MERCER

workforce and career

Remuneration Trends and Insights

Bringing you the most up-to-date trends and insights affecting pay decisions, topical HR issues and much more!

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welcome to brighter

Market overview Q2 2020

The overall median fixed salary movement in the three months to the end of June 2020 (Q2) remained at 2.5%, and at the time of writing, continues to remain higher than both the latest inflation rate and wage price index recorded by the Australian Bureau of Statistics (ABS).

Over the quarter, Mercer's pay increase barometer has seen a proportional increase to salary increases being passed on at above-market rates, with a decreasing proportion being passed on at-market rates.

Trends in remuneration

In the second quarter of 2020, the median fixed pay movement – which refers to the same employees, in the same jobs and at the same organisations – remained at 2.5%.

Due to the current situation with COVID-19, Mercer Australia has paused remuneration forecasts from 1 April 2020. Our databases published prior to this date are still effective as of the dates published, though we advise against projecting (i.e. `aging') market remuneration data past 1 April 2020 given current levels of economic uncertainty.

Whilst the overall median fixed pay movement has remained stable against the previous quarter, there has been a broader range of increases passed on by organisations in our database. Just under a quarter (24.3%) of same-incumbent movements recorded in the three months to the end of June were between 2% and 3%, whilst over 39.7% of increases recorded were above 3%. Some 20% of incumbents received between 1% and 2%, and around one in ten (around 12%) received no increase in salary at all.

Median movements by career stream place executive, para-professional, and professional roles at the top this quarter at 2.7%. Management level roles received increases just below the overall market median at 2.4%, while heads of organisation received the lowest increases at 2.1%.

A breakdown by state/territory reveals that Tasmania recorded the highest median annual increases at 3%, followed by Western Australia with the second highest movement at 2.7%. Queensland and South Australia reported movements at the general market overall of 2.5%, while the Australian Capital Territory and Victoria all recorded movements just below the general market at 2.3%. New South Wales and Northern Territory recorded 2.1% and 1.7% respectively.

The market

Collected during the COVID-19 pandemic, Mercer's measure of market sentiment showed our client panel were already pessimistic about market conditions with the remuneration sentiment index for the end of Q2 2020 reporting -28.9%. Just under 70% of respondents believed that overall market conditions (in terms of remuneration budgets and hiring pressures) would be the same in the next six months, while 23% expect it to be better.

However, Mercer's pay increase barometer has seen a decreasing proportional increase for at-market (stable) increases over Q2 when compared to Q1 of 2020, with just over half of incumbent movements in our database receiving increases in line with the overall median movement. Above-market increases (expansion) and below-market increases (contraction) were 34% and 12% of the database respectively.

The new hire pay rate at the end of Q2 2020 was -2.3%, decreasing on the previous quarter. This indicates that the market was 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 decreased to 2.4% in the quarter. This means that overall, the market was offering female employees' salaries 2.4%, on average, below male employees.

Australia economy snapshot

While we now may be in the middle of the current pandemic, the full economic impacts remain to be seen. At the time of writing, the current economic stats (excluding the unemployment rate) released by the Australian Bureau of Statistics (ABS) only covers the beginning of the crisis. There are expectations by the International Monetary Fund and the Reserve Bank of Australia (RBA) that the measures of growth and inflation will decrease significantly over the next 12 months.

In June 2020, the seasonally adjusted national unemployment figure was 7.4% *[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 increased to 64% (from 62.7% in May) as national lockdowns and restrictions have lifted. However, the participation rate is still some two percentage points on the June 2019 figure.

At the time of writing, the ABS had not released updates on other key economic indicators the Wage Price Index (WPI) and the Consumer Price Index (CPI) measure of inflation. The all-groups CPI reported a 0.3% increase in the March 2020 quarter following a movement of 0.7% in the three months to December 2019. The annual change from March 2019 to March 2020 is 2.2% – now within the Reserve Bank of Australia's (RBA) target range of 2%-3% and up from the 1.8% rise over the 12 months to the December 2019 quarter. However, the RBA is expecting the CPI to drop to -1% in the June quarterly, mostly driven by falls in oil prices and the impact of the free childcare program.

Wages growth as measured by the WPI decreased slightly on the previous quarter to stand at 2.1% through the year to March 2020. However, the ABS highlights that the "...data relates to the period shortly before restrictions were put in place to contain the spread of the coronavirus (COVID-19), capturing wage information for the mid-month (February) of the March quarter."

Economic growth, as measured by Gross Domestic Product (GDP) decreased by just 0.3% (seasonally adjusted) in the March quarter, bringing annual growth to March 2020 to 1.4%. Both the IMF and the RBA expect that the financial year will end reporting above -5% growth.

The midyear ABS figures in our next quarterly report should provide a more accurate reflection on how the economy has been impacted by the pandemic.

Mercer Australia
Workforce, Rewards and Talent

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.

For further information, please contact your local Mercer office or visit our website at : www.mercer.com.au