



# THE PAY MARKET IN 2003



**Classified Salary Information  
Services Pty Limited**

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### Disclaimer/Limitation of Liability

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## FOREWORD

Around this time each year remuneration consultants are asked to give their predictions as to the expected salary market conditions for the following year. Obtaining credible information can be quite a challenge, which is why **CSi** has developed a report to bring you the most up-to date and relevant information. Organisations may use this information as a guide, along with other material gathered, to incorporate into their management reports and forecasts for the next year.

The salary and wage bill is most often the highest expense on an organisation's income and revenue statement. A one percent over-estimation can be costly – particularly as the business environment tightens up. Therefore employers use predictive information to arbitrage the best outcome – one that is not too costly but should nevertheless cushion them from excessive staff attrition.

**CSi** has sourced information in this report using trends from our various databases and the most recent general economic and market data available. Much of the trend analysis has been extracted from our November 2002 General/Combined Industries Database.

This report is designed as a preliminary document to provide organisations with an overview of the anticipated pay market in 2003. For further information contact **CSi's** Client Services and Professional Services Divisions.

Peter Barton  
Managing Director, **CSi**  
November 2002



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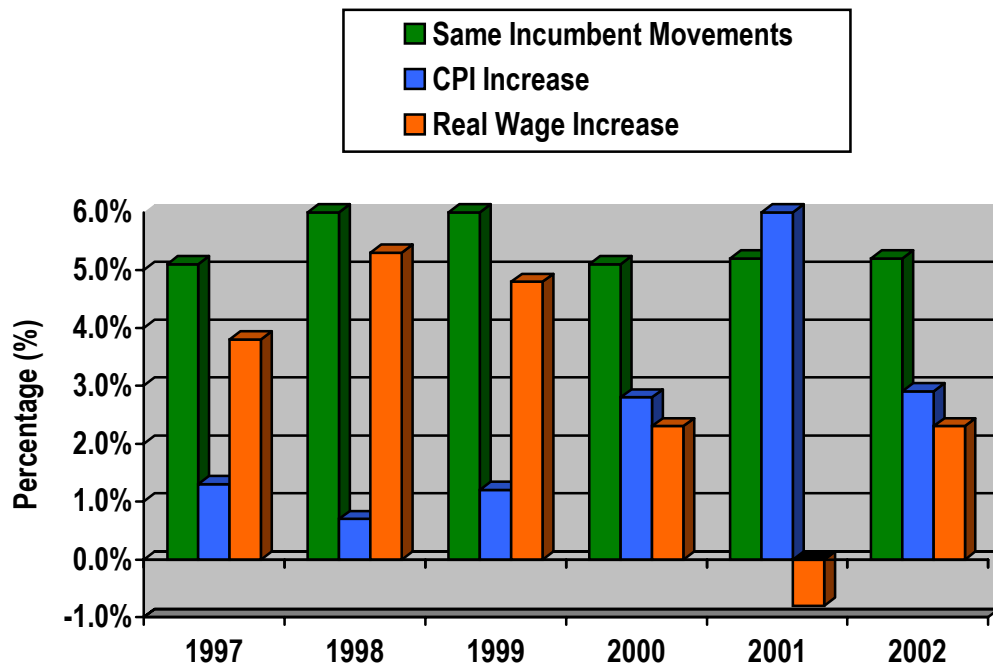
## INTRODUCTION

The pay market in Australia has changed significantly over the last 18 months from one which was employee driven, at a time when most economies were very buoyant, to one which is now in the employer's favour, largely as a result of the current economic instability. Remuneration practices in the foreseeable future are likely to see less dramatic growth in annual pay for most employees, a watershed in pay at the top executive level and new approaches to getting the best out of employee reward programs including long term incentives (LTIs).

The paradox influencing Australia has been its positive national economic growth compared with the negative economic outlook in many other countries. Many multinational organisations operating in Australia are feeling the effects of adverse business conditions overseas, which temper their operations in Australia. This has resulted in wage freezes, redundancies and other restrictive policies. Current Australian economic conditions appear to favour the primary industry producers and those organisations in construction, rather than in more traditional manufacturing sectors. While there is increasing talk of deflation in some countries, this is unlikely in Australia.

No matter how pessimistic the global outlook may be, salaries should rise next year – even if only to keep pay rates ahead of the prevailing rate of the CPI. As a rule of thumb, pay increases are generally 1%-2% ahead of the CPI rate, in effect ensuring that staff always have a “real” increase in their pay.

### Real Wage Increases



The graph above provides a summary of actual wage increases (same incumbents moves), the CPI increase and the Real Wage increase over the last 5 years. It can be seen that, apart from 2001, as a result of the introduction of the GST the previous year, there have been real wage increases each year.

**CSi** expects salaries to increase by 3.5% - 5.0% in 2003, fairly comparable to the trends predicted for the United States and United Kingdom. Much will depend on economic conditions that in turn are affected by political and environmental uncertainty – especially in terms of the current drought conditions in Australia.

### **What Is An Employees' Market?**

An employees' market is one where an individual's bargaining power is strong – the “pay me more or I will leave” mentality prevails. There is a low risk factor from the employee's perspective because there are so many other employment opportunities available, often at higher rates of pay. Staff attrition rates tend to be relatively high (>20%pa) despite many varied attempts by employers to reduce them. “Just in time” staff loyalty prevails. Unemployment should be low and falling in this environment. The years of the late 90's including the year 2000 were times when an employees' market prevailed.

### **What is an Employers' Market?**

An employers' market is one where the employer holds the relative advantage over employees in the employment relationship and can therefore keep pay rates in check. Staff attrition is generally lower (in the 10- 15% range) and unemployment tends to be rising. An employers' market may be identified as that operating in the current climate and that of the early 90's.

