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9 December 2010

Salaries set to soar as job numbers rise and unemployment falls

ABS today released figures showing that total employment for November rose by 54,600 with unemployment falling to 5.2%. The growing strength of the employment market and the resurgence of the war-for-talent will see salaries rise on average by 4.2% in 2011 (figures from Aon Hewitt's 2010/2011 Salary Increase Report).

As the Global Financial Crisis continues to subside organisations are digging deep to attract and retain top talent. Findings from Aon Hewitt's 2010/2011 Salary Increase Report identify an overall increase in salary budgeting that reflects the stronger than expected recovery of the Australian economy.

The study, which surveyed 210 organisations from a variety of industries within Australia, measured an average overall salary budget increase of 3.8% in 2010, higher than the 2009 prediction of 3.4%. The report also predicts that the average increase will continue - reaching 4.2% in 2011 and surpassing the long term average of 4.0%.

"The main driving force behind this growth is the desire to attract and retain talented employees in an increasingly tight job market. As market activity continues to pick up, organisations are fighting to ensure that they have the best people in place to achieve optimum growth and take best advantage from the recovering market." Comments Tim Powell, CEO Human Capital Consulting - South East Asia and the Pacific at Aon Hewitt.

The 2010 / 2011 report also looked into candidate movement post GFC and identified 'Better External Opportunity' as being the most prevalent reason for voluntary attrition, with 79.8% of organisations recognising it as a significant cause for losing staff in 2010. 'Limited Growth Opportunities' was identified as the second most prevalent factor driving staff turnover (45.9%).

Findings from the report suggest that the diminishing need to control compensation costs is another factor influencing salary increases. As the economy recovers, measures such as variable bonus reductions and salary freezes are becoming less relevant. Forecasts from last year's report indicated that almost half of organisations surveyed intended to implement salary freezes at some level in 2010, while the current report shows that a mere 8% carried through with them. After taking a major hit in 2009, variable pay plans were also relatively unaffected in 2010 with only 9% of companies indicating reductions, and no organisations delaying payment of their variable bonuses.

Results from the current report show that a near negligible 2.1% of organisations intend to implement salary freezes in 2011, with salary budgets expected to increase on average by 4.2%. Those working in the construction and engineering industry are set to receive the highest salary increase of 5.1% on average. With those working in the Insurance and Pharmaceutical industries also set to receive above average increases.

"Overall, our report projections for 2011 show higher than average growth of 4.2%, a clear sign of the strengthening market. The war for talent is certainly resurfacing, with organisations eager to keep hold of their key talent as the benefit of a competitive workforce regains significance over economic survival". Concludes Powell.

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