

Staff stay put as salaries begin to rise: new all-industries survey finds

Wednesday 4th June 2003: Wage pressures remain subdued in corporate Australia, as employees hold onto their jobs in a flat employment market, though employers are intending to award staff modest salary increases in the new financial year.

A survey of 344 leading Australian companies, produced by remuneration specialists Classified Salary Information Services (CSI), shows employers are anticipating average salary rises of 3.8 per cent in the new financial year.

The 20th biannual *General/Combined Industries Salaries and Benefits Survey*, accounting for 43,877 Australian employees, suggests continuing uncertainty about the global economy is impacting on the willingness of Australian companies, across all industries, to reward incumbents large annual increases.

From June 2002-03, incumbents have been awarded average **total remuneration** increases, which include bonuses and incentives, of 4.4 per cent (down from 5.4 per cent in June 2002 and 6.1 per cent in June 2001). Over the same period, employee **base salaries** increased by 3.7 per cent (down from 5.2 per cent in June 2002). However, forecast average salary increases are marginally higher this year, up to 3.8 per cent from 3.5 per cent in June 2002.

Annual **base salary** increases awarded across most **job families** have fallen, with incumbents working in IT (down to 3.8 per cent from 4.7), Finance and Administration (down to 3.8 from 4.9), Research and Development (4.7 from 7.2), Human Resources (3.4 from 5.6) and Marketing (4.6 from 4.8) receiving rises below levels reported in the June 2002 survey.

After giving employees the largest annual rises in 2002, **large companies** (those with over \$200m in annual turnover) shaved 2.2 per cent off the average **total remuneration** increase, which fell to 3.7 per cent from 5.9 per cent in 2002. Average **base salary** increases fell to 3.2 per cent, from 5.8 per cent.

In the 2003-04 financial year, employees receiving above-market increases will be those working in the Diagnostics, Medical Devices and Scientific Products & Equipment **industries**, the General Insurance industry and the Banking and Finance sector, with average rises of 4.4, 4.2 and 4.0 respectively forecast.

While the IT, Defence Systems Engineers and Business Equipment industries are anticipating median increases of 4.0 per cent, average increases range from 3.5 to 3.8 per cent, suggesting some companies are cautious about the business outlook.

Overall, anticipated increases are homogenous across all industries, whereas in the past some industries (such as IT or Telecommunications) had forecast larger increases. And with salary increases remaining flat, organisations with minimal money to spend will be looking to reward employees based on performance, with short-term incentives and non-monetary rewards, according to CSI professional services manager Jairus Ashworth.

"Companies should be reluctant to increase base salaries by more than 3.5 to 4 per cent," says Mr Ashworth. "Employees should have the opportunity to earn more than this through bonus and incentive programs which are tied to improved company performance, making them self-funding."

According to the Survey, employees have been reluctant to change jobs over the past year, with levels of **voluntary** staff attrition down across all industries. Just 6.7 per cent of staff in the IT industry left their jobs voluntarily over the year to June 2003, compared to 10.1 per cent in 2002. Similar falls were reported for Banking and Finance (down to 2.6 per cent from 13 per cent) and Telecommunications (down to 6.8 per cent from 11 per cent).

"The low voluntary rates are due to a general uncertainty in the market," says Mr Ashworth. "There are less vacancies out there, so employees are staying in positions for prolonged periods of time."

Rates of **involuntary** attrition (terminations and redundancies) are also down after a period of 'down'- or 'right-sizing' resulting in several redundancies. Involuntary staff attrition in the Telecommunications industry has fallen to 8.9 per cent from 17.7 per cent in 2002; IT is down to 5.2 per cent (from 12.3 in 2002); and Banking and Finance levels are just 0.8 per cent (down from 3.3 per cent in 2002).

"The Telecommunications industry in particular has been through a rough patch," says CSi remuneration specialist Natasha Edwards. "Redundancies are fresh in the memories of employees, so they're hanging onto their jobs and waiting out the downturn. The industry is taking a breath and repositioning itself for future growth."

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The Survey represents data from 344 Australian companies with a vested interest in human capital, mostly employing workers at the professional or associate professional level.

Note: CSi's *General/Combined Industries Salaries and Benefits Survey* is the benchmark document for determining market-competitive remuneration packages for Australian employees.

Released biannually in June and November, the *Survey* scientifically examines the salaries and benefits of more than 43,800 employees in over 340 Australian companies within a variety of industries.

For further information about the *General/Combined Industries Salaries and Benefits Survey*, please see CSi's website: <http://www.classalinfo.com.au/Products/default.htm>.

Classified Salary Information Services (CSI) is an Australian-owned company, which monitors pay-market trends, in Australia and New Zealand, through one of the largest salaries and benefits databases in the Asia Pacific region.

Our range of salary surveys provide organisations with the information they need to ensure their salary structures remain market-driven, while our Client and Professional Services teams help companies develop sound remuneration policies and practices.

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