

## IT INDUSTRY GETS SERIOUS ABOUT PAY – NEW REPORT

**Monday 11<sup>th</sup> August 2003:** Employees will be working hard over the next 12 months to reap the benefits from incentive schemes, with ICT companies awarding smaller base pay increases in line with a general rationalising of organisational practices.

The August 2003 *AIIA Survey of Salaries and Remuneration in the Australian Information Industry*, produced by remuneration specialists CSi on behalf of the Australian Information Industry Association, shows that ICT organisations will be awarding staff modest average **salary** increases of 3.7 per cent over the next year.

This compares to the average 8.1 per cent **base salary** and 8.8 per cent **total remuneration** increases awarded to staff in the year to August 2001.

“Many IT organisations are rewarding high-performing employees only,” says CSi remuneration and benefits specialist Natasha Edwards. “The days of large, across-the-board salary increases are becoming a thing of the past.”

The forecast pay increase for the IT industry is in line with the general Australian salary market, which is anticipating average **salary** rises of 3.7 per cent (as reported in CSi’s June 2003 *General/Combined Industries Survey* – representative of 43,877 employees).

Over the past year, IT industry incumbents have received average **base salary** increases of 3.6 per cent – an increase sitting slightly above the annual inflation rate of 2.7 per cent (annualised to June 2003). The average employee **total remuneration cost (TRC)** increased by 4.1 per cent over the same period.

According to the survey of 112 AIIA-member organisations, the stand-out performers in the IT industry salary market over the past year have been Sales incumbents, whose **base salaries** increased by 5.0 per cent and **TRC** by 5.2 per cent.

The survey also found that 11 per cent of organisations have implemented a new sales commission scheme in the past 12 months, while 70 per cent have made some kind of change to existing schemes. Of these organisations, 30 per cent have done this to increase employee productivity and 26 per cent to enhance organisational profitability.

“Variable pay for sales people is under the microscope,” says Ms Edwards, “which is understandable given that, on average, target commission makes up about 40 per cent of a sales employee’s salary package.”

Other incumbents receiving above-average pay increases include Senior Executives (4.1 per cent **base salary** increase and 4.6 per cent **TRC** increase) and those working in the Finance and Administration field (4.0 per cent and 4.4 per cent). At the other end of the spectrum, Professional Services staff received below-average **base salary** increases of 2.5 per cent.

A further indicator of a flat salary market, survey-on-survey movements remain low, though new sales hires seem to be commanding a slightly higher ‘buy-in’ rate: the **TRC** for a new sales employee has increased by 2.3 per cent over the past 12 months, up from 0.5 per cent as reported in the March 2003 survey.

Industry attrition rates have fallen since March 2003, with organisations experiencing smaller amounts of both voluntary and involuntary turnover. Voluntary attrition is sitting at 5.8 per cent of the IT workforce (down from 6.7 per cent in March) and involuntary at 3.7 per cent (5.2 per cent in March).

“A small amount of involuntary attrition appears to be just a part of business now,” says Ms Edwards, “Restructuring seems to be a common business practice.”

**ENDS**

**Definitions:**

**The Same Incumbent (SI) movements:** reflect the overall average and median movements at various remuneration aggregates as reported by contributors in their data submission – ie. Data for incumbents in the same position this year and last.

**Survey-on-Survey (SOS) movements:** are 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. Comparisons are made between the average rates reported on the relevant survey tables between March 2002 and March 2003. SOS movements reflect increases for people in the same position this year and last as well as new hires.

**Note:**

*CSI is Australia's remuneration specialist. We conduct 20 industry-specific salary surveys in Australia and New Zealand and provide remuneration consulting services ranging from executive compensation advice to remuneration technology services.*

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