### **Some Reasons Why the Pay Market is currently so flat:**

1. There is no pressure from new growth industries – e.g. the ‘DotCom’ communications boom is well and truly over and as yet it has not been replaced with any other new technology industries. There is some talk of a Biotechnology boom but there is little evidence to support that this will become a reality in the short-term.
2. There are no major projects capturing the public imagination such as Y2K or the Sydney Olympics.
3. There is a surplus of skilled applicants for positions – employers now have more choice in their selections compared to say 18 months ago.
4. Many of Australia's major trading partners are experiencing lower economic growth.
5. Subsidiaries of multinationals in Australia are cutting back on their spending.
6. The recent spate of corporate collapses – i.e. Ansett, HIH and OneTel.
7. There is continual negative outlook portrayed by the media e.g. the “War in Iraq” which has a dampening effect on the business outlook.
8. General global political uncertainty.



## Differences in the Pay Market in the Last Decade

Early 90's / 00's	Mid to late 90's
<ol style="list-style-type: none"> <li>1. Pay scales static</li> <li>2. Internal relatives still play a part</li> <li>3. New staff coming in at lower rates than those leaving</li> <li>4. Job security within an organisation is important</li> <li>5. Pay is less market driven</li> <li>6. "Reasonableness" a new factor in Top Executive pay</li> </ol>	<ol style="list-style-type: none"> <li>1. Pay scales lifting/creation of special premium rate scales</li> <li>2. Strategic pay important – more so than internal relativities</li> <li>3. New staff coming in at higher rates than those leaving</li> <li>4. Job security within an industry is important</li> <li>5. Pay is market driven</li> <li>6. Times of corporate excess in Top Executive pay</li> </ol>

## Other Expected Trends in the 00's

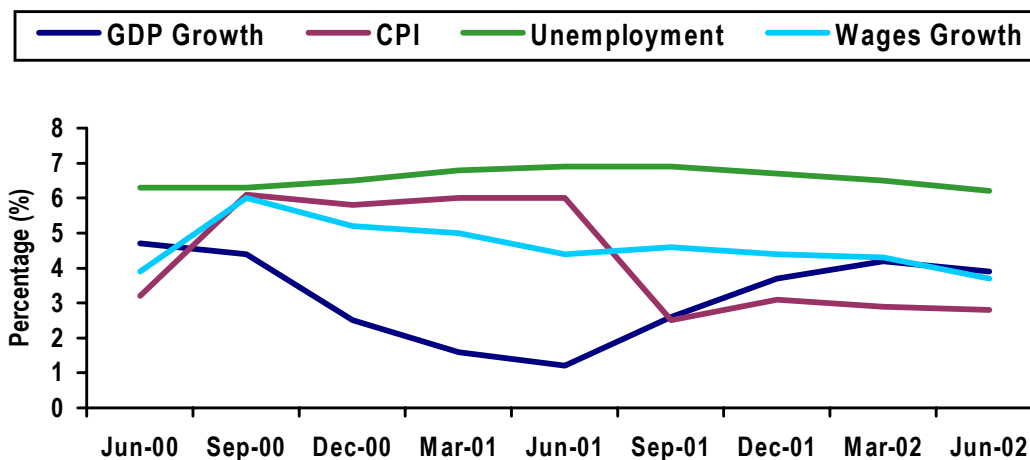
- The increasing use of both short-term and long-term performance pay at all levels of the organisation.
- An increased focus on non-monetary rewards as recognition tools.
- The virtual disappearance of CPI as a determinant of pay increases.
- Pay managed in broad career bands rather than in narrowly defined and bureaucratic job evaluation systems.

# GENERAL ECONOMIC OVERVIEW

## General Trends

- Australia's economy continues to expand at one of the fastest rates experienced by any developed country at around 4% per annum (3.9% to June 2002). Occurring in a period when the global economy is ailing, this illustrates the current strength of the domestic economy. However, given a reduction in exports due to the global slowdown and yet to be realised ramifications from the drought, it appears unlikely that the Australian economy will be able to maintain 4% growth up to this time next year.
- Future increases in interest rates appear tied significantly to global developments, with the strength of the US equity markets and economy key. Domestically, the Reserve Bank does not appear to be particularly concerned with current inflation levels. It is likely that the worsening drought – and the delayed impact this will have on not only the farmers but also the economy as a whole – will feature prominently in its future decisions to adjust interest rates.
- 'Will the bubble burst?' - is the issue being debated on the housing market that is currently running at historically high levels. The Reserve Bank Governor has expressed grave concerns at the situation and it appears the Government is now beginning to take note. However, despite the Reserve's views, it is highly unlikely interest rates will be increased immediately to assist softening the housing market; factors such as the global scene and the domestic drought will need to improve first.
- Accounting scandals, lost integrity and inflated profit projections have seen international share markets suffer as investors react fearing more unwanted surprises.

