Australian Salary Movement Index

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July 2012: Reporting Period to 28 February 2012
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Executive Summary

The Australian Salary Movement Index report is a comprehensive overview of the Australian reward climate as reflected by Hay Group’s PayNet database – the most comprehensive and detailed database available in Australia. This report is based on results from more than 440 organisations and well over 270,000 jobs for the reporting period to 28 February 2012.

The salary movements across the Australian market over the past 12 months tell an interesting story. The pay gap between the Resources sector and the rest of the market has widened mirroring the trends in the patchwork economy which is currently seeing some sectors struggling while others enjoy boom times.

From the data collected by Hay Group, the forecasted pay increases across all sectors will be 4.0 per cent, and 6.3 per cent for the resource sector, meaning most Australians will be better off compared to forecasted inflation levels. However the range of salary increases organisations are saying they will put forward to employees is the biggest seen in recent years sitting at between two and eight per cent.

With actual Australian salaries sitting highest when compared to other advanced and developing economies (which are experiencing the fastest rate of economic and salary growth), this puts Australia in a good position when trying to attract and retain talent from a global perspective.

The hottest jobs are primarily in the resources sector (Mining and Oil and Gas) which has shown the greatest salary growth, while related industries such as Construction are also attracting pay premiums well above the national average salary. Industries such as banking and utilities are showing increasing signs of a positive recovery from the Global Financial Crisis with these being the only ones (outside resources) that have experienced a four per cent or higher increase in Total Annual reward over the last 12 months.

In sectors such as Insurance, Fast Moving Consumer Goods, Building Materials, Business Services and Retail, average actual salaries were between 3.0 and 10.0 per cent below that of the national average, creating a challenge for these sectors to retain top talent and drive productivity through reward strategies.

When assessing geographical pay differences, regional Western Australia is the area of greatest salary growth, with regional Queensland a distant contender. In a country where the majority of the population lives on the east coast, it is also interesting to see so much growth concentrated in such remote areas. When compared to the national average salary, jobs in regional Western Australia command 16.8 per cent higher (compared with 13.4 per cent the previous year), while jobs in remote Queensland earn a premium of 1.8 per cent (significantly lower than the 4.9 per cent premium recorded last year).
The view that Sydney and Melbourne-based workers are better paid is simply no longer the case, despite the fact these cities have been ranked in the top ten most expensive cities in the world to live. Sydney workers are now earning 0.1 per cent below the national average, while Melbourne workers earn around 1.2 per cent less than the national average.

With the inflation rates lower than the salary increase rates, skills shortages in some sectors and job functions, compounded by low levels of unemployment this could put the ‘buying’ power solely in the hands of employees – especially an organisation’s most talented employees.

Hence employers need to focus on the following:

1. Link reward to performance and align individual’s targets with organisational objectives
2. Reward your outstanding performers, not just everyone equally
3. Communicate the total pay and benefits you offer employees and ensure you have the right mix of tangible and intangible elements to appropriately reward and recognise employees – often intangible rewards speak a lot louder than money
4. Align the job to the organisation strategy, ensure you have the right person in the right role and reward accordingly
5. Adopt a long term view of rewards by creating a two or three year plan instead of a year on year approach.

Hay Group’s research also reveals that simply paying people more doesn’t always have an effect on performance. The focus should then also turn to initiatives outside of pay such as career development and progression opportunities, work/life balance initiatives and building an engaged and enabled work environment and culture. The best companies also encourage employees to learn in areas outside their expertise, and give them assignments that stretch their capabilities. They are more than twice as likely to use international opportunities to attract and develop talent as other companies – and less than half as likely to rely on pay and bonus opportunities.
Introduction

Patchwork economy creating a sense of nervousness
The resource sector remains strong, yet this buoyancy is not reflected across all other sectors. In general, the business outlook and salary forecast is cautiously optimistic. The Australian economy continues to perform well compared with other markets, but is still volatile. The wait and see approach prevails. The general business perspective of the Australian economy in the medium term has been revised downward to around 3 per cent growth (from 3.5 per cent), corresponding to IMF projections. Demand for minerals continues to support expansion and investments in our resources sector. Arguably, a widely held concern is that the strength of our economy is resting too heavily on continuing mining successes.

