HaRe Group newsletter: **19 November 2009**

Subject: **Crisis? What crisis?**

Yes, for many companies it's been a rough year, but it seems that the prophets of doom were mistaken about the global economic cannonball and the degree of its impact on Australian employees.

Economists now say that Australia is doing relatively well and point to successive rises in the cash rate by the Reserve Bank and our unemployment rates compared to OECD nations. Other economic indicators include annual CPI at around 1.3% and a GDP trend increase of 0.3%. However, we are still part of a global economy that must take the long way home to consumer and business confidence.

While business leaders wrestle with current conditions, most know from bitter experience that they must keep their best people engaged & prepared for a global economic recovery. Nevertheless, with company revenues down, costs also had to fall – so what have employers done to stave off job cuts? Some recent surveys have indicated that the most popular people strategies include:

- Decreasing working hours
- Postponing remuneration reviews
- Stopping bonus payments not funded by profit
- Advancing annual leave and long service leave
- Winding back graduate and apprentice employment programs
- Reducing expenditure on training & development

Around one-third of Australian companies have implemented one or more of these strategies. There is also little evidence of extra productivity incentives being offered. Likewise, many executives are lacking long term incentives since their share options have drowned and because of the uncertainty promoted by several punitive tax and regulatory proposals.

Market remuneration surveys present another perspective – in most job families, pay rates are still increasing by over 3% per annum. Despite the reported pay freezes, some surveys also say that employees in the same jobs for a year have received an average increase of almost 4%. The highest increases have gone to the Engineering family in the West; base pay for executives increased the least.

These statistics can't tell the whole story, but the indications are clear – most companies are finding some extra money to keep their best people satisfied with their remuneration. Other employers have not learned from past experience and do not realise the impact of remuneration discontent on talent retention; most of these companies will suffer large catch-up costs and still lose many good people.

2010 should bring better days, but some employers may need time at talent management school to learn that cost cutting cannot persist – market research shows that there are many talented people feeling undervalued and they are prepared to say "goodbye stranger" and walk away. From now on, it may be wise to give a little bit more recognition & reward to the employees who will contribute the most to productivity & sustainable profit.

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