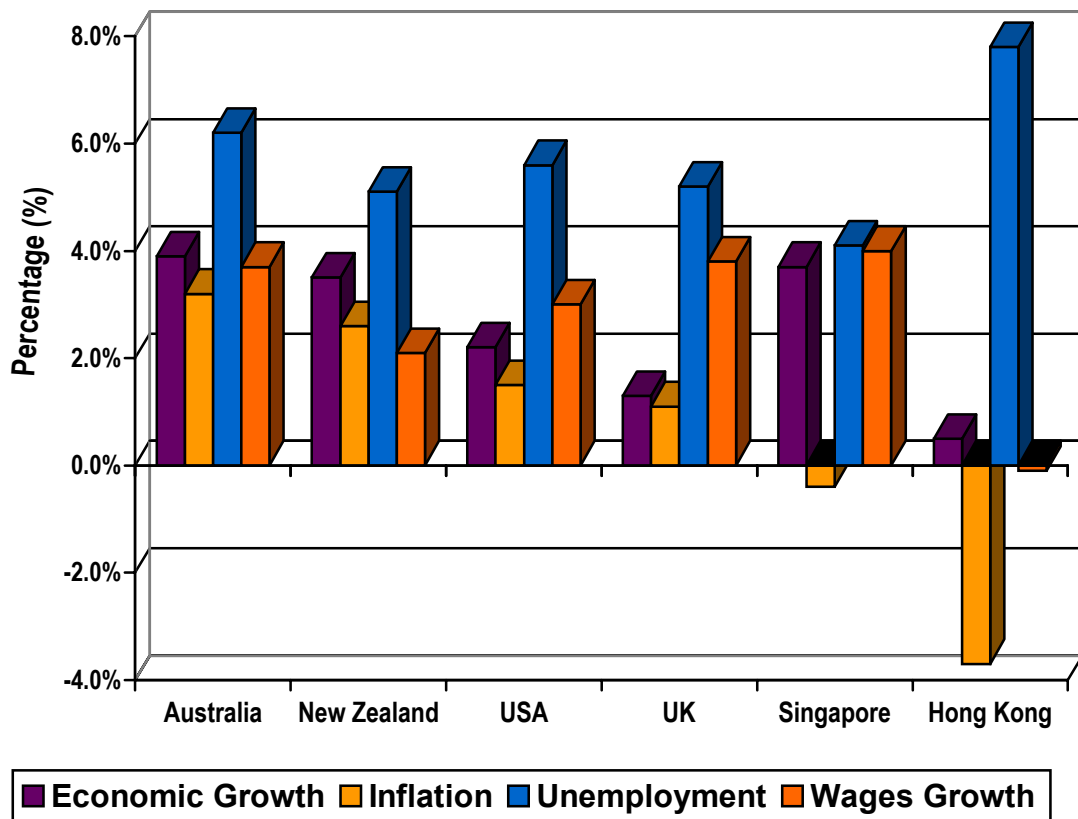
## Economic Indicators June 2000 – June 2002



## International Comparisons General Economic Trends (Data current as at September 2002)

Indicator	Australia	New Zealand	USA	UK	Hong Kong	Singapore
Economic Growth	3.9% (Jun)	3.5% (Jun)	2.2% (Jun)	1.3% (Jun)	0.5% (Jun)	3.7% (Sep)
Inflation	3.2% (Sep)	2.6% (Sep)	1.5% (Sep)	1.1% (Sep)	-3.7% (Sep)	-0.4% (Sep)
Unemployment	6.2% (Sep)	5.1% (Jun)	5.6% (Sep)	5.2% (Aug)	7.8% (Jul)	4.1% (Jun)
Wages Growth	3.7% (Jun)	2.1% (Jun)	3.0% (Sep)	3.8% (Jul)	-1.0% (Jun)	0.4% (Jun)

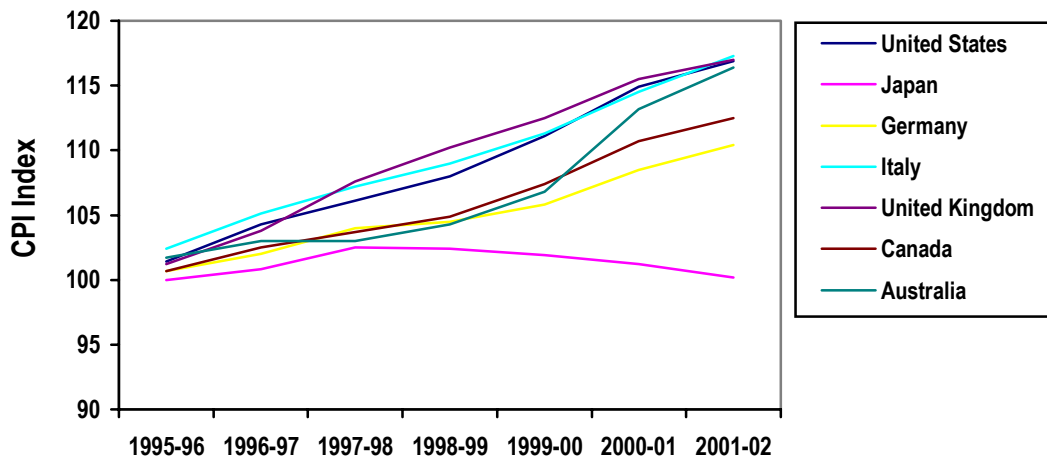
Source: ABS, Statistics NZ, US Dept of Labour, HK Census & Statistics Dept, Statistics Singapore & UK National Statistics