While pay increases have risen significantly from the lower levels seen in 2009, some sectors are experiencing more austere times than the resource sector. Driving this trajectory are rising cost of living pressures due to the strength of the Australian dollar, a gradual tightening of the employment market, significant growth in the resources sectors and critical skill shortages in technical roles especially those that are required by the resources sector.

Macroeconomic Overview

Modest economic growth
Australia’s Gross Domestic Product (GDP) in the March 2012 quarter increased by 1.3 per cent, seasonally adjusted, reflecting a slight uplift in the economy. Real GDP growth for the year to the March 2012 quarter increased by 4.3 per cent (Source: ABS Australian National Accounts Mar 2012). Whilst some areas of the economy are performing strongly, others are tracking less favourably, most notably exports and retail due to the appreciation in the Australian dollar and caution in consumer spending. The fragile global economic climate has also exacerbated some of the stresses on parts of the Australian economy. Lower than expected growth in the global economy has negatively impacted exports. Against this weaker international backdrop, Australia’s economic growth, as measured by GDP, has been downgraded, reflecting the uneven conditions across the economy. Australia’s GDP is expected to grow by 3.25 per cent in 2012/13. (Source: Australian Federal Budget 2011-12)

The IMF’s global growth forecasts have also been downgraded from almost 4 per cent to 3.5 per cent in 2012 (Source: IMF Survey, April 2012), reflecting the lower than expected growth in the major advanced economies. The contribution of developing markets such as India, China and Brazil is expected to be over three quarters of the worldwide growth in the coming years. This illustrates why Australia’s resources boom is expected to continue to drive the economy for the foreseeable future.
Inflation flat in March 2012
The Consumer Price Index (CPI) rose by 0.1 per cent in March 2012, (compared with no change in the previous December quarter). This was a consequence fruit and vegetable prices returning to pre-Cyclone Yasi and QLD flood prices.

![Australia Inflation Rate](https://tradingeconomics.com/australian-bureau-of-statistics)

**Figure 2.0 – CPI 2000 – 2012**

The main contributors to the contained inflation rise were mainly in essential products and services. The most significant price rises in the March quarter 2012 were for pharmaceutical products (+14.1 per cent), secondary education (+7.7 per cent), automotive fuel (+2.5 per cent), medical and hospital services (+2.1 per cent) and tertiary education (+4.7 per cent). The retail and tourism sectors provided the main offsetting price falls: fruit (–30.0 per cent), international holiday travel and accommodation (–4.8 per cent), furniture (–6.0 per cent), audio, visual and computing equipment (–6.3 per cent) and domestic holiday travel and accommodation (–2.0 per cent) (Source: ABS).

The cost of living in Australia, in particular its two largest cities, Sydney and Melbourne, has seen both cities ranked in the top ten most expensive in the world, according to a recent study by the Economist Intelligence Unit. The researchers suggest this ranking reflects the relative strength on the Australian currency, which has remained above or near parity with the US Dollar for 12 months, compared with a decade earlier, when it was half that value.

Terms of trade fall for the first time since 2010
In the 2011 December quarter, Australia’s terms of trade (the price we are spending on imports versus the price we receive for our exports) fell by 5.8 per cent, the first fall since 2010, ending a record era of dramatic increases, due largely to the fall in commodity prices. In the March 2012 quarter, the terms of trade fell by a further 4.3 per cent (Source: ABS Australian National Accounts March 2012). The consecutive falls were largely due to softening export prices (attributed to the high Australian dollar) and the rising cost of imported goods. Despite this fall, Australia’s terms of trade remain historically high and are expected to decline only gradually in the long term due to strong demand for commodities by rapidly
growing economies in China and India that have significantly boosted export revenues. The strong appreciation in the Australian dollar is hampering manufacturing, tourism and services industries.

