

# BEYOND THE CASH

The latest remuneration and reward trends are all about flexibility and fun perks for a job well done, writes **Elizabeth Kazi**

**A**USTRALIA'S BLUE chip companies are talking ballet tickets and shopping discounts when it comes to employee incentives. It's all part of the increased flexibility around salary packaging, as talent gets trickier to find and keep. The emphasis these days is on creating a suite of options so that employees get what they want – and hopefully stay around during the skills shortage.

John Eddy, director of human resources at Citibank, says the financial services organisation believes that "not everyone is motivated by cash".

"We think it's important to use methods other than fixed remuneration to retain staff," he says. Citibank recently introduced a benefits handbook and membership card offering discounts in dining, hotel, travel and leisure businesses throughout Australia and New Zealand. And it's not the only company broadening its incentives to include family members and recognising that tailored rewards are more appealing to employees.

KPMG's national chairman, Doug Jukes, says that the firm's reward and remuneration focus is on "would they recommend KPMG [as a place to work] to their friends". He says that the firm has placed an emphasis on giving its managers or team leaders the discretion to reward their team with activities or services that appeal to the individual.

The firm is putting away a "bucket" of cash for this plan, with partners able to decide whether their team is best suited to a bridge climb, David Jones gift vouchers, tickets to the theatre or a team dinner. "One of our biggest issues is keeping our people," says Jukes. "What we want is people to recommend KPMG to a friend."

Other companies are introducing innovative rewards that tie in with community programs and corporate sponsorships. Elizabeth Hunter, executive general manager (people and culture) at National Australia Bank, says that "the paradigm around rewards is shifting". It used to be that rewards were a "surprise"; now people expect to be rewarded in return for delivering performance that the company values.

The bank uses its community and sponsorship programs to recognise and reward staff. Employees who perform well get to attend rehearsals of the Australian

Ballet. Selected "national heroes" for customer and community relations were given return business class tickets and accommodation in New York to watch Cirque du Soleil last year. For the Melbourne 2006 Commonwealth Games, of which the bank is a sponsor, 13 employees will get to take 53 days off work and travel around Australia for the opening relay.

## HOT SKILLS PAYMENTS

If "hot skills" sounds like a dot.com term that's because it was indeed coined during the 2000 IT boom. That's when smart tech companies temporarily increased salaries for employees with hot or business-critical skills without building the increases into base salaries. The idea was the higher salary would scale back when the skill was no longer in demand.

And, says remuneration specialist Jairus Ashworth, managing director of CSI, they are coming back into vogue. It means the employees can enjoy a sharp increase in their pay so long as they have the skills that are needed by the company, an increase that will drop back down once their skills are no longer needed, he says.

"Generally it's major companies in the IT industry," Ashworth says. At the moment it is very difficult to get technicians who can set up certain computer applications, so these specialists are in high demand and may enjoy pay increases of an extra 20 per cent, which may have a 12-month limit, says Ashworth.

The reason "hot" skills are being rewarded, as they were during the dot.com boom, is because companies are again investing heavily in IT.

"Technology is a big driver of business improvement," Ashworth says. "Companies are feeling more optimistic and there is increasing pressure by shareholders to generate more revenue."

## 100% COMMISSIONS

Paying commission never went out of fashion, and remains the motivator of choice for many sales teams. But with skills shortages shifting the balance of power to employees in many sectors, there are also more sales people willing to take a punt on their own success rate. A small number of companies have been offering their professional

salespeople contracts based on a 100 per cent commission model with no base or guaranteed salary, says Ashworth.

It's a high risk/high return option for some, although few will opt for the 100 per cent model. But it's a trend that ties in with the general move towards decreased levels of fixed remuneration and higher flexible components in salary packages across the board.

## SHOW ME THE LEAVE

Time remains the best reward for many busy professionals. So much so that a market in trading time is on the increase within a range of businesses.

According to Sheryle Moon, director at recruiter Manpower: "Many organisations are giving staff the option to buy time – a salary sacrifice to have time available to them."

It's part of the desire for work/life balance, says Ashworth, particularly in sectors where people are a company's greatest asset – such as financial and professional services and marketing.

"Basically they're asking people what will be making them more happy at work, especially for those with families and people who are interested in travel," he says. But smaller organisations may have difficulty offering these options because of resourcing difficulties.

Mike McKeon, national reward and recognition manager at Ernst & Young, says that as the firm is a partnership they have not been able to use equity vehicles as incentives, but this year introduced the opportunity for employees to purchase additional leave of up to two weeks. About 10 per cent of staff have taken this up, he says.

## TRAINING & TENURE

The training and development that used to be part of most jobs was stripped back at many organisations when they cut costs. But it's staging a comeback, as employers look for ways to retain a new breed of employees eager for professional development.

Training has become a more strategic way to retain staff, says John Banks, director at recruiter Talent2. "Two or three years ago [organisations] were training [employees] but it was very hit and miss."

Banks says he is seeing the top 100 companies, particularly those in financial services and insurance, pay more for staff development in an effort to retain employees. "Employees tend not to jump ship when the organisation is paying for a course and they are only halfway through," he says.

Others are also offering bonuses for those who stay for a number of years. Banks says that in some professional services companies, employees will receive a bonus of 50 per cent of their salary if they stay five years. "Once people stay five years they're likely to stay longer," he says. ♦

## STOCK OPTIONS & SHARE PLANS

Stock options got a bad name during the eras of corporate excess and Enron-style collapses. But recent changes to accounting standards have altered how stock options are handled in relation to salary packages.

From January 2005 incentives such as stock options must be costed to the profit and loss statement, and as a result companies are reviewing them, remuneration expert Jairus Ashworth says. Previously the costs of such incentives were opaque and the changes are having some effect. "It's forcing people to go back to change and assess what they are doing with the program," he says.

The managing director at CRA Plan Managers, Ian Crichton, says: "In the past companies used broader reference points in the market. They were not really tailored to their particular circumstances." These market-based criteria may be changes to shareholder returns or earnings per share and though "those standard measures may still apply", it is much more likely that companies will set benchmarks to their specific circumstances, he says.

Other companies are introducing share plans across the organisation to give employees the choice of investing in their company. At Talent2 a share plan was introduced under which all employees can use up to 10 per cent of their pre-tax income to buy company shares.

"There has been a good take-up (about 60 per cent of staff), particularly among those who are not able to access options in the organisation," says Talent2 director, John Banks.

## BONUSES FOR BEHAVIOUR

It's not what you do; it's the way that you do it in the new world of remuneration. That goes for everything from your place on the corporate ladder to that end-of-year bonus. Just getting to the sales target is not enough if you treated your team badly or cut a few corners.

Sandra Henke, director of human resources at recruiter Hays, says there is a big trend towards organisations increasingly relating performance to pay. And performance can include a range of behavioural targets too.

Bonuses are becoming dependent on staff behaviour, says Talent2's Banks. Managers may get a bonus that is dependent on no sexual harassment claims, excellent public relations skills, and the perception that customers and employees have of the manager. "If they don't hit certain targets they won't get a bonus," he says.

Since the rogue trader scandal at NAB last year, the bank has introduced conditions on rewards and bonuses: they are only granted if results are achieved in accordance with the bank's values. "It's not just about what you achieve, it's how you do it," says NAB's Elizabeth Hunter.