

# Remuneration Trends

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NFP Finance Forum  
May 2018

John McGill, CEO - Strategic Pay



# Agenda

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- Strategic Pay Data
- Labour Market in 2018
  - Key Issues and Trends
- NFP Sector
  - Characteristics
  - Challenges in the Labour Market
- Minimum Wage Movements
  - Unintended consequences
- Summary

# Overview: Database and Market Trends

# Strategic Pay Database

Your best source of  
Remuneration Knowledge

**1,141**

**Organisations**

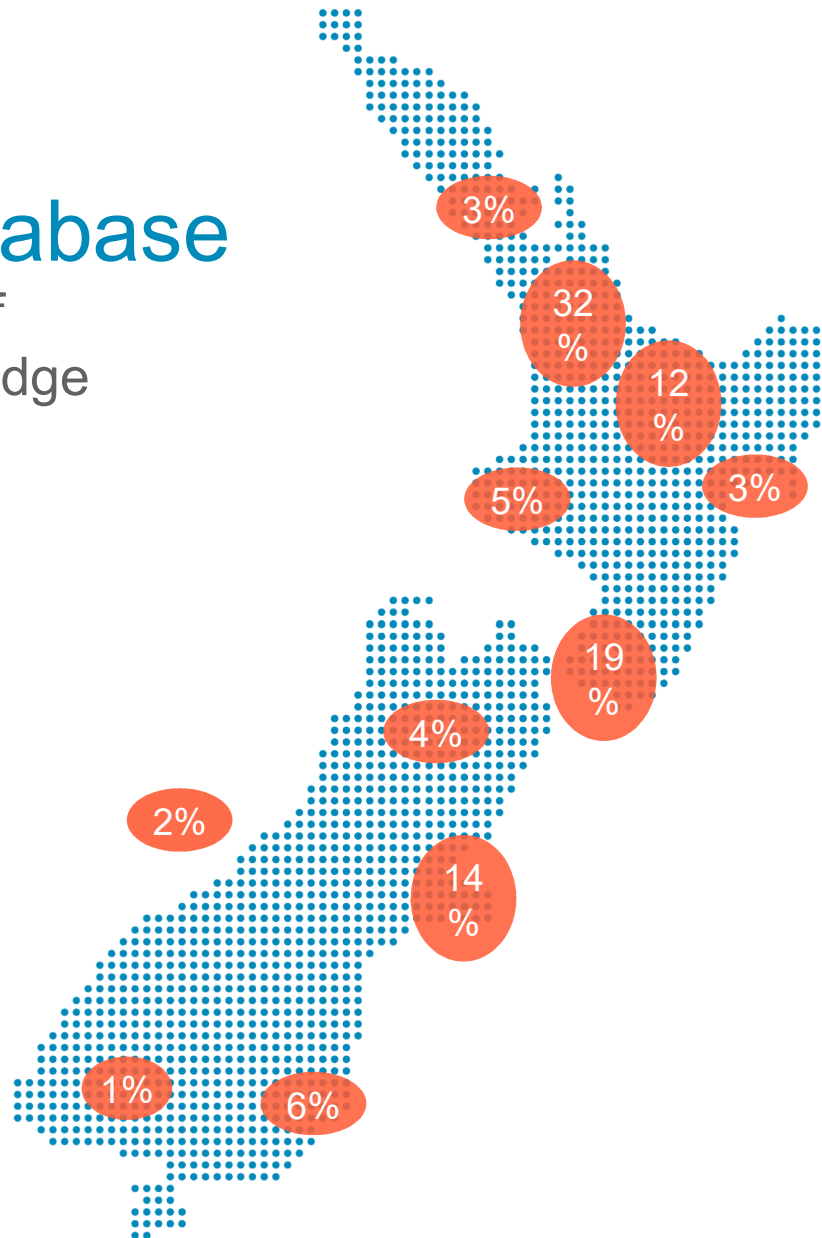
**182,843**

**Employees**

**45% Private**

**35% NFP**

**20% Public**



# NZ Remuneration Report

**166095** incumbents | **508** participating organisations:

## Market Movements | March 2017 to March 2018

Median Movement for Matched Organisations and Whole Sample

SP10® Points Range	Staff Level	Fixed Remuneration					
		Matched Movements			Whole Sample Movements		
		General Market	Private Sector	Public Sector	General Market	Private Sector	Public Sector
Up to 400	General Staff	2.5	2.6	2.4	2.3	2.3	2.2
400 – 800	Middle Management/Specialist/Technical	2.7	2.7	2.2	2.4	2.6	2.3
800 - 1200	Senior Management /CEO small Organisation	2.5	3.1	2.1	2.3	2.6	1.9
1200 - 1600	CEO medium organisation/ GM larger organisation	2.3	2.8	2.2	2.6	2.7	2.1