### Major Economic Indicators

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<th>2009/10 (A) (%)</th>
<th>2010/11 (A) (%)</th>
<th>2011/12 (F) (%)</th>
<th>2012/13 (F) (%)</th>
<th>2013/14 (P) %</th>
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<td>Real GDP(1)</td>
<td>1.3</td>
<td>2.7</td>
<td>3.25</td>
<td>3.25</td>
<td>3.0</td>
</tr>
<tr>
<td>Inflation (2)</td>
<td>1.8</td>
<td>2.8</td>
<td>2.25</td>
<td>3.25</td>
<td>2.5</td>
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<tr>
<td>Unemployment (3)</td>
<td>2.4</td>
<td>2.2</td>
<td>5.5</td>
<td>5.5</td>
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[Figure 2.1 Economic Overview 2009-2014 (forecast) Source: Budget 2011-12 | Treasury]

**Key:**
A: Actual figure
F: Forecasted figure
P: Projected Figure

1. GDP (per cent real change per annum): Percentage change in real GDP, over previous year.
2. Percentage change in consumer price index in local currency (period average), over previous year.
3. Recorded unemployment (per cent): Recorded official unemployment as a percentage of total labour force.

### Resource investments remain strong – signalling jobs growth

As the graph below shows, the resource sector continues to invest in mining, oil and gas and construction projects, signalling a strong outlook for commodity exports and jobs in these sectors.

[Figure 2.2 Australian resources investment pipeline. Source ABARES and BREE]

### Tightening labour market in resource rich states

Unemployment barely grew over the year to March 2012. The seasonally adjusted unemployment rate stood at 5.1 per cent in May 2012 (a marginal change compared with 5.2 per cent in September 2011). Large increases in jobs in mining and some service industries were roughly offset by declines in manufacturing, accommodation and food services, and retail. Mining investments in Western Australian and post flooding rebuilding projects in Queensland boosted jobs in these states. Comparatively, Victoria and New South Wales experienced significant job losses. Figures indicate a tightening labour market for
skilled professions in resource rich states and softening market in other states. The 2011/12 federal budget forecasts unemployment to remain low but drift up to 5.25 per cent by the mid-2012 and remain steady at 5.5 per cent in 2013. (Source: Budget.gov.au/2011-12)

**Challenges for Australian reward climate**

**A sense of uncertainty remains**

While at a macro level, Australia’s economy and national debt are in an enviable position within the global economic picture, a closer look reveals the patchwork economy is creating a more volatile climate. Outside of the resource sector, the prevailing weaker business confidence means a sense of uncertainty remains with a number of underlying factors creating a cautious and conservative approach to salary movements.

Some of the factors creating this sense of uncertainty include:

- Uncertainty and volatility surrounding the European debt crisis continues to plague financial markets and the impact of the recent GFC still lingers with many organisations
- Lack of skilled labour is pushing up salaries in technical roles in the booming resources sector
- Impact of the high Australian dollar – for many businesses the rising dollar is eroding profit margins and increasing costs, with deep impacts for the exports industries, particularly the local manufacturing and retail sectors
- Australian cities are among the most expensive in the world – with five capital cities ranked in the top 30 – due to the rising cost of living (Source: EUI worldwide cost of living survey). The resulting decline in consumer confidence is greatly impacting many organisations in the retail, hospitality and related sectors

Talent shortages in some areas drive up pay values:

- Salary increases may be used to retain talent and reduce turnover, yet this creates unsustainable pay grades and unrealistic future expectations for young workers – those generation Y and Z’s.
- Low unemployment creating the right conditions for employees to job hop – especially those that are considered to be an organisations best talent. Companies need to look at retaining these people through a range of engagement and reward strategies.
Fixed Annual Reward (FAR) Movements

The Hay Group definition of Fixed Annual Reward (FAR) is the sum of Base Salary, fixed allowances, benefits and superannuation. It does not include variable cash. (Refer to Appendix for remuneration definitions).

Fixed pay increases across sectors

Fixed Annual Reward across all industries rose on average by 4.5 per cent over the last 12 months.

The data in Figure 3.0 Five Year average Fixed Annual Reward movements, illustrates the steady movements during the boom years of 2007-2009, followed by a sharp decline in movements due to the global financial crisis in 2010.

![Hay Group's average annual movements in Fixed Annual Reward](chart)

(Note that due to a lack of sufficient data, Resources movements could not be published from 2008 – 2010)

Fixed Annual Reward moved 3.9 per cent in the Finance sector (still shy of the pre-GFC movements seen in 2008-09) and 4.2 per cent in the overall Industrial & Services (All organisations less Financial Services) market. In the Resource sector the increase was 6.4 per cent. If Fixed Annual Reward is examined in isolation, the Resource market appears to widen the gap in pay trends in the year to March 2012.)
However, wider analyses reveals that while strong, the resource sector invested more of their reward spend in fixed pay, with movements in incentive pay much more closely aligned to the other major industry groups (see section 4).

