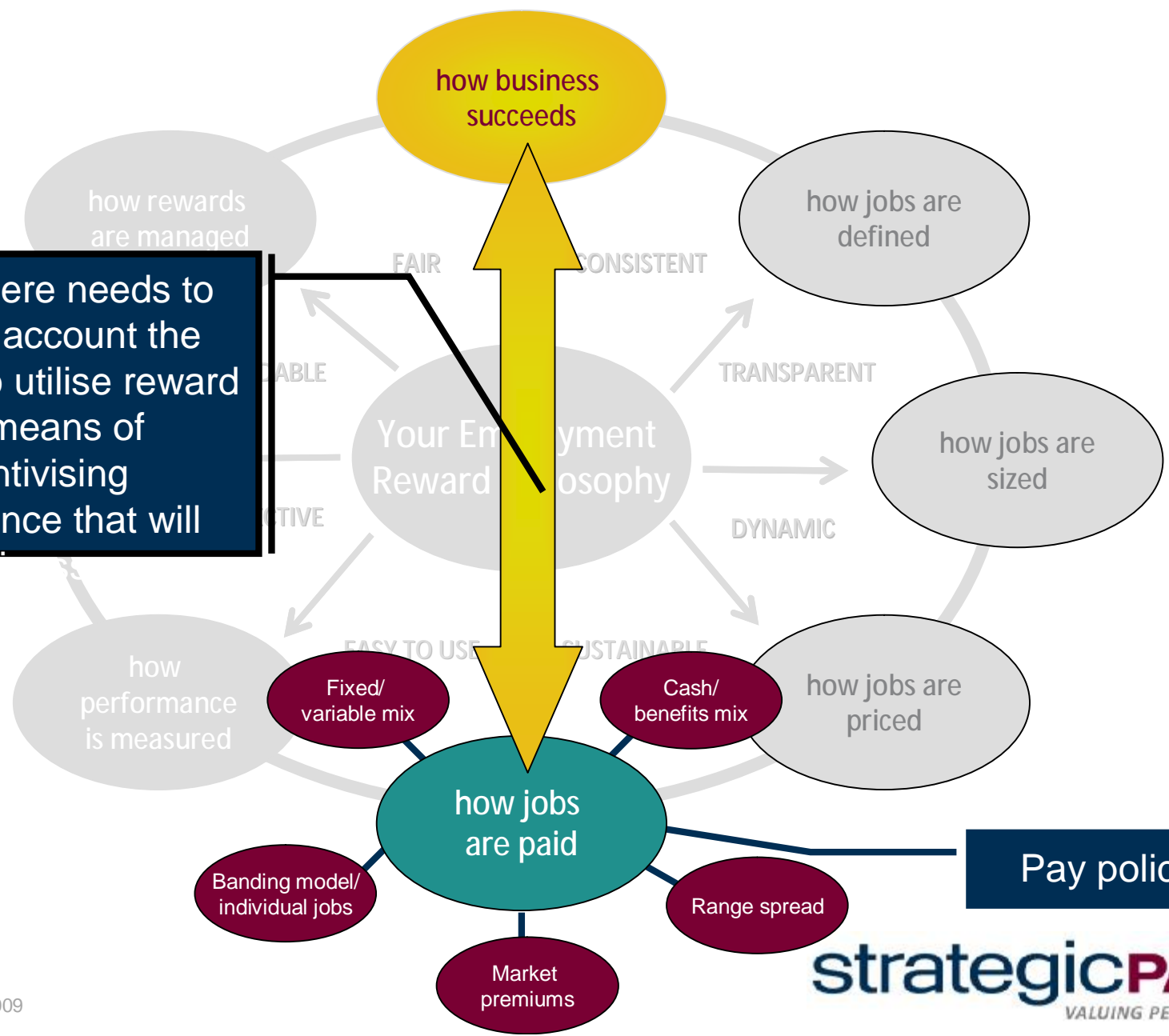


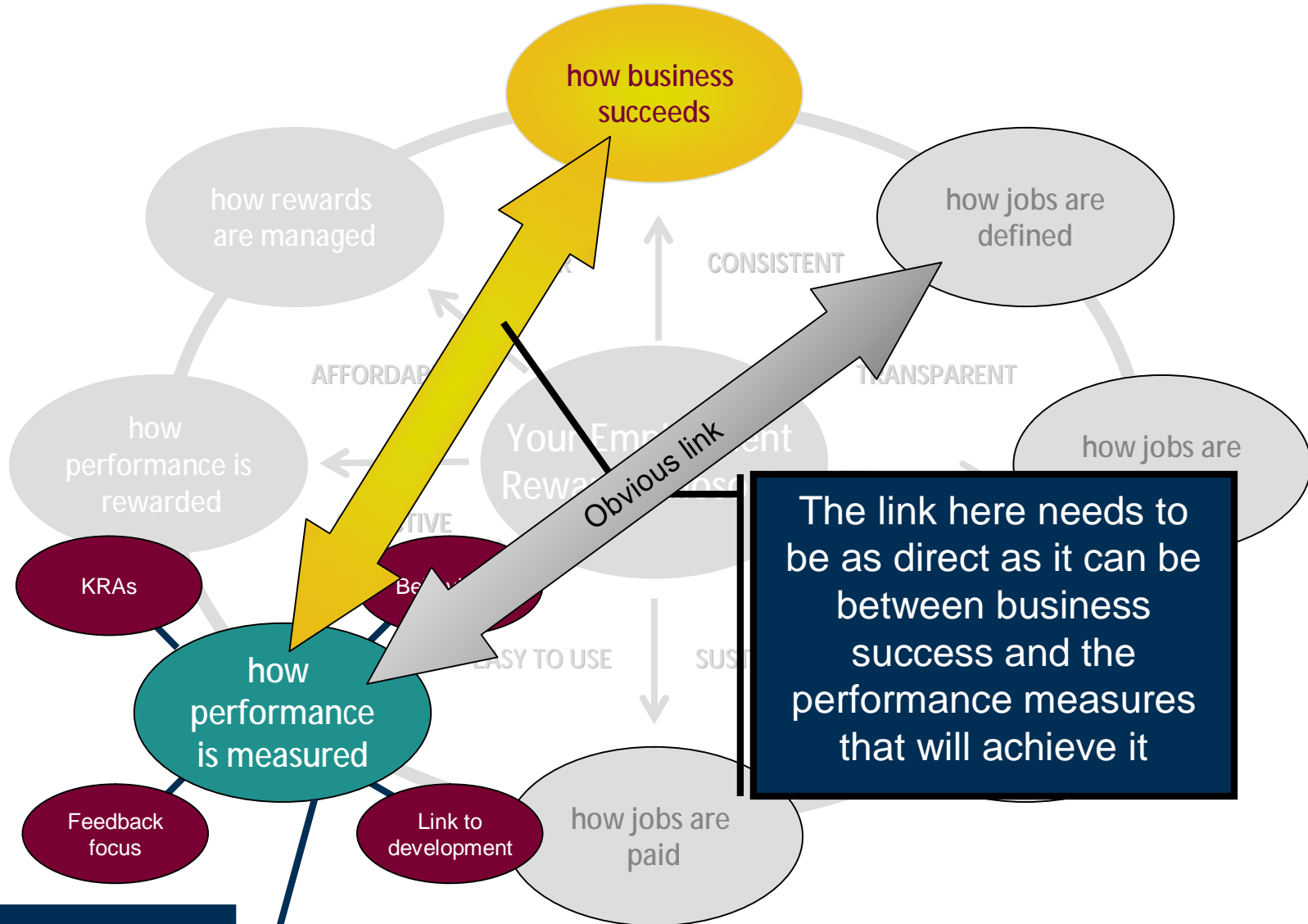


The link here needs to be between the most useful market alignment to help drive towards your business success

External relativity

The link here needs to take into account the best way to utilise reward as a means of incentivising performance that will





Focus on success

The link here needs to be as direct as it can be between business success and the performance measures that will achieve it

