

Wage growth not dented by weaker economy: Mercer

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National salary growth has climbed to an annualised rate of 5%, according to the latest Mercer salary survey. The survey of over 250 employers found that average annual wage growth for the same person in the same role had risen to 5%, up from 4.7% a year earlier.

Mercer principal David Abusah said fixed salary growth over the next 12 months was expected to stay at 5%. Abusah said the survey result suggested that the skills shortage and a complex labour market were keeping wages up - despite a slowing economy and lower business confidence. He said if the unemployment rate rose, wage growth could drop back to around 4.5% in 2009/10.

This was more likely to occur in industries which were badly affected by the downturn, such as manufacturing, financial services and retail.

"The major differences between this slow down and those of the past, is that employers are now dealing with a workforce [which] is ageing, is more mobile, has diverse generational preferences, and requires greater flexibility.

"In addition, star performers still have numerous career opportunities even in a slowing market, so employers cannot afford to be complacent," Abusah said.

He said as well as raising salaries, employers were spending more than ever on training, with 54% saying they would increase their training budget over the next 12 months.

Construction and engineering salaries rising fast

Abusah said the highest pay increases over the past year had been in the construction and engineering sector, with an average of 8%. Wages grew 7.3% in the energy sector, 5.8% in business and professional services, and 5.6% in pharmaceuticals. Retail wages lagged behind in terms of annual growth, at 4.8%, while insurance employees received an average pay rise of 4.1%.

On a state-by-state basis, Queensland replaced Western Australia as the state with the strongest wage growth, at an annual rate of 7.7%. Western Australia is currently on 7%. In comparison, the service-based economies of New South Wales and Victoria achieved salary growth of 4% and 4.8% respectively.

Abusah said that salaries in the resources states were growing faster in non-management roles than management roles, "an indication that salary movements in these regions reflect the need for additional resources required to get the job done".

He added that while NSW was a full 1 percentage point below the national average in terms of salary growth, the state had traditionally experienced higher wage levels than other states, and this effect was now balancing out.

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