The Hay Group PayNet Database did not record any sign of ‘pay freeze’ policies. In other words, salaries increased across the board, even if by a smaller percentage in some industries.

The above chart (Fig 3.0) also shows the movement in the Resource sector which has eased in 2012 after rising sharply the previous year. This perhaps is attributable to factors including commodity prices easing and the impact of the Queensland floods on the State’s mining operations.

When assessing the movements by job seniority over the past year, fixed annual reward movements were relatively similar for managers (4.7 per cent) and executives (4.3 per cent).

**Hay Group predicts salaries to increase by 4 per cent in 2012**

Hay Group forecasts salary adjustments of 4 per cent in Fixed Annual Reward for All Industries and 6.3 per cent in the Resources sector in the coming year (see Figure 3.0). Hay Group envisages higher increases to extend to critical or technical roles in all resource related industries including construction, most notably at the professional job levels.

However, not all sectors are enjoying the boom times. Manufacturing, tourism and retail have been affected by high exchange rates on currency, global volatility and subdued household spending as Australians brace themselves for rising living costs, among other things. This means organisations should pay careful consideration to the sectors in which it competes for talent, which may differ for different groups of jobs.
04 Total Annual Reward Movements

Total Annual Reward (TAR) Movements
The Hay Group definition of Total Annual Reward (TAR) is FAR with the addition of Actual Short Term Incentive payments and Superannuation Contribution on variable OTE payments, such as Actual Short Term Incentive. (Refer to Appendix 1 for remuneration definitions)

Total Annual Reward pay increases across sectors
Total Annual Reward across all industries rose on average by 5.0 per cent over the last 12 months.

The data in Figure 4.0 Five Year average Total Annual Reward movements, illustrates something similar to that of the Fixed Annual Reward Movements.

For the reporting period to February 2012, bonus payments did not increase as rapidly compared to the previous year, but are still a key component of salary design. This is most notable in the Financial Services sector which saw a 5.7 per cent increase for Total Annual Reward (compared with 0.1 per cent over the 2009 – 2010 period) and back to levels of those in 2008 – illustrating the emphasis that the Financial Services sector places on performance-based pay. The Resource sector took a more conservative
approach with a 5.5 per cent increase in Total Annual Reward with Industrial and Service at 4.9 per cent. Overall, these three sectors moved relatively evenly over the last 12 months and we anticipate this trend to continue into 2012/2013.

When assessing TAR movements by job seniority, managers were clustered very tightly (4 per cent difference between the lowest and highest for the different groups of managers), suggesting that pay increases for managers are considered more at a macro level with limited differentiation between incumbents. In contrast, the spread of paid TAR annual movements (13 per cent difference between the lowest and highest) in the executive group is far greater, suggesting that there is much more differentiation for performance, experience, and circumstances.

**Incentivised pay still important**

Our market data suggests incentive pay was a crucial means of rewarding staff in the year to 28 February 2012. As well as serving as an important talent and risk management strategy, the increase in variable pay acts to incentivise outcomes and reduce the fixed costs of reward if targets are not met. Hence, organisations are saying – we are happy to pay more if you are more productive or deliver what the business expects of you (and more).

Figure 4.1 below shows that in 2011, incentives represent a significant percentage of fixed annual reward for all work levels. Executive target incentives increased significantly from 30.4 to 37.9 per cent, the largest growth for the last four years. This reflects a shift to rewarding executives relative to company goals and performance (which has been found to be the most effective incentive at the executive level). The increased ‘line of sight’ between pay and performance means the split between fixed and incentive pay is more distinct with bonuses typically making up 38 per cent of the overall package.
When comparing actual incentive payments vs target (in 2011), the incentive component of the reward mix for senior management/executive level was most effective in driving outcomes, with the average actual bonus payment outperforming the target by around 3 per cent. However, for the job groups of clerical, professionals and even managers, actual payments were around 2 per cent lower than the targets – this gap is the closest we have seen in recent years.

Organisations that ensure employees understand what they are rewarded for and link this to performance (business, team and individual) are the ones that are more likely to have an improved shareholder return and lower staff turnover.
## Hot Sectors

**Resources and construction jobs still command a premium (but not at the 2010/11 levels)**

Salaries in the resources and construction industries are ballooning compared to the general market. Mining (20.6 per cent), Construction (18.8 per cent) and Oil and Gas (16.5 per cent) are leading the way commanding double-digit premiums in total pay packages above the rest of the market (refer to Figure 5.0 below).

