

Newsletter April 2015

While many of Egan Associates' clients and readers may find it unusual that our key report in this newsletter is about risk management, we have been increasingly focusing attention on risk as an accountability that has not been recognised in management and staff work value considerations or reward and is often not appropriately recognised at Board level.

We have also noted that a number of governance bodies including the ASX Corporate Governance Council have flagged the importance of risk management as a key Board accountability, while regulatory authorities have scrutinised organisations' activities more closely due to stakeholder concerns regarding poorly managed risk.

The balance of our newsletter summarises recent Australian and global news on remuneration and governance and dissects submissions to both the Productivity Commissions' review into Workplace Relations and the Fair Work Commission's annual minimum wage decision. Importantly, we also welcome you to our new website, which was launched in the last few weeks. We hope it provides you with a seamless desktop and mobile experience and would appreciate your feedback.



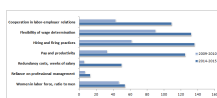
KMP Report: The Rise and Rise of Risk

For proactive Boards, risk management is not an option but a necessity for growth, sustainability and enduring success.



Australia's Economy Weighs on Minimum Wage Decision

The Fair Work Commission will soon present the results of its 2014–2015 annual wage review. We provide highlights from some of the submissions.



Battlelines Drawn for Workplace Relations Review

Initial submissions to the Productivity Commission's review of the workplace relations framework have presented initial perspectives on Australia's future workplace relations environment.



Share Schemes, Diversity and Other News

Egan Associates provides a round-up of remuneration and corporate governance news from around the globe.



Welcome to the New Egan Associates Website

Egan Associates has updated our website so you can easily access our details no matter what device you're using.

KMP Report: The Rise and Rise of Risk

Suzanne Wohlthat

Egan Associates' KMP Report on risk management, "Rise of Risk" is now available for download.

In the wake of the global financial crisis, risk management has gradually become a top priority in most industries.

Its evolution has been helped along by the emergence of new risks that have damaged the reputations and finances of organisations across the globe, such as a rising prevalence of cyber-security breaches, the increasing popularity of social-media communications, escalating conflicts in war-torn regions, extreme commodity price fluctuations and the impact of social factors including investors' and consumers' reactions to climate change and environmental concerns.

An Accenture survey of 450 global risk professionals from 2013 reported that 98% had seen an increase in the perceived importance of risk management at their organisation.

Risk management has also taken on a larger role in decision making at the Board level, becoming a tool not only avert disaster, but also one to direct choice and successful execution of growth strategies.

A 2014 global survey by Clifford Chance and the Economist Intelligence Unit of 320 Directors found that risk was steadily becoming a greater issue for Boards.

For proactive Boards, risk management is not an option but a necessity for growth, sustainability and continuing success.

For those considering investing or not supporting investment, the consequence of these decisions needs to be examined under a risk lens. Not all risks are bad. They need to be carefully considered, well priced and well managed.

The role of risk management is also an important consideration in assessing the importance and accountabilities of a position, whether that position is at the Board level or further down in the organisation. Egan Associates does not believe that risk has to this point been adequately recognised in work value considerations or reward, both at management and Board level.

The compilation of this research has been the primary accountability of Suzanne Wohlthat, whose work at Egan Associates straddles research support to consulting projects, the integrity of our data analytics function and the editing of our newsletter.



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Australia's Economy Weighs on Minimum Wage Decision

The Fair Work Commission will soon present the results of its 2014–2015 minimum wage review. The decision will detail the rates to be set in the national minimum wage order for the 2016 financial year.

The national minimum wage for a full-time employee is currently \$640.90 per week, or \$16.87 per hour.

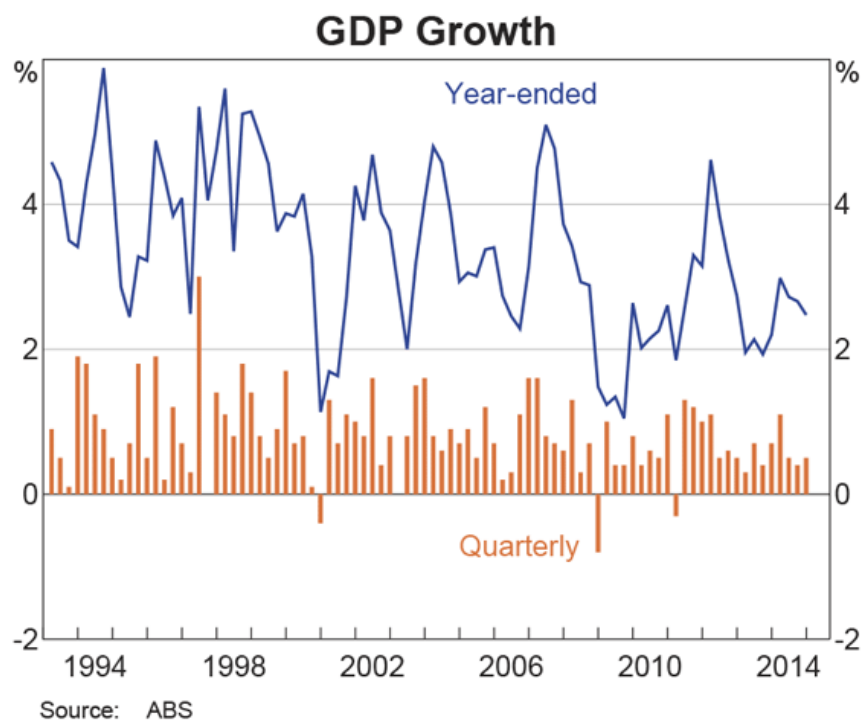
Wage Recommendations

In reaching a decision the Expert Panel is required to consider submissions from interested parties.

