

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!

OCTOBER 2019

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MARKET OVERVIEW

Q3 2019

The overall median fixed salary movement in the three months to the end of September 2019 (Q3) increased to 2.6%, and continues to remain higher than both the inflation rate and the wage price index recorded by the Australian Bureau of Statistics (ABS) for the year to June 2019.

Over the quarter, Mercer's pay increase barometer has seen a shift away from salary increases being passed on at at-market rates to an increasing proportion being passed at both above and below-market rates.

Trends in Remuneration

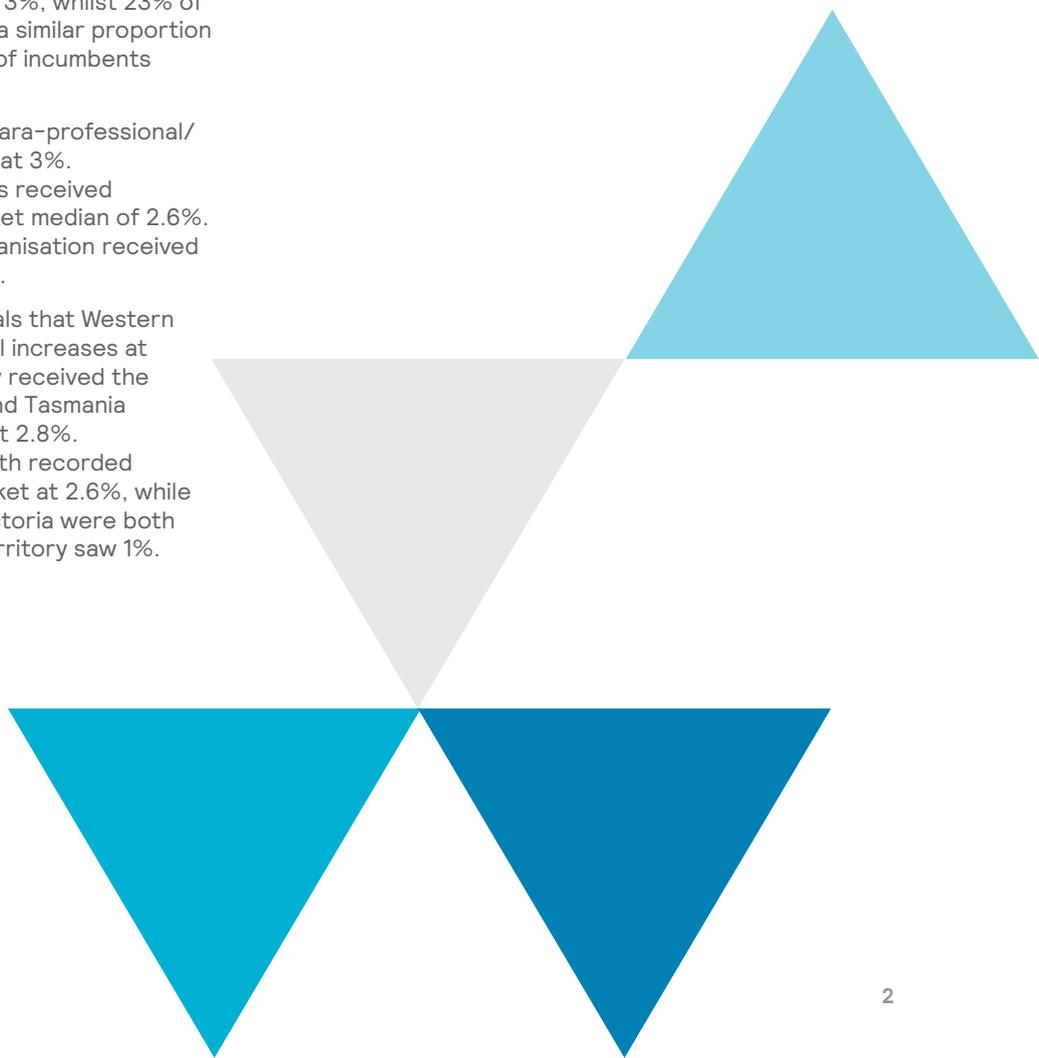
In the third quarter of 2019, the median fixed pay movement – which refers to the same employees, in the same jobs and at the same organisations – increased to 2.6%, matching Mercer's forecast figure of 2.6% for the 2019 calendar year.

Whilst the overall median fixed pay movement has increased on the previous quarter, there has been a broader range of increases passed on by organisations in our database. Some 44% of same-incumbent movements recorded in the three months to the end of September were between 2% and 3%, whilst 23% of increases recorded were above 3%, a similar proportion were between 1% and 2%, while 9% of incumbents received no increase in salary at all.

Movements by career stream place para-professional/support roles at the top this quarter at 3%. Management and executive level roles received increases in line with the overall market median of 2.6%. While professionals and heads of organisation received just below the overall market at 2.5%.

A breakdown by state/territory reveals that Western Australia recorded the highest annual increases at 3.5%. The Australian Capital Territory received the second highest movement at 2.9% and Tasmania reported above the general market at 2.8%. Queensland and New South Wales both recorded movements equal to the general market at 2.6%, while movements in South Australia and Victoria were both 2.5%. Incumbents in the Northern Territory saw 1%.

Mercer's salary forecast for the calendar year is that the movement will remain at 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 remain optimistic about market conditions with the remuneration sentiment index for October reporting 4.7%, with at least 87% of respondents believing that things will be the same or better in the next six months.

Mercer's pay increase barometer has seen a shift away from at-market (stable) increases when compared to last quarter, falling to 44%. Above-market increases (expansion) and below-market increases (contraction) are reporting 35% and 21% respectively.

The new hire pay rate is currently -1.1%, decreasing on the previous quarter (2.5%). This indicates that the market is hiring new employees at salaries less than those already in the role and are less willing to pay a premium for new hires.

Mercer's measure of the gender pay index has reported 2.6% this quarter. This means that overall, the market is offering female employees' salaries 2.6%, 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 September 2019, the seasonally adjusted national unemployment figure was 5.2% [ABS catalogue 6202.0]. 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 just over 66% since June.

In terms of other key economic indicators there has been a slight positive 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 a 0.6% increase in the June 2019 quarter following no movement in the March 2019 quarter [ABS catalogue 6401.0]. The annual change from June 2018 to June 2019 is 1.6% – still outside of the Reserve Bank of Australia's (RBA) target range of 2%-3%. The RBA is forecasting that the CPI will increase to 1.75% by the end of the year. However, market forecasters at the National Australia Bank are forecasting that CPI will remain steady at 1.6% until the end of Q1 2020.

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% (June 2019).

Economic growth, as measured by Gross Domestic Product (GDP) increased by 0.5% (seasonally adjusted) in the June quarter, bringing annual growth to June 2019 to 1.4%. This figure represents the lowest annual recorded growth that Australia has seen in 18 years with commentators highlighting that Government spending has been the main contributor to growth.



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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