# Labour Market – Early 2018

- The Labour Market is under new pressures, particularly at the entry level and lower skilled roles
- Living Wage campaign
  - Been running for a number of years
  - Some success, particularly with large Councils
  - Methodology issues but high profile
- Minimum wage increases
  - Currently \$16.50ph, will rise to \$20ph within three years

# Labour Market – Early 2018

- Residential Care Workers settlement (and related)
  - This is a very large settlement basically with government who fund the majority of these roles, which will increase the pay of this group from \$15.75 per hour to \$27 per hour over 5 years, or putting it another way, increasing a FT salary from \$32.8K pa to \$56K pa, a 71% increase.
  - 55,000 employees are affected and the estimated cost over 5 years is \$2B.
  - Mental health workers doing similar work are now included in the settlement

# Labour Market – Early 2018

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- Nurses
  - They have voted to strike
  - Rejected a 2% increase/some other extra's (residential care workers settlement!)
- Teachers (NZEI)
  - Announced 16% claim last week
- Other Groups
  - Most likely other groups are watching closely



# Labour Market – Early 2018

- Pay Equity claims legislation
  - New government changing the draft legislation
- ...and more generally:
  - Relatively low unemployment (4.4%)
  - Economic growth continuing
  - Further pay legislation this year will be tabled
- Overall trends in the year to date
  - Modest movements still (some exceptions)
  - Trend of last five years continued in year to March 2018
  - Generally subdued wage growth (seen across the OECD)

# Labour Market 2018 – Forecast Pay Trends

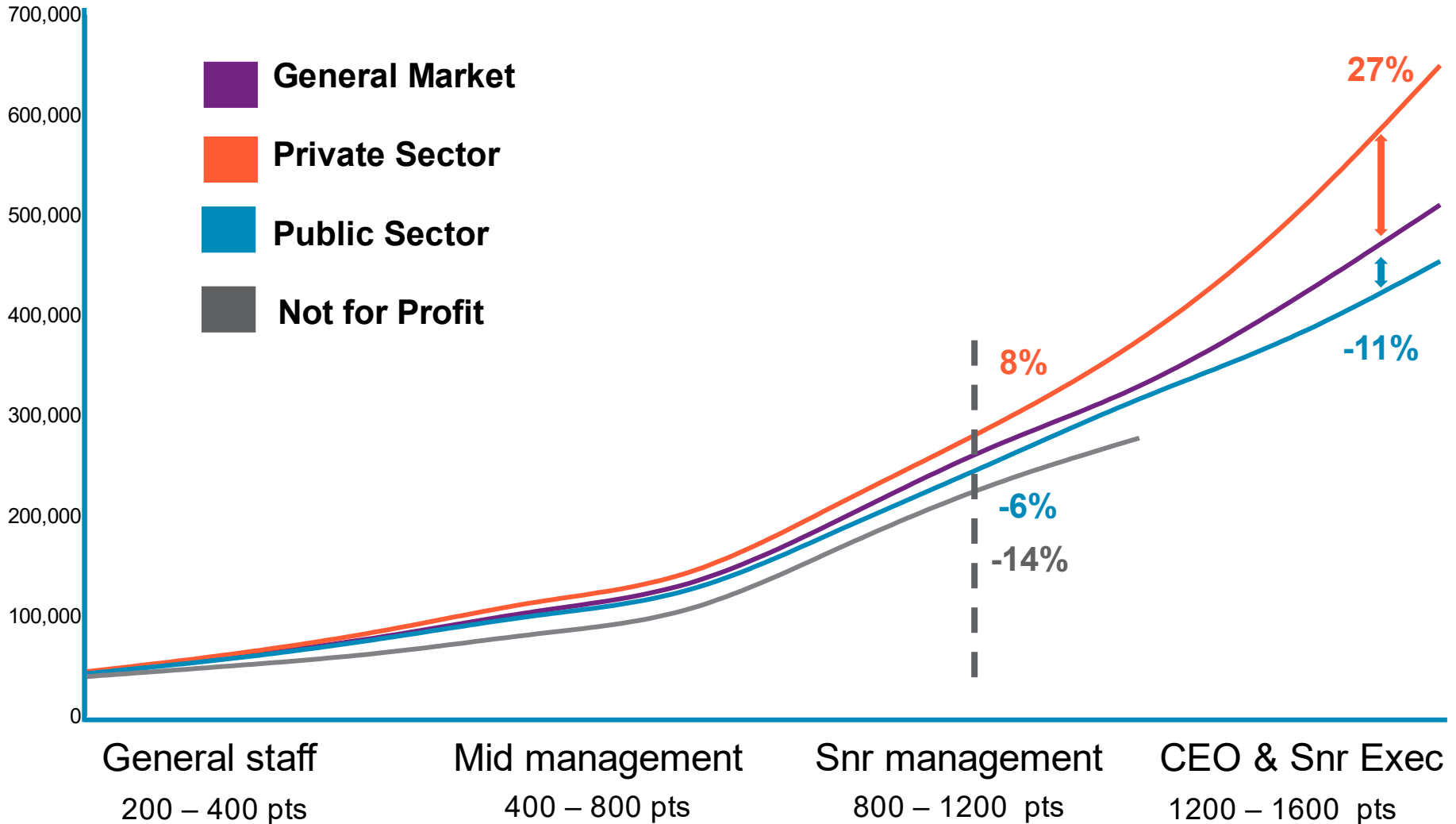
- Forecasts
  - Ask clients six monthly, most recently in February 2018
  - The question specifically is around what have you allowed for payroll increases
  - Data this year: Overall 2.6%, Private Sector up to 3%, Public Sector up to 2%
- These predictions are similar to previous years
  - No-one has budgeted for large pay movements
  - Some flexibility but not a lot
- Rising expectations are meeting budget constraints head on