The mix of a thriving Mining industry with planned expansions in 2012, rebuilding in Queensland and skill shortages localised to these industries will only further strengthen pay premiums. This is likely to wedge an even bigger gap between mining related industries and the rest of the market.

![2012 industry pay premiums based on Total Annual Reward values](image)

**Figure 5.0:** ‘Hot’ industry sectors paying a premium for talent in 2012 (Total Annual Reward)

Increased activity in the Mining and Oil & Gas sectors is also having a flow-on effect in sectors that service resource companies such as Construction as well as those employing similar skills in demand such as Industrial metals (7.5 per cent) and Utilities (4.6 per cent).
By contrast, Figure 5.1 reveals the weakness in a number of other sectors. Average fixed annual reward in the High Technology (aerospace and defence, electronic and electrical equipment) industry is lower than the general market by 9.2 per cent for the 12 month reporting period, followed by Industrial Goods (automobile parts, industrial machinery, containers and packaging), Building Materials, Consumer durables, Business Services, Fast Moving Consumer Goods and Insurance.

It is interesting to note that organisations that have the highest number of employees in Australia are more than likely to be the lowest payers with the Education, Retail and Healthcare industries all between five and 15 per cent below market average.

**Hot jobs**

The flow-on effect of the resources boom is the demand for key skills and ‘hot jobs’. As a result of the fierce competition in high performing sectors, pay values are being driven upwards.
Resources, construction, and utility related jobs set the pace

Mining operations was the ‘hottest’ job family in 2011/2012, followed by Petroleum engineering. As shown in graph (5.2) Mining and construction related jobs are clearly leading the rest of the market. Investment banking joined the list in 6th place, reflecting a rebound in the financial services and investment sector.

Jobs in exploration, petroleum engineering and mining operations command Total Annual Reward premiums over 30 per cent while mining engineering jobs, construction related jobs and investment bankers attracted premiums of around 24 per cent plus. Albeit slightly smaller, utility related and corporate banking jobs earned premiums varying between 10 to 15 per cent above the general market.

The pipeline of mining and construction projects demanding these skills suggest these pay premiums are likely to stretch into 2012/13.

Most Common jobs

The flip side of the 2-speed economy is evident in Figure 5.3, revealing the jobs with a pay differential below the national market average. Advertising and media showed the widest gap, followed by customer service.
It is interesting to see the premiums commanded by “specialised” jobs such as legal, engineering and IT even though these premiums – especially IT and general Engineering – have dropped considerably over the past 10 years. At the other end of the spectrum marketing, sales, admin and HR roles are under the market average. Research and development roles are also in the not-so-hot category (-5.5 per cent), which is a worrying observation. Through Hay Group’s Best Companies for Leadership survey, 94 per cent of Top 20 Companies for Leadership are prepared to run unprofitable projects or innovate to try new things – an area that Australian companies are at risk of falling behind in.

![Figure 5.3: Total Annual Reward comparisons for common job families](image)

In the job functions where salaries are below the national market, retaining talent and incentivising performance through traditional pay-related measures may require a rethink. Research has found that financial reward is not the only way of communicating the value organisations place on employees. As previously mentioned in this report, there is an opportunity to use non-monetary rewards to attract, motivate and retain talent. Some non-monetary rewards could include career development, progression opportunities and work/life balance initiatives.

**Comparison by Geography**

**Highest premiums in remote Western Australia**
Jobs in regional Western Australia command 16.8 per cent larger Total Annual Reward salaries compared to the nation’s average for all geographies. In 2011, the difference was 13.4 per cent, suggesting the gap in Total Annual Reward in regional Western Australia is widening rapidly (Source: Hay Group ASMI Nov 2011).
Meanwhile, jobs in regional Queensland earn a premium of 1.8 per cent in Total Annual Reward, a retracted margin compared to 2011 when the premium was 4.9 per cent for Total Annual Reward. This could be a result of the impact of the floods on the Queensland resource sector. It is significant that all geographies where pay is above the market median correlate with resources, oil and gas and construction investments – a clear illustration of the multi-speed or patchwork economy.