- The Unions propose a \$27.00 wage increase per week.
- The Australian Industry Group (Ai Group) submits that this is “unrealistic and unsustainable” and instead submits that the increase should be 1.6% (\$10.25 a week).
- The Australian Government, the Australian Chamber of Commerce and Industry (ACCI), and the Australian Business Industrial (ABI) urge the Panel to adopt a cautious approach.
- The ABI proposes a “modest sustainable increase” while the ACCI recommends “an increase of no more than \$5.70 per week”.

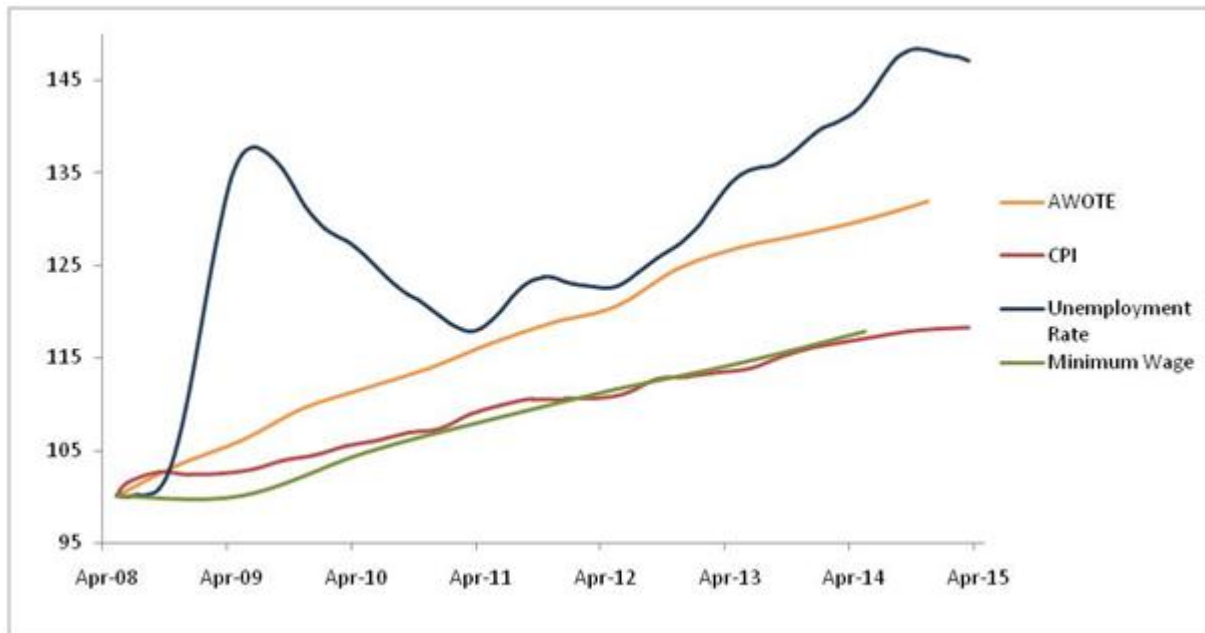
Economic Conditions

Unsurprisingly, a significant point of contention is the viability of an increase in the minimum wage given perceptions of the current economic climate. GDP growth is currently below trend, as can be seen in this graph from the Reserve Bank of Australia's latest chart pack.



Unemployment has recently trended up and wages growth has slowed to a more moderate pace than evidenced in prior years, as can be seen in the graph below, which depicts the period from the global financial crisis to now.

Change in Full-time Average Weekly Ordinary Time Earnings (AWOTE), Consumer Price Index (CPI), Unemployment rate and the Minimum Wage with data rebased to 100 from 2008.



Trend series data was not available for the entire time period for AWOTE, minimum wage or CPI, so original series data has been used. Trend series data has been utilised for the unemployment rate. Data has been sourced from the Australian Bureau of Statistics and the Fair Work Commission.

The Federal Government submits that “subdued wages growth and low consumer price inflation indicate that businesses find it difficult to afford wage increases at the present time”. In this context it suggests that wage flexibility will be an important mechanism to support employment.

In contrast, the Federal Opposition submits that a “fair and economically responsible” increase is appropriate. The Australian Council of Trade Unions (ACTU) further highlights the importance of a fair safety net, which will lower inequality and thus have a positive effect on health, social cohesion and economic growth. In framing its submission, the ACTU emphasises the strength of the Australian economy relative to other nations, noting that the economy grew by 2.5% in 2014, which was faster than many OECD countries.