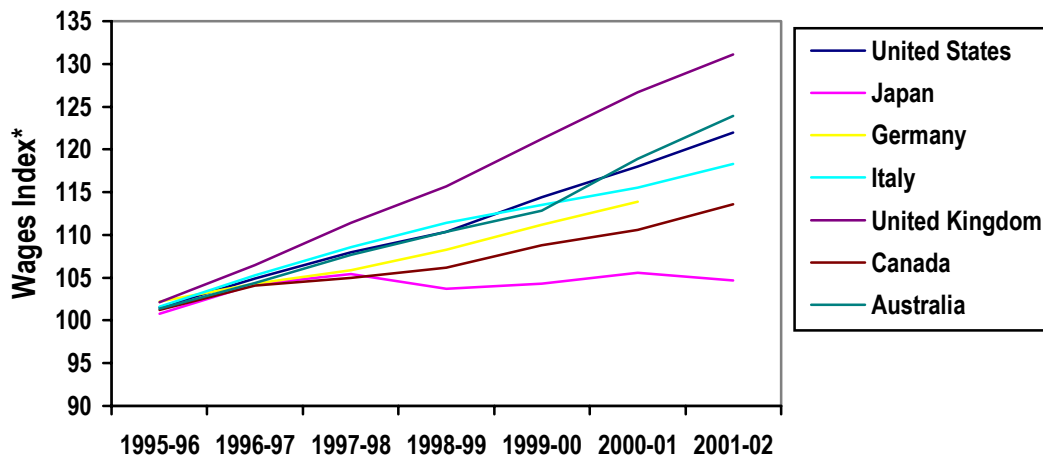
## CPI and Wages Trends

The graphs below show a comparison between seven countries for CPI index movements and wages over the past seven years.

### International CPI Comparisons



### International Wages Comparisons



\*Data represents hourly wages rates in manufacturing industry, except for the United Kingdom (weekly earnings), Japan (monthly earnings), and Italy and Australia (all industries)

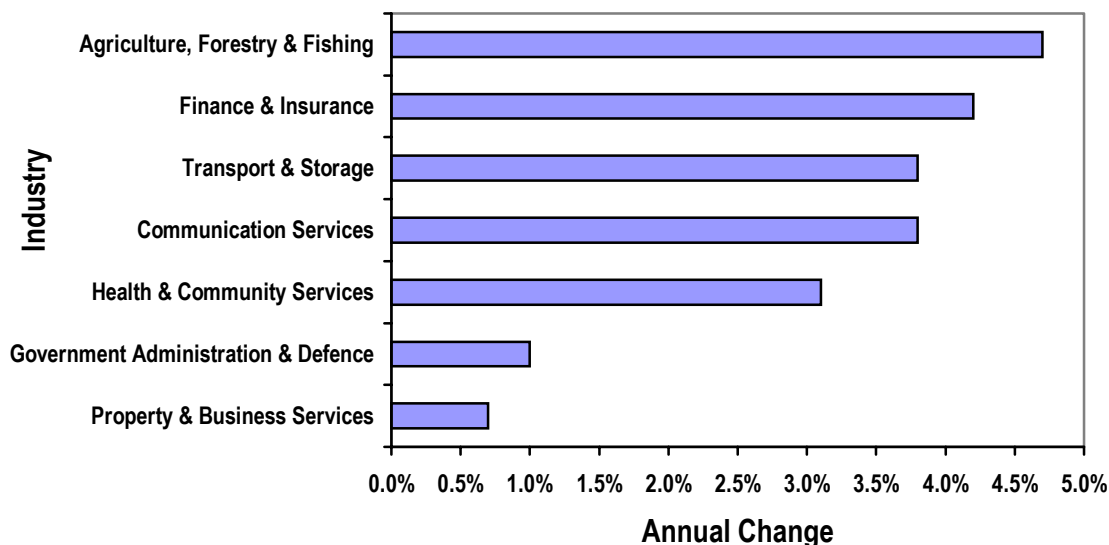
Source: ABS

## Economic Growth

The trend figure for economic growth was 3.9% in the year to June 2002. This figure takes into account the growth due to inflation. A better indicator of actual economic growth is the real gross domestic income, which amongst other things excludes growth due to inflation. The trend figure for real gross domestic income was 4.6% in the year to June 2002.

In quarterly terms, the real gross domestic income trend GDP figure was 0.9%. This follows an increase of 1.1% in the March quarter.

## Growth Rates by Industry



Note: Percentage Annual Change in trend terms – June 2001 - June 2002

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## Economic Growth Forecasts

Bank	2002/03	2003/04
ANZ	3.4%	3.4%
Commonwealth Bank	3.6%	-
National	3.5%	-
Westpac	3.8%	2.7%

\*Figures represent 3<sup>rd</sup> quarter 2002 and 1<sup>st</sup> quarter 2003 respectively.

The major banks have a fairly narrow consensus of opinion, forecasting growth to be slightly lower in the forthcoming year.

## Inflation

### Annualised Inflationary Movements

(September 2001 – September 2002)

Consumer Price Index (CPI)	Annualised Movements
All Groups	3.2%
All Groups Excluding Housing	3.2%

The annual change in the inflation rate to September 2002 was 3.2%, with an increase of 0.7% in the September quarter.

### Inflation Forecasts

There appears to be a general consensus that the inflation rate will be within the medium term target of 2 - 3%.

Bank	2002/03	2003/04
ANZ	3.0%	2.4%
Commonwealth Bank	2.4%	-
National	3.0%	-
Westpac	2.5%	2.3%

Figures represent 4<sup>th</sup> quarter 2002 and 1<sup>st</sup> quarter 2003 respectively.

## INDICATORS OF SALARIES AND WAGES

### Average Weekly Ordinary Time Earnings (AWOTE)

*This includes only full time employees working standard hours - excludes overtime.*

Figures on average weekly ordinary time earnings (AWOTE) for full time adults increased in trend terms, so that wages for this group of workers was up 1.1% (trend) in the three months to May 2002, and 5.4% in the year to May 2002.

The Banks' forecasts for the AWOTE are as follows:

Bank	2002/03	2003/04
ANZ	4.0%	4.3%
Commonwealth Bank	-	3.3%

### Public Sector (AWOTE)

Public sector workers secured a 1.1% average increase in the three months to May 2002 and 4.3% for the year to May 2002 (trend). On average, full-time adults in the public sector earned ordinary time wages of \$50,060 per annum. When including overtime payments this figure increases to \$51,615.