The growth in Western Australia is also evident in the state’s recent employment figures. The Department of Education, Employment and Workplace Relations (DEEWR) has reported that over the year to March 2012, employment increased significantly in Western Australia, up by 44,900 (or 3.7 per cent), and the unemployment rate declined by 0.3 percentage points to 4.1 per cent, well below the national figure of 5.2 per cent. The participation rate also increased over the past year to 68.9 per cent – the highest of any state.

By contrast, labour market conditions in Victoria (with greater exposure to Manufacturing, which is hard hit by the high Australian dollar and competitive pressures) deteriorated over the year to March 2012. Employment fell by 22,800 (or 0.8 per cent) over the year, and the unemployment rate rose to 5.8 per cent in March 2012. Over the period, the participation rate fell by 0.4 percentage points to 65.3 per cent (Source: DEEWR Australian Jobs 2012).

Whilst there are known differences in the cost of living across the capital cities, these pressures are not currently being reflected in Hay Group’s market pay results. In fact, aside from Adelaide, we observed
little disparity in Total Annual Reward values (around five per cent) across the capital cities. So whilst Sydney is a more expensive city to live in next to Melbourne, Brisbane or Perth, individuals are earning comparable salaries in the Hay Group PayNet database. This suggests that whilst organisations may want to consider cost of living differences, it is not an absolute caveat to awarding higher/lower to individuals in more/less expensive cities.
Mature Markets

According to Hay Group’s global PayNet databases, the Australian market is well positioned when compared to other mature markets such as US, UK and also NZ. In 2012, Australia’s salary forecast predicts a 4 per cent increase, ahead of the US, UK and NZ (all predicting a 3 per cent rise) across all levels in the market (Refer to Figure 6.0 below). We expect that the 2012 forecasts for the UK and US will be revised down in the coming months due to the economic situation.

Figure 6.0 Salary movement and forecast comparisons between mature markets

When compared with forecasted inflationary pressures, disposable income will rise by around one per cent in Australia. Inflation has slowed to its lowest level since 2009 in the UK with forecasted inflation (2.8 per cent in May 2012) influencing the conservative increases in salaries. This places Australia in a strong position to hold onto local talent and also attract international talent.

When comparing actual pay, Figure 6.1 below shows that in Australians are still out-earning their NZ, UK and US counterparts in the four key job levels.
Developing Markets

**India set to gain largest real wage outcomes in 2012**

Hay Group’s PayNet database shows that in the developing markets, salaries are predicted to move 10.0 per cent in India, 9.5 per cent in China, 5.5 per cent in Brazil and 4.2 per cent in UAE. The forecasted inflation of 8.8 per cent in India is set to erode household disposable incomes and keep pay movements on an upward trajectory.
Australian salaries are also higher for all job levels when compared to the fastest growing economies of China, India, UAE and Brazil as shown in Figure 6.2. However, the cost of living in Australia is much higher than cities in developing economies. Indian cities of Mumbai and New Delhi ranked 128th and 130th on a list of the most expensive cities, while Sydney and Melbourne were placed 7th and 8th respectively. (EIU worldwide Cost of Living Survey).
Appendix

Remuneration Definitions

Movements
Salary movements presented throughout this report have been calculated using only those organisations participating in the database at two anchor points in a 12 month period i.e. February 2012 and February 2011. This ensures that the movements presented are reliable and valid when examining trends over time. These are reflective of each individual 12 month period and are not to be taken as cumulative over a number of years.

Actual Short Term Incentive
Actual Short Term Incentive (STI) is the actual award amount paid during the most recent twelve-month period under a target based incentive or bonus / profit sharing plan. Where applicable it also includes commission, production bonus and productivity bonus. The full year award is included even where part of the payment is deferred for a period of time. This concept includes zero values i.e. where an incumbent qualified for a Short Term Incentive but did not receive one in the last year, for performance reasons. It does not include incumbents who do not participate in any Short Term Incentive scheme.

Target Short Term Incentive
Target Short Term Incentive is the target award amount anticipated to be paid at the completion of the current twelve-month period under a target based incentive or bonus / profit sharing plan at the planned performance level. Where applicable it also includes targets for commission, production bonus and productivity bonus. The amounts given under this concept may or may not include the superannuation associated with the payments as per “Ordinary Time Earnings” (hereafter referred to as OTE).