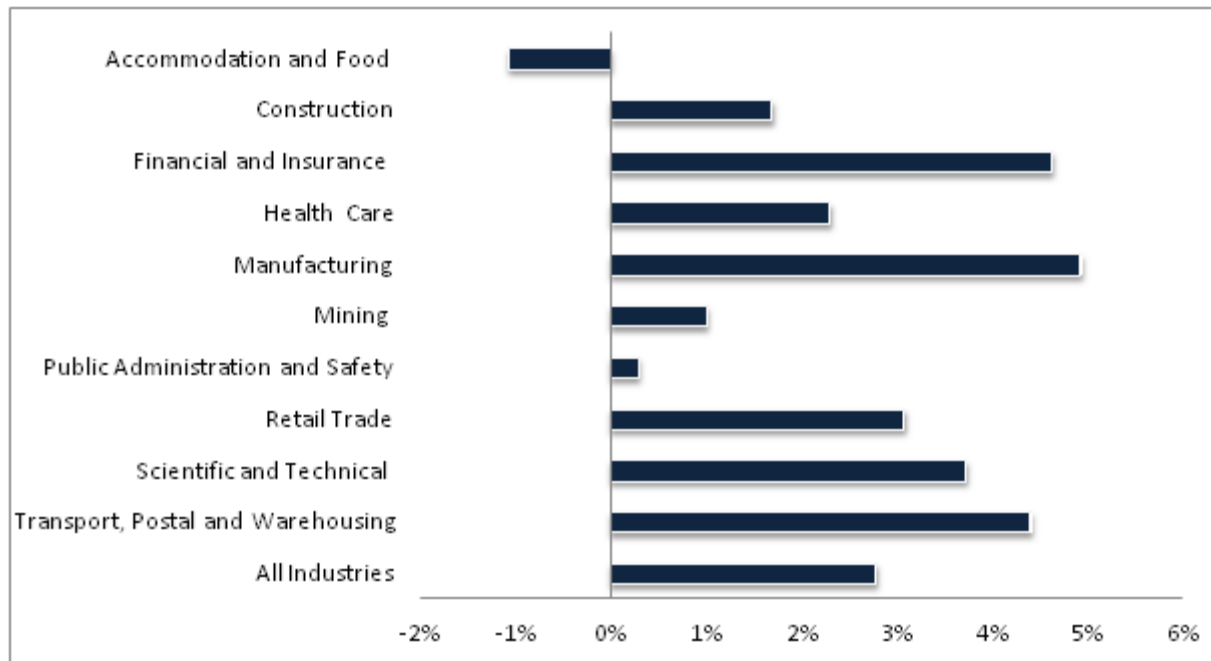
Blackrock’s Head of Fixed Income in Australia, Steve Miller, has been reported as saying that Australia’s unemployment rate risks hitting 7% by the end of 2015 and could move higher in 2016 as the economy continues to struggle with the sharp drop in mining investment.

Another commentator, Capital Economics, predicted the unemployment rate will reach 7% by the end of 2015. Goldman Sachs anticipated it will reach 6.5% by the end of the year. The rate is unlikely to increase evenly across Australia, with Western Australia tipped to be the worst hit, and NSW likely to experience the lowest rise.

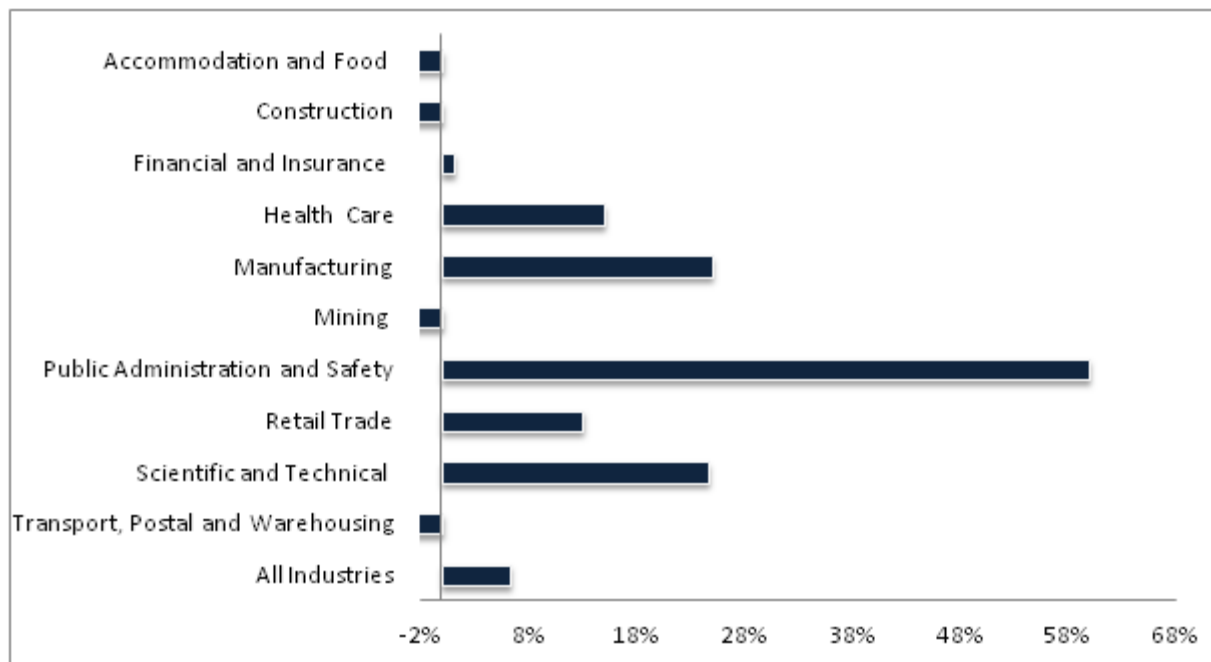
Industry Comparison

On an industry basis, there has been variation in wage growth and growth in employment opportunities, as can be seen in the graphs below. Only original series data was available on an industry basis.