### Private Sector (AWOTE)

Average weekly ordinary time earnings for full-time adult workers in the private sector rose 1.1% in the three months to May 2002 and 5.8% in the year (trend). Full-time adults in the private sector earned an average of \$43,753. When including overtime payments this figure increases to \$45,874.

Private sector salaries and wages are typically more sensitive to the state of the economy, rising faster during booms and more slowly during downturns. As a result, the Reserve Bank pays more attention to private sector wage growth because it has a more direct impact on inflation.

### Average Weekly Earnings (AWE)

*A broader measure which covers weekly wages of all employees, both full-time and part-time.*

The national average weekly total earnings of all employees rose by 0.7% (trend) in the three months to May 2002 and rose by 3.7% in the year to May 2002.

## Salary Market Movements

CSI reports on two movements in its surveys – that which reflects increases where they have been given to individual staff members, and the other which reflects changes in market rates for the positions surveyed. The two are quite different as illustrated :

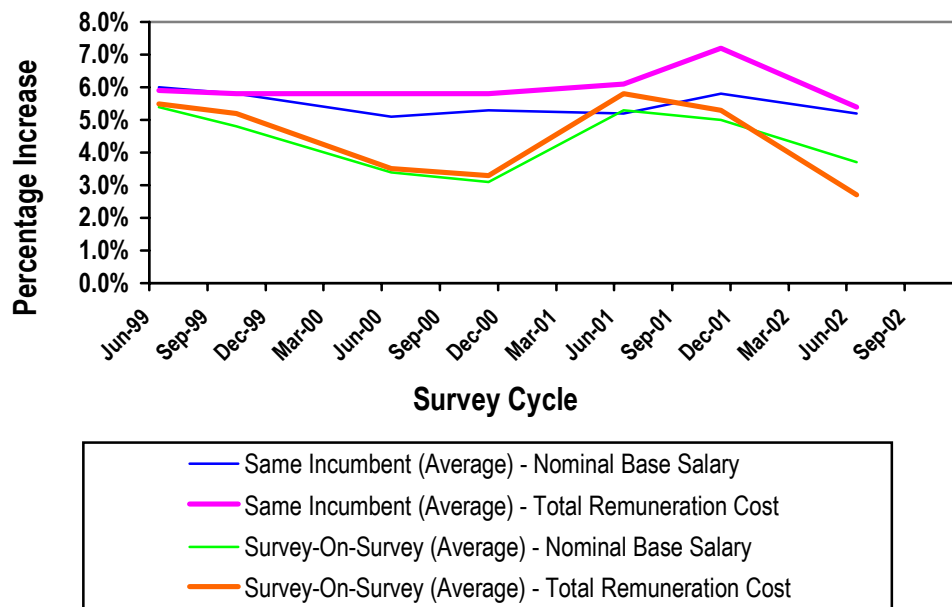
**The Same Incumbent (SI) Movement:** reflects the overall average and median movements in various remuneration aggregates as reported by contributors in their data submission – i.e. where they input salaries for the same incumbents in the same position this year and last. CSI's program calculates the overall increases in the reported salaries.

**Survey-on-Survey (SOS) Movement:** is simply a calculation of the annual movement in Nominal Base Salary, Total Remuneration Cost and Total Fixed Remuneration rates as reported in the annual cycle within this survey.

\*See the Appendix for more information on Salary Market Movements.

## History of Salary Movements

The following graph shows the percentage increase in Same Incumbent and Survey On Survey movements over the past three years for both Nominal Base Salary and Total Remuneration Cost. The graph indicates that of late, same incumbent and survey-on-survey movements have been following similar trends, but are different in absolute terms as a reflection of the current employers' market. Also, the fact that total remuneration packages are increasing at a similar or lesser rate than nominal base salaries reflects the fact that employers tend to reduce variable pay in tougher economic times.



**History of Average Salary Increases over the last seven years as reported in CSI's General/Combined Industries Survey.**

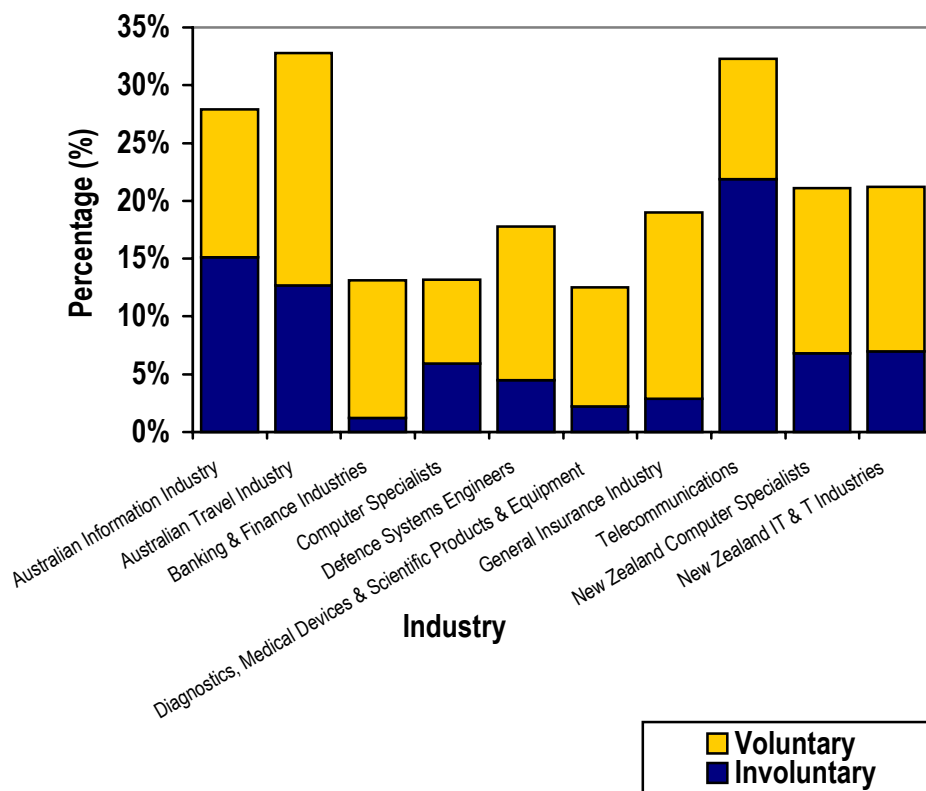
CYCLE	SAME INCUMBENT (AVERAGE)		SURVEY-ON-SURVEY (AVERAGE)	
	Nominal Base Salary	Total Remuneration Cost	Nominal Base Salary	Total Remuneration Cost
June 1996	4.8%	3.4%*	3.4%	5.0%*
November 1996	5.2%	5.0%*	3.4%	5.0%*
June 1997	5.1%	5.2%*	4.3%	4.1%*
November 1997	4.6%	4.8%*	4.7%	3.8%*
June 1998	6.1%	5.8%*	3.8%	3.6%*
October 1998	6.0%	5.7%*	5.2%	5.3%*
June 1999	6.0%	5.9%*	5.4%	5.5%*
October 1999	5.8%	5.8%*	4.8%	5.2%*
June 2000	5.1%	5.8%	3.4%	3.5%
November 2000	5.3%	5.8%	3.1%	3.3%
June 2001	5.2%	6.1%	5.3%	5.8%
November 2001	5.8%	7.2%	5.0%	5.3%
June 2002	5.2%	5.4%	3.7%	2.7%
November 2002	4.2%	5.6%	2.9%	2.2%