Fixed Annual Reward
Fixed Annual Reward (FAR) is the sum of Base Salary plus fixed allowances and benefits such as medical, telephone, company cars, loans, club fees, car allowances plus Employer Superannuation on fixed package elements, but excluding Actual Short Term Incentive and Superannuation on variable OTE package elements. The cost of Fringe Benefit Tax (FBT) and Goods and Services Tax (GST) is also included.

Total Annual Reward
Total Annual Reward (TAR) is FAR defined as above with the addition of Actual Short Term Incentive payments and Superannuation Contribution on variable OTE payments, such as Actual Short Term Incentive.
**STI as a Percentage of FAR**

STI as a Percentage of FAR is the Actual Short Term Incentive amount paid during the most recent twelvemonth period under a target based incentive or bonus / profit sharing plan as a percentage of Fixed Annual Reward.

**Target as a Percentage of FAR**

Target as a Percentage of FAR is the Target Short Term Incentive amount anticipated to be paid at the completion of the current twelve-month period under a target based incentive or bonus / profit sharing plan at the planned performance level as a percentage of Fixed Annual Reward. As defined above, Target Short Term Incentive payments may or may not include the superannuation associated with the payments as per “Ordinary Time Earnings” (hereafter referred to as OTE).

*Please note: all of the above definitions EXCLUDE payments which vary due to the hours worked (eg shift allowance, overtime, callout/standby payments) and any allowances which are site related (eg Fly-in Fly-Out, remote location).*

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**About this Report**

The Australian Salary Movement Index (ASMI) is released on a biannual basis. It observes trends throughout Australia across all industries, geographic regions and job levels.

This report includes detailed analysis, which addresses the following questions:

- How is the economy tracking?
- How is pay moved in the key sectors and what is the salary forecast for next 12 months?
- Which geographic, industry and job family pay differentials does one need to be aware of?
- How prevalent are Short Term Incentives? What is the value of incentives?
- How does the reward mix vary by job size?
- How are global markets moving?

The Australian Salary Movement Index report is a comprehensive overview of the Australian reward climate as reflected by Hay Group’s PayNet database. This report is based on market results from 443 organisations and well over 270,000 jobs collected by Hay Group updated on 28 February, 2012. Internationally, Hay Group’s PayNet databases cover over 90 countries with 15,000 organisations providing data on 12 million incumbents.

The charts below represent the distribution of the Australian database participants by major industry.
Data Collection
Data is collected on a rolling basis throughout the year as clients complete their annual remuneration review cycles. This ideally occurs within 90 days of a finalised review. This approach means that Hay Group’s Australian databases reflect only current data, direct from our client organisations. Data submissions are subjected to extensive quality checks before they are integrated to the database.

All survey jobs require full identification coding to allow analysis based on geography, industry and job family. Every part of the remuneration mix has also been collected allowing analysis for each component and/or aggregate in isolation, as well as overall package value.

About Hay Group
Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organise people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organisations realise their potential.

We have over 2600 employees working in 85 offices in 48 countries. Our clients are from the private, public and not-for-profit sectors, across every major industry. For more information please contact 1800 150 124 or email us at info_pacific@haygroup.com.
About Hay Group’s Reward Information Services

Hay Group helps organisations untangle complex compensation and total reward information to reveal the insights needed to make pay decisions and support strategic business goals.

We help clients in over 90 countries utilise benchmarking information to maximise the return on their payroll investment. We always seek to understand your reward information requirements and present the right solution to meet your needs. We understand the role of reward as a strategic ‘lever’ in organisations and we have unrivalled experience in providing detailed and practical information to guide on-going decisions.

We can help organisations regardless of size. Our client base spans multinationals with thousands of employees across multiple geographic regions.

Our databases enable clients to make in-depth compensation comparisons with unparalleled consistency and reliability. We are continually improving and expanding the databases to provide deeper dimensions of analysis, more customised capabilities and greater flexibility.

About the Author

Steven Paola is a senior consultant with Hay Group based in Melbourne. Steven helps organisations understand how reward can be managed efficiently and effectively in the organisation to benchmark its internal equity and external competitiveness and achieve the appropriate return on investment. This specifically revolves around providing advice and interpretation of market pay and benefits information and then the link to how best use this in the organisation.

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