Annual Growth to November 2014 in Full-time Average Weekly Ordinary Time Earnings (AWOTE) by Industry for Selected Industries



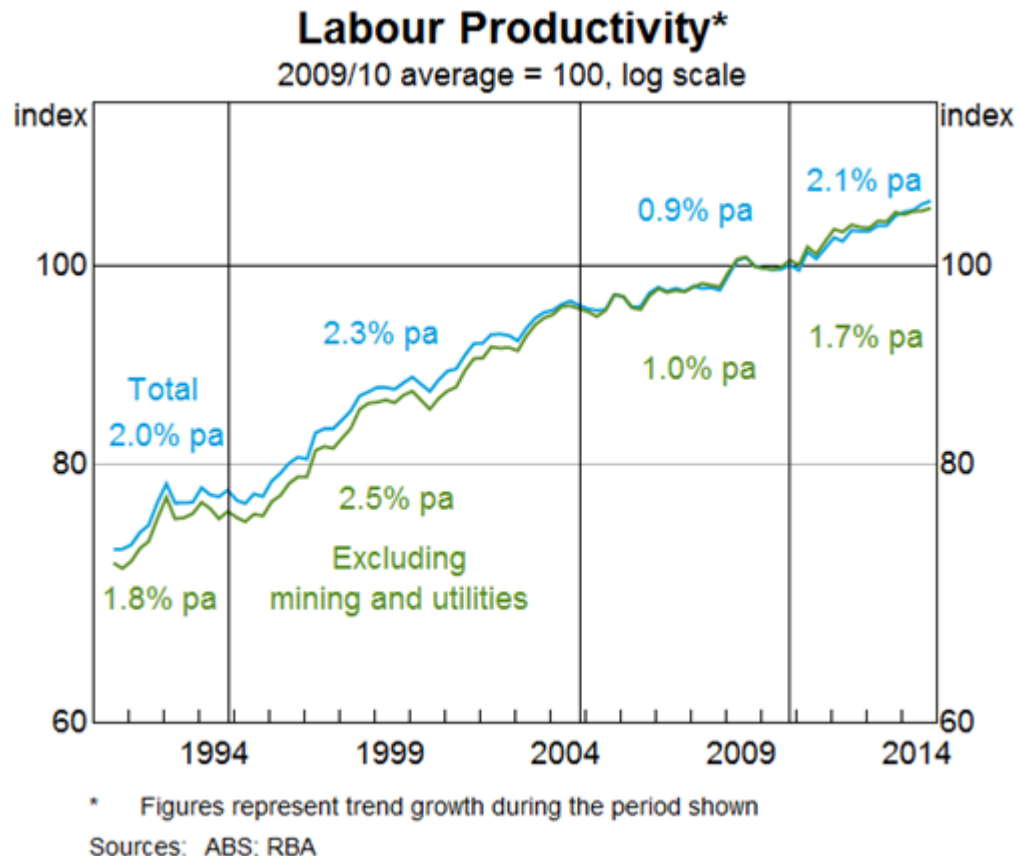
Annual Growth to February 2015 in Job Vacancies by Industry for Selected Industries



Productivity

There has also been some debate about whether or not current gains in productivity are sufficient to support a wage increase.

Although Total Factor Productivity performance has often been negative, Labour Productivity has achieved positive growth for a lengthy period of time, as can be seen in the graph below from the Reserve Bank of Australia.



In making the case for a “decent minimum wage” the Federal Opposition states that the growth in the minimum wage has not kept pace with increases in labour productivity. It also references OECD data that shows Australia’s “minimum wage bite” (the minimum wage relative to the Average wage) fell by the most of any OECD country over the 2003 to 2013 period.

The Federal Government submits that while Labour Productivity has increased in recent years, it is important to take into account the economic and labour market environment. It states that capital investment will start to reverse as resources investment declines in conjunction with productivity growth, and that productivity growth outside the resources sector has slowed over the past decade.

Youth Employment

A further issue relates to the impact of an increase in the minimum wage on youth employment prospects. The Federal Government proposes that it is particularly difficult for young people to find work when the labour market is subdued, and that an increase in the minimum wage would only exacerbate this problem. However, the Australian Council of Social Service (ACOSS) states that there is no convincing evidence to indicate that the present minimum wage levels for young people have reduced their employment prospects relative to workers in other age groups.

Minimum Wage Adjustments and Unemployment

In general, the relationship between the minimum wage and employment level is a significant element of the annual wage review decision. To date the panel has concluded that modest minimum wage adjustments (defined by reference to current economic circumstances) have insignificant or zero effects on employment.

While the ACTU submits that evidence supporting this proposition is accurate, there has been a push from industry for the Panel to reconsider its position. The ABI cites recent research from the US which suggests that a number of prominent studies previously brought to the Panel's attention may have had "serious methodological flaws".

Although the debate is still ongoing, the ABI suggests that the Panel should adopt a more tentative conclusion until the outcome is better known. Similarly, the ACCI states that recent studies suggest even "modest" wage increases may have some negative effects. It also points out that any effects found overseas are likely to be amplified in Australia, taking into consideration Australia's higher minimum wage.

