

HaRe Group newsletter: 19 February 2007

Subject: Remuneration planning (and pay reviews) in volatile markets

Rarely has the demand for talented people been higher than in 2006. This year, the competition seems even more fierce – particularly in the Engineering sector in Western Australia. Companies wanting quality employees are finding that WA pay rates are climbing much faster than in the east coast states. This is the case in all professions – even law firms are seeing some WA increases that are double the annual rates in NSW.

Of course, the resources boom is driving the demand for talented engineers in WA. Limited supply (even short term) leads to the simple economic reality that the price for good people keeps going up – fast. (Remember Y2K and the IT salary spike?)

Volatility in market pay rates is a significant challenge for many Australian employers. No longer can a “one size fits all” salary structure be applied to employees of different professions/ vocations in different locations. Most companies also acknowledge that a universal structure based on work value (ie. job evaluation) is irrelevant. Many employers accept that significant location or job family variations should be key factors in employee pay reviews – otherwise, they will lose good people, or face an employment cost blow-out.

While “market-focussed” companies will often base their employee pay levels on industry rates, too many executives spend too many hours (if not days) poring over market survey reports trying to make fair and impartial decisions about pay increases for different professional groups in different locations. The volume of pay review decisions is influenced by several variables, including the number of:

- Performance levels
- Job families
- Locations
- Market alignment choices (by location and/or family)

It’s clear that, in large companies, the number of decisions can be staggering. Even in a smaller company with minor interstate operations, there needs to be consideration of local pay rates and conditions. In a volatile market, the universally applied salary structure should be extinct.

This month, HaRe Group is releasing a multi-user version of its [Remuneration Planning System](#). With minimal effort, this new version deals with a multitude of pay review decisions for the lowest employment cost – in particular, the RPS will:

- ✓ Diagnose your business environment and guide your market pay alignment policies;
- ✓ Identify, evaluate and delineate benchmark positions throughout your organisation;
- ✓ Capture market survey data from multiple sources and align your benchmark positions;
- ✓ Adjust market pay rates for survey age and your remuneration review cycle;
- ✓ Differentiate market pay rates by job family and location;
- ✓ Construct pay ranges for bands of positions, by job family and location;
- ✓ Capture, analyse and model your employees’ pay & performance data.

The RPS may be installed on your company’s network server to provide multi-user decision-making on individual pay settings using true pay & performance relativities. Some organisations may prefer to use our Microsoft Excel version for centralised management.

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