

WORKFORCE AND CAREER

REMUNERATION TRENDS & INSIGHTS

BRINGING YOU THE MOST UP-TO-DATE
TRENDS AND INSIGHTS AFFECTING
PAY DECISIONS, TOPICAL HR ISSUES
AND MUCH MORE!

JULY 2019

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MARKET OVERVIEW

Q2 2019

The overall median fixed salary movement for the second quarter of 2019 fell slightly to 2.5%, but still remains higher than the low inflation rate of 1.3% recorded by the Australian Bureau of Statistics (ABS) for the year to March 2019.

Over the quarter Mercer's pay increase barometer has seen a continuing shift towards salary increases being passed on at at-market rates rather than at below-market rates.

Trends in Remuneration

In the second quarter of 2019, the median fixed pay movement – which refers to the same employees, in the same jobs and at the same organisations – decreased to 2.5%, below Mercer's forecast figure of 2.6%.

Whilst the overall median fixed pay movement has decreased on the previous quarter, there has been a broader range of increases passed on by organisations in our database. Just over 60% of same-incumbent movements recorded in the three months to the end of March were between 2% and 3%. Some 15% of increases were above 3%, while 11% of incumbents received no increase in salary.

Movements by career stream place professionals, management, and heads of organisation top this quarter at 2.5%, in line with the overall general market median. Executives received the lowest increases by career stream with median increases of 2.1%. While para-professionals received 2.2% at the median.

A breakdown by state/territory reveals that the Australian Capital Territory continues to record the highest annual increases at 3%. Tasmania received the second highest movement at 2.9%. Both Northern Territory and New South Wales reported above the general market at 2.7%. Queensland and Victoria both recorded movements equal to the general market at 2.5%. While Western Australia reported an increase of 2.1%.

Mercer's salary forecast for the financial year is that the movement will increase to 2.6%. To generate our forecasts, we combine data from our remuneration database (same-employee fixed salary movements) with key economic indicators, and our understanding of market sentiment from our conversations with clients.



The Market

Mercer's measure of market sentiment showed our client panel are optimistic about market conditions with the remuneration sentiment index for both May and June reporting 14.6% and 20% respectively. With at least 80% of respondents believing that things will be the same or better in the next six months.

Mercer's pay increase barometer has seen a further shift to at-market (stable) increases when compared to last quarter, rising to 51%. Above-market increases (expansion) and below-market increases (contraction) are reporting 31% and 18% respectively.

The new hire pay rate is currently -0.1%, increasing on the previous quarter. It indicates that the market is continuing to hire at salaries less than those already in the role and is less willing to pay a premium for new hires, but only slightly.

Mercer's measure of the gender pay index has reported 2.5% this quarter. This means that overall, the market is offering female employees' salaries 2.5%, on average, below male employees.

Australian Economy Snapshot

The latest economic indicators from the Australian Bureau of Statistics (ABS) characterise the Australian economy as having weakening GDP growth, low inflation, a low unemployment rate and low wage price growth.

In June 2019, the seasonally adjusted national unemployment figure was 5.2% [ABS catalogue 6202.0], beating the Reserve Bank of Australia's forecast figure of 5.3%. The participation rate – the number of people either employed or actively looking for work as a proportion of the entire labour force – has tracked at 66% for the last couple of months.

In terms of other key economic indicators there has been little change since our last quarterly update, the Wage Price Index (WPI) and inflation (as measured by the Consumer Price Index (CPI)) continue to be low. The all-groups CPI reported no change in the March 2019 quarter following a 0.5 percentage point increase in the December 2018 quarter [ABS catalogue 6401.0]. The annual change from March 2018 to March 2019 is 1.3% – well outside of the RBA's target range of 2%-3%. Low inflation continues to go hand in hand with low wage price growth reflected in the WPI, which has grown year on year by just 2.3% (March 2018). Rises in both the WPI and CPI are expected over the coming year, although economic uncertainty is likely to have an impact.

Economic growth, as measured by Gross Domestic Product (GDP) increased by 0.4% (seasonally adjusted) in the March quarter, bringing annual growth to March 2019 to 1.8%. The reported figure was much lower than expected as a result of a slowdown in the construction sector and softer household consumption.



Mercer Australia
Workforce and Career

Mercer partners with leading organisations across the globe to help them grow their businesses through better talent solutions.

Drawing on the latest global research and insights, our specialists develop tailored, data-driven strategies that keep our clients ahead of the curve and leverage their strengths in increasingly competitive marketplaces.

From remuneration and benefits to organisation design and predictive modelling, we create solutions for building better workforces. Through our knowledge and guidance today, our clients have the tools they need to predict, define and build their best teams for tomorrow.

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