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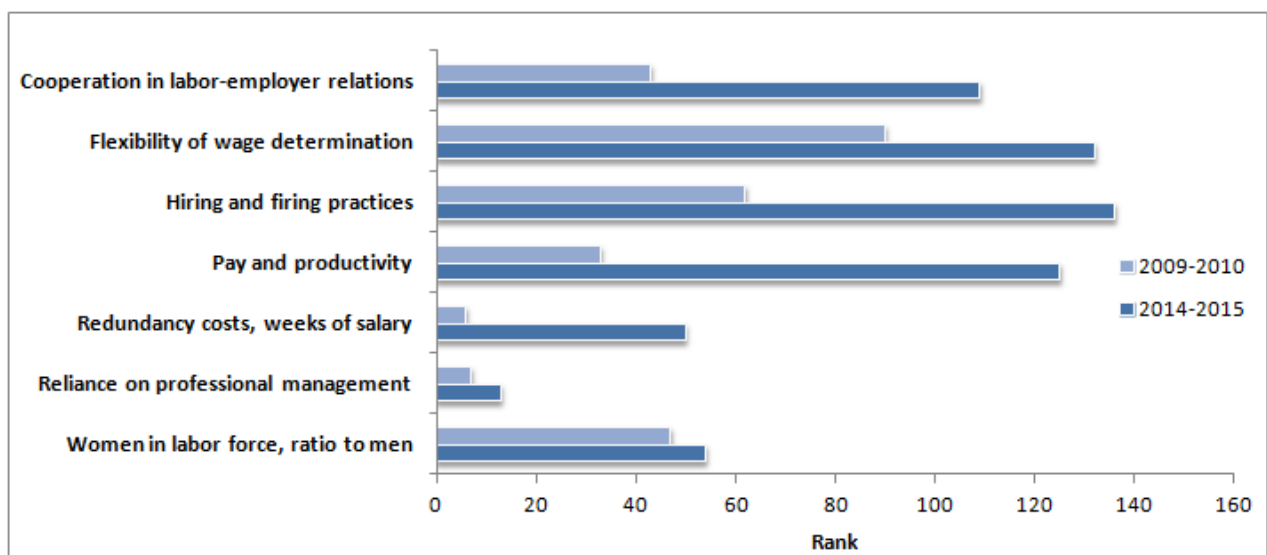
Battlelines Drawn for Workplace Relations Review

Initial submissions to the Productivity Commission's review of the workplace relations framework have already drawn battlelines for the fight over Australia's future workplace relations environment.

While (as in previous reviews) employers and their collective organisations tend to focus on the end of the mining boom, stagnant multifactor productivity, high unemployment and reduced demand for businesses, unions focus on acknowledgement of protracted increases in labour productivity, the stagnant employee share of total factor income, long hours, high levels of casual work and low levels of industrial action.

Competitiveness Concern

The biggest concern for employer groups was Australia's performance in the World Economic Forum's latest global competitive index – it has fallen to 22nd place in 2014-2015 from 15th place in 2009-2010. Australia's drop in rank in the Labor Efficiency Pillar of the index that were comparable over that time period is depicted in the graph below.



The general consensus among employer groups is that something needs to be done to address this slide or risk Australia's living standards. A survey of Directors conducted by the Australian Institute of Company Directors and King & Wood Mallesons highlighted industrial relations laws and issues, including union influence, as one of the top five regulatory challenges in 2015 for the organisations of which they were a Director.

Egan Associates believes it is important to improve Australia's competitiveness but also believes that the workplace relations system must maintain an overriding principle of fairness in the context of the contemporary world economy.

A summarised version of the arguments revealed by submissions to the Productivity Commission's review are outlined in the sections below:

Safety Net and the Minimum Wage

Although unions and employee groups don't see eye to eye on everything, there is general acceptance that regulations need to specify a safety net to ensure workers are not exploited. Both

unions and employers also appear agreed on the need for a minimum wage. How high this minimum should be is more contentious.

Employer views

- Increases should be modest in the current economic environment as it places stress on businesses that face other headwinds.
- Increases in labour productivity should be considered when making the decision.
- A genuine safety net should not require multiple levels of minimum wage.

Union views

- Wage inequality has been growing and the labour share of total factor income has been falling.
- A safety net should not be contingent on productivity.
- Low minimum wages impact women disproportionately and the gender pay gap has been growing.

This year's minimum wage determination process is currently underway. Egan Associates will be publishing an article on the submissions later this week.

System Complexity

There is general recognition (with exceptions) that the current system is complex, both for employers and employees and their representatives.

Employer views

- Simplification of the workplace relations system is urgent. With overlapping awards, standards and agreements, it is difficult to understand exactly what employees are entitled to. In some cases awards even contradict the Fair Work Act.
- Small businesses in particular are finding it difficult to know which awards their employees fit into, given their employees must generally have a wide set of skills even in their small ecosystem.

Union views

- The award consolidation that has already occurred (from over 1000 awards to 122) has led to businesses struggling with the adoption of new streamlined awards.
- The current industry-specific awards exist for a reason and have been reviewed on multiple occasions. Their alteration would only have a detrimental effect.

Small businesses may approve of the Business Council of Australia's submission, which lays out a path to a simpler workplace relations framework. Its suggested framework has three tiers — safety net provisions (including the minimum wage order and awards), employment agreements (for matters pertaining to the employment relationship) and business and management decisions (not subject to negotiation).

The minimum wage order would include national rates for casual, overtime, penalties and shift work. The awards would contain only 10 minimum standard clauses, for example hours of work, maximum hours per week and meal breaks. A process should be started to consolidate 122 awards into a single award per industry. Any non minimum standards should be dealt with in employment agreements. Ideally, in time, there would be one standard award.

Similar simplification has also been championed by the Australian Chamber of Commerce and Industry which would like awards to only handle rates of pay with conditions to be set in employment agreements as well as the Australian Industry Group, which believes awards should be abolished in favour of expanded National Employment Standards. Alternatively, it believes all matters handled within the NES should be removed from awards, such that the latter is only comprised of matters that must be set on an industry specific level.