# Not For Profit Sector: Characteristics

# NFP Sector

- Different approach to job design
  - More flexible and open to designed roles around people
- Understand pay well, more aware of differences
  - Relativities are different
  - Often more senior roles paid low as compared to other sectors
  - Pay structures tend to be base pay, KS, little else
  - Intrinsic motivators very high
- Governance
  - Low/no fees
  - More compliance – Health/Safety – Review/Auditing of accounts – more monitoring from funders
  - Quality
- Passion and Purpose
  - One potential outcome – burnout

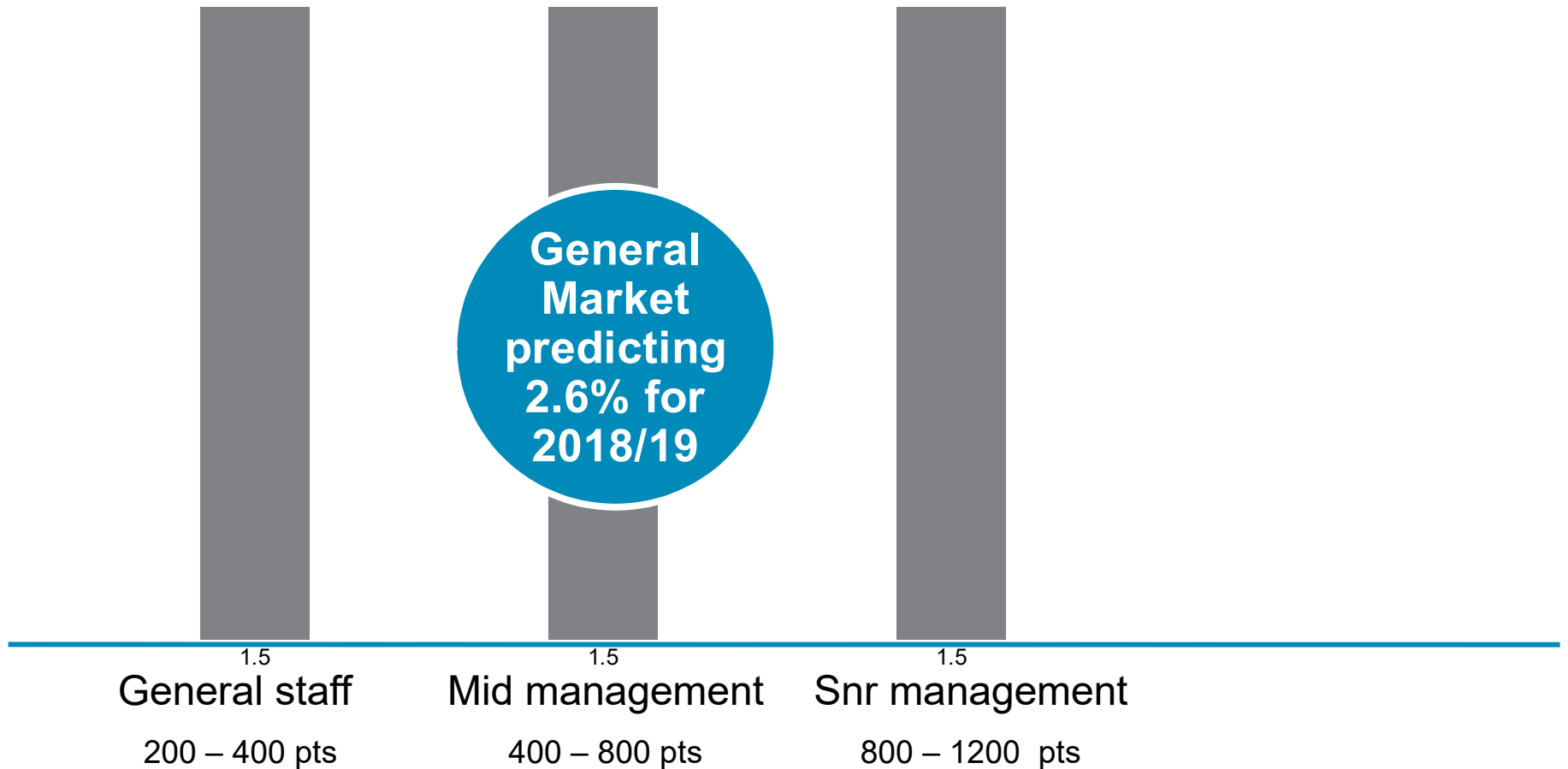
# Actual Pay Practices: Sectors



# NFP Market Movements 2017



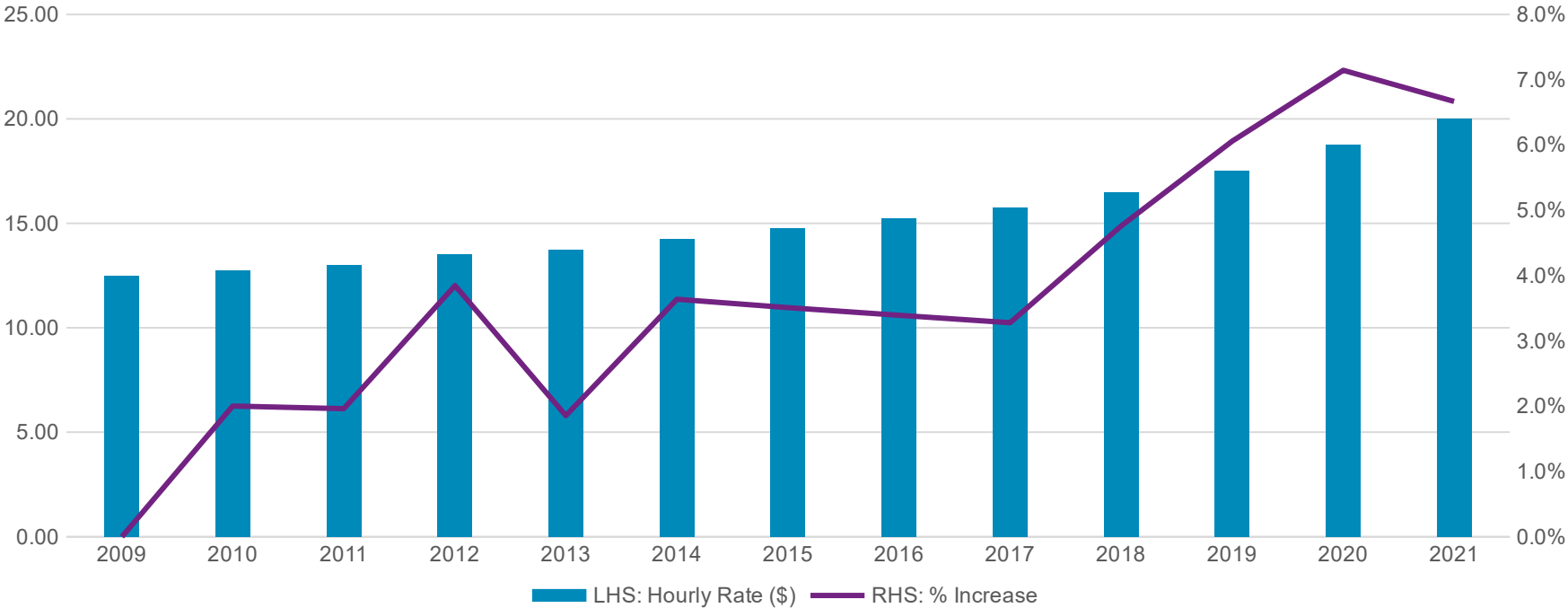
# Base Salary Projections: 2017/18



# Current Issues: Minimum Wage Increases



# Minimum Wage Projections



# Minimum Wage Increases: Unintended consequences

Relativities: A key determinant of pay within organisations, important in understanding the external market

Base Salary, Median Data, Current (March 2017)								
	Not for Profit Sector	Public Sector	Private Sector	Jobs we typically see at these Levels				
Grade 5	33,932	35,824	37,446	Tea-Person type roles, Production Worker				