\*Total Package rather than Total Remuneration Cost

## Staff Attrition by Industries

The graph below shows a comparison between voluntary and involuntary turnover (using weighted averages) across a number of industries. The subsequent discussion of formulae illustrates the difference between simple and weighted averages, followed by a table that presents all of the voluntary and involuntary staff attrition data across all of **CSi**'s survey databases this year (*Simple and Weighted Averages*).

**Staff Attrition By Industries  
(Weighted Averages)**



## Formulae

CSi employs the following formula when calculating Staff Attrition/Turnover:

$$\frac{\text{Total Staff Turnover}}{\text{Average No. Of Employees for the Year (for the previous 12 month period)}} \times 100\%$$

**Simple Average:** is calculated by applying the above formula to each organisation's data and taking the average of these calculated figures.

**Weighted Average:** is calculated by taking the sum of the Total Staff Turnover for all organisations and dividing by the sum of the average number of employees for the year for all organisations.

Survey	Voluntary Staff Attrition		Involuntary Staff Attrition	
	Simple Average	Weighted Average*	Simple Average	Weighted Average*
<b>Australian Information Industry (August 2002)</b>	12.8%	6.0%	15.1%	18.1%
<b>Australian Travel Industry (April 2002)</b>	20.1%	25.2%	12.7%	3.8%
<b>Australian Computer Specialists (November 2002)</b>	7.3%	3.3%	5.9%	3.6%
<b>Banking &amp; Finance Industries (October 2002)</b>	11.9%	13.7%	1.2%	3.5%
<b>Business Equipment (September 2002)</b>	12.5%	11.5%	3.0%	2.7%
<b>Defence Systems Engineers (November 2002)</b>	10.9%	10.3%	5.6%	5.2%
<b>Diagnostics, Medical Devices &amp; Scientific Products &amp; Equipment (October 2002)</b>	10.3%	10.7%	2.2%	2.8%
<b>General Insurance Industry (June 2002)</b>	16.1%	14.6%	2.9%	3.6%
<b>Telecommunications (August 2002)</b>	10.4%	4.5%	21.9%	12.5%
<b>New Zealand Computer Specialists (September 2002)</b>	14.3%	14.3%	6.8%	8.5%
<b>New Zealand IT &amp; T Industries (August 2002)</b>	14.2%	10.7%	7.0%	4.7%

\*Weighted Average takes into account the total number of staff within each organisation.

## Anticipated Salary Increases for the Next Twelve Months

CSI expects that salaries will increase by 3.5% - 5.0% next year – a rate which will be 1.5-2.0% higher than the anticipated CPI and consistent with expected increases in the United Kingdom and United States. There are likely to be certain industry sectors and job families that will see higher rates, but overall the market is likely to be flat.

As a standard feature across all industry-specific surveys, CSI conducted a Feature Survey on Staff Attrition/Turnover rates during the second half of the year. The table below summarises contributor expectations for the next 12 months across a range of CSI surveys (as provided by respondents to the relevant Feature Survey question):