The BCA and other industry groups may encounter resistance to their simplification plans: the CPSU (Community and Public Sector Union) writes in its submission that the government's attempts to remove clauses from employee agreements that are covered elsewhere have been particularly contentious for employees "because having conditions, rights and entitlements enshrined in their enterprise agreements is important to workers".

Acknowledging both business' desire for and union concerns about simplification, Egan Associates would note that there are a number of variables that need to be considered when determining appropriate pay for an employee including the type of work, the sector or industry, working environment and location (regional, remote, urban, offshore).

Bargaining

There is some agreement around increasing access to arbitration where bargaining is not progressing. There are multiple points of contention.

Employer views

- Protected bargaining should be limited to matters pertaining to the direct employment relationship
- Sunset provision for expired enterprise agreements after which agreement falls back on award
- Tighter majority support requirements
- Ban pattern bargaining
- Make it easier for employers to make greenfields agreements: not mandate union involvement and also have a deadline after which the process passes to arbitration
- No industrial action before the commencement of bargaining and none if the claims are excessive.
- Voluntary bargaining instead of mandatory collective bargaining.
- Restrict the availability of industrial action, including the exclusion of bogus safety disputes

Union views

- More relaxed majority support requirements
- Pattern bargaining is useful for small business that don't have the resources for negotiations
- Avenues of arbitration where employer delays the start of bargaining
- Matters that can be included in agreements should be expanded to include anything the employer is willing to put in
- Employers should be forced to come to greenfields bargaining in good faith
- Good faith bargaining should be expanded from its current process focus to be a genuine intention to conclude an agreement
- Decrease the degree of prescription around industrial action — it is currently excessive and is inconsistent with Australia's international obligations

Individual versus collective agreements

Employer views

- Employers should have the flexibility to enter into individual agreements or collective agreements without union participation, as long as these were subject to minimum standards.
- Since mandatory bargaining was introduced, Australia's competitiveness has reduced, as noted above.

Union views

- Individual agreements are only suitable for certain types of employee. For the rest of them the power imbalance between employers and employees is too large.
- Common law is not adequate as a safety net.

Penalty rates

Employer views

- Reduce allowances and special rates because:
 1. Penalty rates deter employment and result in the closure of business over key periods
 2. Rates are no longer relevant in a 24/7 economy with a lower number of Church observers
 3. Rates restrict the ability of employers to hire employees at the times most needed — tourism and clubs associations focused on this in their submissions
- Penalty rates should be the result of bargaining, not awards — employees can decide how much working unsociable hours are worth to them.
- At the least, penalty rates should be reviewed on an award by award basis to best fit the needs of the industries concerned.

Union views

- Penalty rates are a necessity not a luxury — research from the University of SA was quoted revealing that those relying on penalty rates are likely to be single parents, women or households with income of less than \$30,000.
- ANU's Centre of Epidemiology and Population Health published research stating that unsociable and long hours have adverse consequences including low levels or poor quality of sleep, physical or psychological disorders and poor eating habits. Employees have trouble organising shared meals and physical activity with others, which protect health.
- Workers won't be able to turn down unsociable work in the current unemployment environment — there simply aren't other jobs to move into
- Individual agreements that traded away penalty rates under Work Choices led to insufficient payments to compensate for lost entitlements.

Productivity

Employer views

- Productivity terms should be mandatory in enterprise agreements
- Increasing productivity is the best path to higher wages, especially given falling terms of trade. In an AI Group CEO Business Prospects survey, only 8% of businesses reported an increase productivity for 2014. Of those with increases, 18% were due to restructuring, 13% due to increased capital investment, 11% due to higher demand and 9% due to increased staff skills and capabilities.
- Productivity increases are often opposed by unions when they are expected to have an adverse effect on number of employees or employee hours.

Union views

- It is often capital productivity and not labour productivity that is the problem in businesses.
- Changes to productivity via employment agreements is overshadowed by other factors such as currency fluctuations, taxation policy and the head office investment strategies of global producers.
- Too often productivity is about removing staff and reducing conditions and not real drivers in productivity such as investment in skills and systems.
- Rising work intensity increases the risk of anxiety and depression.

Individual Flexibility agreements

Employer views

- Provide non-monetary benefits with appropriate weight when considering whether agreements meet the Better Off Overall Test (BOOT) (legislation currently before parliament will implement this)
- These agreements require resources to negotiate so they should need mutual agreement to terminate
- They should be able to be a condition of employment

Union views

- The award system has inherent flexibility, it doesn't need individual agreements, which are divisive by their nature.
- These agreements should not be able to be a condition of employment as the vast majority of employees don't have the power to determine agreements that are beneficial to them.
- Allowing the BOOT to take account of on-monetary compensation would lead to uncertainty, exploitation and undermine the safety net.

Unfair dismissal

Employer views

- Introduce penalties or costs for vexatious claims — FWC statistics were quoted stating that almost 90% of applications leading to a decision are dismissed.
- Introduce further defences for employers (eg having a valid reason for dismissal)
- Introduce higher filing costs
- Reinstate a small business exemption

Union views

- Additional filing costs or penalties could deter genuine claims — for every claim an employer believes is vexatious, there is an employee who believes their claim is right
- Make the process more efficient and less legal — a formal arbitration hearing to settle with FWC could be beneficial

Adverse action

Employers were displeased by the reverse onus of proof for adverse actions. They want this repealed and a potential cap for penalties introduced. This may be contentious for unions, but does not seem to be a major line of defence in submissions.

