

HaRe Group newsletter: 10 August 2017

Subject: Remuneration reality

Much has been published about the meagre pay increases that Australian workers have been enduring recently. For example, see <http://www.theage.com.au/business/the-economy/the-six-charts-that-prove-why-workers-are-feeling-the-pinch-20170803-gxp2ha.html> . There is no denying the ABS data for the year to March:

- GDP = 1.7%
- Wage Price Index (private sector trend) = 1.7%
- CPI (all groups) = 2.1% (which reduced to 1.9% by June)

For many years, salary increases were comfortably above the CPI – the raw truth is that this trend may be a thing of the past. Some recent media reports have also said that Australian employees are seeing their standard of living slipping. (This is not the case for many executives, but that's for another time).

Since my last newsletter, I've been busy with many companies that have been managing the tension between shareholder returns, productivity and employment costs. In most cases, business leaders are looking for solutions that will minimise cost increases, while sustaining profitability in a low growth market – and one “logical” opportunity is to slow wages growth.

In my recent client experiences, the current salary stagnation can demotivate employees, and/or prompt them to seek better paid work. Successful employers (profitable market leaders that have an engaged workforce) know that this situation presents an opportunity to positively differentiate their remuneration practices.

For many years, market leaders have developed:

- a performance management process that includes planning, review and employee development;
- a talent program that stimulates the best performing and high potential employees;
- a remuneration review system that individually aligns every employee's pay to their performance;
- high levels of employee engagement and negligible loss of talented people.

In a low growth economy with shareholders still demanding good returns, companies must be smart and strategic with remuneration management. Poorly managed remuneration will corrode employee engagement and punish productivity. Therefore, when remuneration budgets are already low, it is critical to establish systems and processes that prove to employees that they are properly rewarded for their performance and their contributions to organisation success.

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