Grade 6	36,486	38,647	42,106	Very Basic Admin, Reception				
Grade 7	39,222	41,805	43,535	Residential Care employees, Basic Admin				
Grade 8	41,377	45,153	47,240	Admin roles/Admin/Reception combined				
Grade 9	43,630	48,653	51,153	First level Supervision/small teams				
Grade 10	46,078	52,458	55,323	Larger Supervisory				

# Minimum Wage Increases: Unintended consequences

Base Salary, Median Data, Potential (March 2021) Vertical Relativity								
	Not for Profit Sector	Public Sector	Private Sector	Jobs we typically see at these Levels				
Grade 5	41,712	41,712	41,712	Tea-Person type roles, Production Worker				
Grade 6	44,852	44,999	46,903	Very Basic Admin, Reception				
Grade 7	48,215	48,676	48,495	Residential Care employees, Basic Admin				
Grade 8	50,864	52,574	52,622	Admin roles/Admin/Reception combined				
Grade 9	53,634	56,650	56,981	First level Supervision/small teams				
Grade 10	56,643	61,080	61,626	Larger Supervisory				

**Please take care showing this slide to your CEO or Board!**

# Minimum Wage Increases: Unintended consequences

Base Salary, Median Data, Potential (March 2021) Vertical and Horizontal Relativity restored								
	Not for Profit Sector	Public Sector	Private Sector	Jobs we typically see at these Levels				
Grade 5	41,712	44,038	46,032	Tea-Person type roles, Production Worker				
Grade 6	44,852	47,508	54,127	Very Basic Admin, Reception				
Grade 7	48,215	51,390	53,827	Residential Care employees, Basic Admin				
Grade 8	50,864	55,506	60,078	Admin roles/Admin/Reception combined				
Grade 9	53,634	59,808	66,806	First level Supervision/small teams				
Grade 10	56,643	64,486	73,990	Larger Supervisory				

# Labour Market 2018: Market reaction

- Interested to hear your views, Some comment made to us on adjustment mechanisms include:
  - Fewer supervisory staff
  - Changing shift arrangements
  - Redesigning jobs
  - Squeezing relativities
  - Increasing fees

# Summary

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- Unemployment remains low and pay movements have been relatively low for the past five years
- Lower paid roles are likely to see large increases in pay
- Some occupational groups are putting in large claims
  - Will this become more widespread
- The NFP Sector may be the most affected with relativities squeezed and finances under pressure

That's it

Questions?

Comments?