Contractors versus permanent employees

Employer views

- The casualisation of the workforce is overstated.
- Contracting used to enable payment of work by results to stabilise costs as well as increase productivity and work quality.
- The current definition of contractors and employees is adequate and the prevalence of sham contracting is being overstated.

Union views

- Casualisation is increasing to worrying levels and is higher than reported. According to ANU research, casual work leads to increased risk of health and mental problems.
- Employers use contracting to avoid provision of annual leave, sick leave, long service leave, super contributions etc.
- Definitions of contractor and employee should be clearer and there should be better enforcement for sham contracting.

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Share Schemes, Diversity and Other News

The world of remuneration and governance never stands still. We've put together a summary of key news from around the world from the first quarter of 2015.

Employee Share Scheme Legislation before parliament

At the end of last month the government introduced the Tax and Superannuation Laws Amendment (Employee Share Schemes) Bill 2015 into parliament. It is currently before the House of Representatives but is expected to pass without major amendments before the Bill's effective date of 1 July 2015.

Our original detailed article on the draft legislation can be found [here](#).

The Bill had introduced changes to the taxation treatment for shares and rights including:

- Rights eligible for deferred taxation are to be taxed at exercise rather than upon vesting
- The maximum deferral period is to be increased from seven to 15 years
- Employees will be able to participate in deferred taxation schemes as long as they do not own more than a 10% interest (or rights to own interest) in the company (previously 5%)
- Refunds can be obtained on the tax paid on options that employees elect not to exercise



Start-ups received additional concessions, including the ability to provide shares and rights to employees at a tax-free discount of up to 15%.

The biggest changes to the draft legislation since our last article are around the eligibility for the start-up concessions, including:

- Companies and group companies could not be older than ten years, listed or have aggregate turnover higher than AU\$50 million. The legislation introduced to parliament now clarifies that investments by selected venture capital partnerships and early stage venture capital funds can be ignored when considering whether companies meet these criteria.
- Employees that receive options under the scheme and exercise them to purchase shares will have the time they have held the option taken into account for capital gains tax purposes — this means that they can sell the shares they obtain from exercising their options within 12 months of acquiring them and still receive the 50% capital gains tax discount.
- The amended draft legislation also provides certain exceptions to the three-year minimum holding period for rights or shares for the discount to apply. The tax commissioner can exercise discretion to reduce the period where affected employees are forced to dispose of their rights or shares before the end of the period — for example in the case of a trade sale

or IPO — as long as there was an original genuine intention for the minimum holding period to be met.

There has also been a clarification ensuring that employee share scheme interests deemed to have a nil value at grant are treated within the employee share scheme provisions and are not subject to fringe benefits tax, which was potentially the case previously.

For more information on the changes, these summaries from [Allens](#) and [Baker & Mackenzie](#) may be helpful.

AICD takes a stance on diversity

The Australian Institute of Company Directors has set a target for 30% of Board seats to be filled by women by the end of 2018, asking ASX 200 companies to voluntarily meet the goal rather than be forced via quotas.

In related news, a study released by the Federal Bank of New York examining the pay gap between women and men discovered that [93% of the difference was due to incentive pay](#). Female executives receive less in bonuses and equity grants than males, according to the study. When firm value goes up, the total accumulated value of equity held by the men rises ten times more than that held by the women. Yet, when firm value goes down, the accumulated value of equity held by the men declines around half that of the equity held by the women.

Super Boards to see reduced independent Directors requirement?

The Australian Financial Review [reports](#) that Assistant Treasurer Josh Frydenberg is gaining support for a model that would require Superannuation Boards to comprise one third independent Directors, not a majority as is recommended for listed ASX companies.

APRA releases standards for Private health insurers

APRA has released [prudential standards](#) for health insurers that are to come into force from 1 July 2015. In the governance standard, requirements were outlined in the areas of:

- Board size and composition
- Chairperson Attributes
- Director residency and relationships
- Board charter and policies
- Board performance and renewal
- Audit

Excess Contributions for Superannuation

Reforms allowing individuals to withdraw superannuation contributions in excess of the non-concessional contributions cap made from 1 July 2013 and associated earnings were [passed through parliament in March](#).

International news

OECD corporate governance factbook

The OECD has released a [corporate governance factbook](#) that may be helpful for organisations looking to expand the jurisdictions in which they operate. It compares corporate governance between countries.

Executive pay caps in the Netherlands

Executive salaries in public and semi-public organisations in the Netherlands were restricted from 1 January 2015 to 130% that of a government minister. Citizens have now [called for ABN AMRO executives to be included in this cap](#), arguing that the company is state-owned.

Chinese executives leave after pay dip

In the wake of pay cuts to executives working for state-owned companies as part of the government's austerity drive, [a number of top executives have reportedly left the top state-owned banks](#). The cuts were said to be up to 50%.

UK executive pay falling

According to PWC, the [executive pay in UK listed companies is falling in real terms](#). This was based on the first 39 FTSE100 remuneration reports released for the latest financial reporting period. The reports revealed that the median salary increase for CEOs was around 2% and median total pay increase around 0.7%. Approximately 45% of companies have frozen salaries. The UK's five largest banks also [cut their bonus pools by more than £1 billion](#) last year.

