

A focus on the Public Sector - Fine-tuning your rewards in the recession environment

Much has been made of the current recession's impact on remuneration and how organisations can deal with it, including facing a zero percent budget for salary increases.

It should be remembered though, that the belt-tightening that a recession requires also offers the opportunity for organisations to consider innovative approaches to remuneration and reward management.

In lieu of an actual increase, this innovation can take a range of forms, including:

- offering goods or services in kind
- providing challenging projects
- increasing individual autonomy
- linking employee remuneration to business results (performance pay)
- reprioritising personal development (including establishing a budget for it).

Some argue that there are constraints on recognising and rewarding activities in the public sector which might be the norm in other sectors, e.g. business results are not quantifiable such that an employee's remuneration can be linked to them, there is no budget for personal development – the outcome of the line-by-line review is a 10% cut.... and so on.

Whatever your view on these alternatives and their applicability in the public sector, the current circumstances require every organisation to re-visit the basic principles of remuneration and reward to ensure the best spend of the remuneration budget.

There are a number of aspects to this, two of which are important in any circumstances - but particularly so in a recession - targeting and communicating.

Targeting

- Target your limited spend – don't spend your money when you don't have to.
- Don't give any pay increases for questionable performance.

Our market research indicates that performance is the predominant driver for salary increases in both the public sector and the general market. However, applying your zero percent across the board is effectively the same as paying an across the board increase regardless of performance.

Don't keep paying premiums because you always have. Do premiums for functional groups still exist or are you paying above the odds for your IT or marketing roles?

Our latest surveys indicate that there are still premiums for some functional groups, including in the public sector, but that movement by functional group varies, suggesting the premiums will be changing.

For the year to March 2009, Information Technology has retained an average premium of 5% in the public sector while Finance has a 1% premium (both slightly lower than in the general market).

Assess your alignment with current market remuneration levels and consider whether you are targeting your spend in the most effective manner.

Communicating

- What is your total employee value package?
- Do your staff know about it?

Even starting with the tangible items that represent a direct cost, without considering the intangibles such as challenging work, autonomy and development, we're generally not very good at letting people know the value of their package.

As an example, our market research suggests that only about half of the organisations that offer car parks to staff actually value that in the package and communicate it to their staff.

A higher proportion of those who offer KiwiSaver above the minimum requirement (about a third of organisations do this) communicate this to their staff. However, a mere 20% of those who offer health and wellbeing benefits such as an on-site gym, health checks or flu vaccinations, include this in the package calculations and actually communicate this to their staff.

If you are investing money in a benefit for an employee, there is every reason to communicate the value of that benefit in their package.

The State Service Commission's *2009 Government Expectations for Pay and Conditions in the State Sector* declares that "Pay adjustments ... must take into account the total cost and value of employment conditions." This requirement, and the prevalence of zero increase budgets, can be viewed as an invitation to take a broader view of remuneration management rather than simply as a restriction on the remuneration budget.