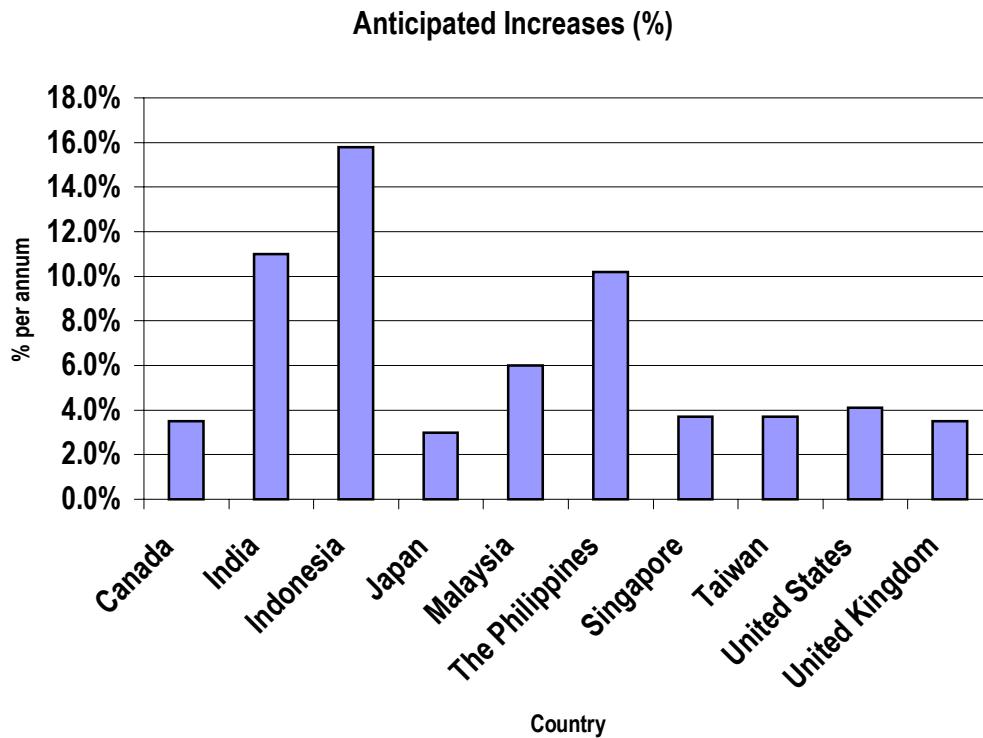
Survey	Average Increase	Median Increase
Australian Information Industry – AIIA	3.5%	3.3%
Australian Travel Industry*	1.1%	0.5%
Australian Computer Specialists	3.6%	4.0%
Banking & Finance Industries	3.6%	4.0%
Business Equipment	3.8%	4.0%
Defence Systems Engineers*	3.7%	4.0%
Diagnostics, Medical Devices, Scientific Products & Equipment Industries	4.4%	4.0%
General Insurance Industry	2.2%	2.0%
Telecommunications Industry	3.7%	4.0%
New Zealand Computer Specialists	3.4%	3.5%
New Zealand IT & T Industries	3.8%	4.0%
Subscribers to General/Combined Industries Survey	3.8%	4.0%

\*Figures based on 1<sup>st</sup> cycle 2002.

An analysis of increases over the last 12 years illustrates a stronger discipline in pay increases in Australia in relation to other mostly larger economies.



## An international perspective of expected salary increases for 2003



- Most economies around the world are affected by global economic climate, led by conditions in the United States.
- Despite many countries experiencing slower growth, wage increases tend to outstrip CPI increases, suggesting real wage increases are the norm.
- Developing countries such as India, Malaysia and the Philippines are anticipating the largest increases, but starting from a lower base.
- It is worth noting that fewer employees are expected to receive a base salary increase in the United States next year. In all, some 15% of employees are not expected to receive an increase. The labour market there has eased considerably – around 36 % of employers are currently reporting difficulty in attracting and retaining staff compared to 71% in 2001.

## STRATEGIES TO TAKE ADVANTAGE OF THE CURRENT MARKET SITUATION

### What to do in the Current (Employers') Market:

It is important to note at the outset that in pursuing any of the following objectives, organisations should strive to achieve a balance between individual facets of remuneration and organisation-wide practices. Employees will be concerned with fairness and equity in relation to both distributional and procedural justice in the organisation's remuneration practices. Employers should take advantage of the significance employees place on their pay *relative to others* as opposed to simply in absolute terms. Employers should also remember to maintain good and open communication wherever possible and be sure to align remuneration policies and practices with the goals of the organisation in order to increase satisfaction and productivity in the workplace.

#### 1. **Realign Bonus/Incentive Programs.**

Programs that reward staff based on individual performance become more difficult to administer in tight economic conditions. Key employees may still be performing very well in terms of a range of qualitative factors yet their performance reviews may be dictated by the unfavourable financial performance of their organisations due to very difficult economic circumstances or conditions beyond their control – eg. Recession.

In these circumstances incentive programs should be realigned to factor in more non-financial factors. While financial targets would most likely be retained as a primary measure, their influence may be reduced or decelerated so that modest payments may be made to reward key staff for their outstanding contribution but measured on a broader range of qualitative factors such as aligning personal goals with those of the organisation, or exemplifying the culture that the organisation wishes to foster.

#### 2. **Focus on Non-Financial Benefits.**

In light of recent pay trends encouraging a focus on total remuneration packages rather than merely salaries, an attempt can be made during these tighter economic circumstances to capitalise on the valence placed on such rewards by employees. This is possible because there may be a difference between the perceived value of a benefit – eg. Unlimited free soft drinks available in the workplace – and the actual monetary value to the organisation. This may also be easily applied to many work/life initiatives and family-friendly policies.

These 'soft' benefits can also help to secure the loyalty of employees because they appear to demonstrate a commitment to their well-being, rather than being purely economic concerns. As such, the 'little things' are important, and should not be seen as a 'quick-fix' option to reduce costs. It should be remembered that low turnover during these times does not necessarily mean that employees will not leave once market conditions allow them to do so.

Finally, never underestimate the value of *intrinsic* rewards such as recognition and praise as a 'cheap' alternative to recompense employees, especially if they are achievement-oriented.

### **3. Get Better Value for Money out of Packages.**

Whilst Fringe Benefits Tax has effectively eliminated most benefits as part of employment packages, there are still opportunities to maximise tax concessions. Medium to large employers in particular can capitalise on the possible discounts available when buying benefits such as health care on behalf of many of their employees.