Newly appointed Canadian Bank CEOs accept reduced salaries

A [report on bank CEO pay](#) by Toronto compensation consulting firm McDowall Associates showed that the base salaries for the new CEOs of Bank of Nova Scotia, Canadian Imperial Bank of Commerce and Toronto-Dominion Bank are all down 33% compared with the outgoing CEOs' salaries, while the base salary for the new CEO of Royal Bank of Canada is down 13 per cent compared with his predecessor.

New Zealand companies freezing salaries

A survey of NZ chief financial officers found 58% were [planning to freeze salaries in 2015](#) and just under half would freeze bonus levels. This compared to 52% planning to freeze salaries in Australia, according to the survey.

German wages on the way up

After years of depressed wages, [large pay deals are being struck](#) between unions and companies in Germany that will provide workers with pay rises of over 3% per annum.

Swiss CEO pay steady

There has been [little change in the pay of CEOs in Switzerland](#), despite the [high profile Minder initiative](#) coming into force at the start of 2014. The initiative enforced a binding say on pay vote, bans on severance pay and annual voting for Directors.

US Companies budget more for Pension Pay

CEO pay is being [inflated in the US because of pensions](#), according to data compiled by Bloomberg. Longer lifespans and lower discount rates have reportedly been forcing the companies to add more to pensions to meet return expectations and support future payouts.

However, in the finance industry, while ordinary workers at banks have seen their pay recover since the financial crisis, [CEO pay has still not reached pre-crisis levels](#), leading to a lower CEO-worker pay ratio. Popular opinion is that high profile CEOs are being held to account by shareholders, whose memories of the crisis are still fresh.

Meanwhile, litigation is becoming a [greater force in Director remuneration in the US](#), with a number of cases arising where shareholders are suing the companies regarding their Director pay programs. Lawyers believe this will lead to companies implementing an annual cap on Director remuneration.

Further US report of interest include:

- A summary of [trends in Director remuneration](#)
- A [retrospective assessing the impact of “say on pay”](#) four years after its implementation
- Research detailing the [cost to shareholder value of forced CEO turnover](#)

Japan finalises corporate governance code

A new corporate governance code [finalised on 5 March](#) recommends that companies engage with their outside shareholders, take on at least two independent board directors, and reconsider cross shareholdings and anti-takeover measures. If they decided not to comply, companies must explain why. The code works hand in hand with a stewardship code that urges institutional investors to engage with the companies in their portfolio.

South Korean companies move on seniority pay

Hyundai is [seeking to pay employees for performance rather than seniority](#), a path that is likely to lead to clashes with its unions since seniority-based pay has been in place for decades. The company wants to combat high labour costs in what is the world's fastest aging major economy. If Hyundai succeeds in its efforts, other employers are likely to follow suit.

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Welcome to the New Egan Associates Website

We've updated our website so you can easily access our details no matter what device you're using.

Our new mobile friendly and easy-to -navigate site has been streamlined in recognition that professionals and Directors have continuous and significant demands on their time.

The range of services we provide is now conveniently grouped in one place on the ["Services"](#) page. If there's something specific you're looking for, we're happy to answer your email or call. Our details can still be found under ["Contact Us"](#).

All of our latest newsletter articles and reports can be found in one section called ["News and Views"](#), or if you're just looking for the KMP reports, they are grouped together in our [Key Reports category](#).

We'll still be sending our monthly newsletter, which you can [subscribe to here](#), but if you'd prefer to use RSS feeds to see our content as it's published, you can add our feed – <http://eganassociates.com.au/news-and-views/feed/> – into your chosen reader.

We're also active on [LinkedIn](#), [Twitter](#) and [Google +](#), so feel free to drop by and say hello.

We're interested in your feedback. Don't hesitate to contact us on mail@eganrem.com, (02) 9225 3225 or via any of the social media channels mentioned above.

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About us

For more than 25 years, Egan Associates has advised leading organisations and emerging enterprises in Australia and New Zealand on the remuneration of Board Directors, executives and key staff members, as well as performance management, corporate governance and Board effectiveness.

Our Services include:

- **Remuneration reviews and benchmarking** for Boards, CEOs, executives, senior management and professional positions, including specialist roles
- **Corporate transactions / IPOs:** assistance transitioning pre-IPO reward arrangements into the listed company environment with considerations including escrow provisions
- Advice on **annual incentive plan structures**, performance criteria, target and maximum payment levels including deferral and clawback provisions
- Advice on **long term incentive plan structures**, participation, performance hurdles, equity instruments, valuation and allocation, as well as monitoring
- **Government pay reviews:** assistance at both Federal, State and local level in administrative, policy and corporatised environments on reward for senior executives, professional and administrative staff and governing Boards
- **Online human capital solutions:** online resources to assist organisations manage position documentation, work value, internal relativity, market competitiveness and performance.
- **Board effectiveness:** assistance with Board reviews, Board skills matrices, scenario planning and Board documentation.

John Egan



John's early career was with Cullen Egan Dell (now Mercer Human Capital), which he chaired from 1983 to 1989, when he formed Egan Associates. John has been an advisor to Boards and senior executives on organisation, governance and reward issues over many years. He has assisted a significant majority of Australia's top 200 companies as well as a myriad of entrepreneurial organisations and government entities across a wide range of industries.

John has been actively involved with Universities, chairing Sydney University's Board of Advice for its Faculty of Economics & Business (2001 – 2010). John is an Honorary Fellow of the University and an Adjunct Professor in the School of Business.

His personal interests are in cool climate gardens – www.thebraesgarden.com – and he served as a Trustee of the Sydney Royal Botanic Gardens & Domain Trust from May 2010 to June 2014.