



Remuneration and Benefits:

Are you paying appropriately?

Introduction

Do you have staff challenging you about what they are paid or negatively responding to your offer of a pay increase, demanding more?

In today's competitive job market, attracting and retaining top talent in New Zealand is a challenge faced by many organisations. A clear and well-thought-out remuneration strategy, linked to market remuneration data, can be a powerful tool in this quest. In this blog post, we'll explore the significance of a robust remuneration strategy and its benefits in the New Zealand context. We'll also delve into remuneration packages, incentive pay options, and the differences between job match and job evaluation approaches.

The Power of a Clear Remuneration Strategy

A remuneration strategy is more than just a big number in your business budget; it can be a key driver of employee motivation, engagement, and organisational success. Here's why having a clear remuneration strategy matters:

1. **Attract and Retain Top Talent**: New Zealand's competitive job market demands competitive compensation. A well-crafted remuneration strategy helps attract and retain skilled professionals who can contribute to your organization's growth.
2. **Motivation and Performance**: A link between pay and performance can motivate employees to excel in their roles. This can boost productivity and foster a culture of excellence. Communicating the remuneration strategy and processes appropriately is key to success.
3. **Equity and Fairness**: A transparent remuneration strategy ensures fairness in compensation, addressing pay disparities and promoting employee satisfaction. For managers, this means confidence when making remuneration decisions, for Boards, it can

assist with resourcing decisions and for staff, it can provide confidence that they are being paid in line with what is being paid elsewhere.

4. Cost Control: An effective strategy helps organisations budget appropriately for employee costs and make efficient use of resources.

Benefits of Remuneration Packages in New Zealand

Remuneration packages in New Zealand go beyond basic salary. They often include a mix of the following elements:

1. Base Salary: A fixed amount paid regularly to employees, often determined by their role, skills, and experience.
2. Incentive Pay: Additional payments tied to individual or company performance, which can motivate employees to achieve goals.
3. Superannuation (KiwiSaver): Contributions to retirement savings accounts, fostering long-term financial security.
4. Health Insurance: Coverage that eases the burden of medical expenses and contributes to employee well-being.
5. Extra Annual Leave: Extra time off to rest and recharge, supporting work-life balance.

These are just a few examples. There are many other benefits that employers may consider offering, that are attractive to the employees they need in their organisation.

Incentive Pay Options

Incentive pay options, such as bonuses and commissions, are common in New Zealand organisations. They link rewards directly to performance, motivating employees to achieve specific goals or milestones. These incentives can range from individual performance bonuses to team-based and company-wide rewards.

Job Match vs. Job Evaluation Approaches

When considering how to compare what you pay to the market, there is more than one potential approach.

Job Match: This approach compares jobs to similar roles in the external labour market (using role descriptions), taking into account factors such as skills, responsibilities, and industry norms.

Job Evaluation: This approach assesses the value of roles based on a number of factors e.g. job complexity, responsibility, and required skills. Each factor, and level of factor can be assigned a number of points, and then a total number of points can be calculated for each role.

Both job match and job evaluation approaches can help organisations determine a competitive remuneration strategy, in the market, and position in the market, that the organisation wishes to achieve.

Conclusion

A well-crafted remuneration strategy is a vital tool for New Zealand organisations striving for success. It ensures that employees are compensated fairly, motivated to excel, and invested in the long-term success of the company. By linking remuneration packages to market data and utilising other benefit options wisely, employers can create a workplace where talent thrives.

I specialised in remuneration for a number of years earlier in my career and I was also very lucky to have had the opportunity to work closely with the founder of the remuneration consultancy, Strategic Pay, on the set-up and customisation of remuneration systems. I have since assisted many different organisations and businesses with their remuneration systems; from strategy development to process and communication implementation.

Don't hesitate to contact me if this is an area you would like to work on in your business. We can have a no-obligation chat about what you have in place currently, the options to make improvements, and how those improvements could be implemented in a way to suit you.