KNOW YOUR MARKET HUB

MARKET OVERVIEW – MARCH 2017

AUSTRALIAN ECONOMY SNAPSHOT

Australian economic results delivered a surprise at the end of 2016 with GDP recording a negative 0.5% in the September quarter, however GDP growth returned to positive by the end of the year, with the December 2016 quarter delivering the return to expansion we all expected. The general consensus amongst the top economists is that yearly GDP will increase to around 2.0% - 3.0% in 2017, and we are already seeing signs of that with GDP currently sitting at 2.4% year-on-year.

Inflation remains low with a growth of 1.5% in the year to December 2016, though is predicted to move closer to 2.0% by the end of 2017. At 5.9% the unemployment rate continues to creep up and is showing signs of a slower recovery than expected in order to reach the historic lows of 4.0% seen in 2008. Many economists expect the rate to remain steady in 2017, however, a holistic look at labour force figures shows that while the headline unemployment has remained below the 6.0% mark for some time, other factors are causing concern.

The participation rate has been on a downward trend since the start of 2016. Growth has also been dominated by part-time job creation, which has been favourable to those wanting more flexible working arrangements, but has also left a significant number of individuals wanting to work more hours feeling 'under employed'. Underemployment, the measure of those employed people whose labour is not fully utilised, is at a historically high level for Australia at 8.6%.

Furthermore, one of the draw backs of low inflation are soft wage increases, reflected in the December Wage Price Index (WPI). December WPI recorded a historic low, moving year-on-year by just 1.9%, a continuation of the September 2016 quarter. However the consensus amongst top economists is that real incomes will start growing again in 2017, albeit slowly, with the size of the real income growth closely linked to labour productivity.

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'THE MARKET'

Over the last quarter the market has remained largely unchanged in some areas with notable movements in others. Results for the pay increase barometer are somewhat discouraging, showing that pay increases over the past six months have worsened slightly, with 23% of all individuals in the sample receiving 'at' (stable) market increases, down compared to last month. New hire pay rates fell for the fourth month in a row to record a figure of -3.5%, indicating that new hires are being paid at a slight discount relative to the market. The remuneration sentiment index, rose again this month to 8.7%, suggesting that the market is optimistic about the labour market in 2017 despite the historically low economic trends we are currently seeing.

A new addition to Mercer's Know Your Market Hub this month is the gender pay index, providing detailed analysis around the gender pay gap and further refined to career levels and industries. Also listed each month are the Top 10 best and worst jobs, with the lowest and highest gender pay gaps respectively. Overall, the results are dissapointing, showing that a gender pay gap definitely exists across all career levels and in all but one reported industry. The overall gender pay index recorded a figure of -2.9%, indicating that female employees are being remunerated, on average, 2.9% less than their male counterparts within the same role.

TRENDS IN REMUNERATION

The median general market employment cost same-incumbent movement remains unchanged from figures recorded throughout 2016 and sits at 3.0% in March. EC movements for para-professionals (3.5%) continue to be above all other staff categories, while most other staff categories have fallen slightly below the general market.

The Australian Capital Territory, South Australia and Tasmania recorded the highest annual increase of 3.5%. Other states were in line with the national movements, with the exception of Western Australia and Northern Territory, both well below the national rate.

The 2016/2017 salary forecast remains unchanged at 3.0%, in line with the response provided by 69.0% of clients polled in the March sentiment index survey, who expect remuneration budgets and hiring conditions to remain the same for the next six months.

OVERALL

While results over the last few months have shown some signs of softening, the market has remained stable for the most part. Furthermore, the Australian economy, despite the negative GDP outcome seen in 2016, has continued to hold its own and is expected to bounce back in 2017.

If there is one word to describe results so far in 2017 it would be 'stable'. At this stage we expect this trend to continue well in to 2017, with little change in the remuneration market. Whether we will experience any significant growth this year remains to be seen and is unlikely to be felt until the latter part of 2017.