Of special note, car parking in capital cities is expensive especially when taking into account FBT and State Taxes. As such, consideration should be given to building these costs into staff packages especially where such parking is non essential.

### **4. Minimise the Impacts of Redundancies and Develop Staff Loyalty Programs.**

If downsizing is necessary in order to remain competitive, it should be recognised that the manner in which this is communicated to employees and executed is crucial – especially in terms of the remaining employees. ‘Survivor Syndrome’ can occur if lasting employees are also fearful of their job security – generally resulting in productivity losses.

We appear to accept a culture where some attrition is acceptable and that recognition of employee tenure is less important than previously accepted. There are fewer long term employees retiring today and encouraging long term employment is no longer recognised as important for all employees. Nevertheless, programs should be re-introduced to recognise employment milestones because it is in the interests of employers to work hard to retain their best employees. These programs, however, should be competitive within the current context of dynamic employment relations – e.g. perhaps rescaled to recognise five or ten years of service rather than twenty.

### **5. Bring Into Line Those Rates of Pay That are Well Over the Market.**

When the pay market cools it becomes an ideal time to hold back or reduce increases for those staff who have been overpaid in relation to their peers or other position categories. A key element in this process is communicating this effectively to employees in order to mediate any negative perceptions. As an example, an employee recruited in the late 90’s in a highly skilled IT position may now have their premium skill loadings taken away. If recognition of these skills was built into guaranteed pay, then increases could be frozen until the individual’s pay rates align with his/her peers.

Alternatively, in quieter times, overpaid employees may be encouraged to improve their skills so that their increased competency levels can become more compatible with their pay rates.

### **6. Encourage Better Performance From Employees.**

In times of higher unemployment it is easier to pressure marginal performers to improve their performance levels – carrying ‘passengers’ is not good for organisational productivity or staff morale especially in difficult economic circumstances. Performance pay targets and especially commissions should not be lowered unnecessarily thereby making them much easier to achieve – hard times require extra commitment “When the going gets tough...”

Organisations should consider a culture that fosters a shared vision of organisational success beyond the current market circumstance, which could be facilitated via team work.

### **7. Explain Increases to Staff in Real Terms**

Communicate with staff, advising them that while their increases may seem low, in real terms they are as high as in the good times. Ensure that employees realise and understand that the 'real wage increase' they receive takes account of inflation and movements in the CPI.

The graph below clearly illustrates that real increases are maintained in harsher economic climates – current take home pay equates with that of headier economic times.

### **8. Pay Local Rates**

In organisations not already adopting different pay scales for employees working in different state locations, progress could be made to differentiate pay rates between the various capital cities. Sydney pay scales, for example, should not be automatically applied to other cities where the cost of living is typically much lower.

## CONCLUSION

Moving into the mid 2000s, the nature of the economy will likely result in the type of 'flat' pay market identified in this report. This will have significant ramifications on organisations as they attempt to retain competitive advantage. Continued success may be facilitated by remuneration strategies that encompass the goals outlined above. However it is important to remember that these are not 'blanket' rules. Each organisation should take a contextual approach to designing and implementing remuneration policies that takes into account the particular cultural and financial circumstances of the organisation. Whilst the national economy is likely to set a macro direction for the country as a whole, in a micro sense, each company is likely to chart its own course in line with its own situation.

Nevertheless, this report may be used as a guide to assist organisations in making decisions about remuneration for the future. More detailed and customised analysis than can be incorporated into this report is available from **CSI** via our surveys, special jobs and consulting services.

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## APPENDIX: Further information on salary market movements

### Why the two figures differ

For many years **CSi** has been tracking survey movements across a variety of industry sectors, in times when demand for labour is thriving and in times when it is in decline. Throughout these periods, **CSi** has been able to plot the resulting effects on the survey movements. The following represents an overview of the observations **CSi** has made in relation to these differing labour conditions:

In a high demand labour market (for the relevant industry), **CSi** expects the Same Incumbent Movements and the Survey-on-Survey Movements to be relatively similar (especially in large established databases). Typically, in this environment the demand for labour results in higher rates for new incumbents than those currently being paid to existing incumbents. As a result, pay ranges move consistently in line with market demand thus maintaining a fairly equal relationship between the Same Incumbent and Survey-on-Survey Movements.

Conversely, in very flat labour markets where demand is stifled (for the relevant industry), **CSi** expects the Same Incumbent Movements and the Survey-on-Survey Movements to be quite different. Typically the Same Incumbent Movement stays at a relatively consistent level (as experienced in previous years) whilst the Survey-on-Survey Movement decreases. This represents the market's response to an economy in which employers need to retain their best employees whilst rationalising head count. Not all employees will receive increases in tight economic conditions which will have a dampening effect on the SOS move. Another factor of this market is that new employees are typically recruited in at a lower point in the salary range. Again, the forces of supply and demand (in this instance there is an over-supply of potential candidates) help to suppress new employee increases thus fueling lower Survey-on-Survey Movements.

### Which movement should I use?

**CSi** recommends that the Same Incumbent Movement be viewed as the most reliable measure of remuneration movements in the market – but please remember it is a retrospective movement.

In a very buoyant labour market both the Same Incumbent and the Survey-on-Survey Movements should be fairly similar and can be viewed in harmony as an indicator of remuneration movements. In depressed markets, please view the Same Incumbent Movement as your preferred indicator of remuneration movements of key individuals, whilst the Survey-on-Survey movement will provide an important indicator of market hiring movements.

As a word of caution, in less stable economies **CSi** typically experiences greater fluctuation in the contributor base thus potentially affecting the Survey-on-Survey movements. This is one of the reasons why **CSi** views the Same Incumbent movements as a more consistent measure of market rates for those individuals in the same job.