

## Market Trends

### Salary Review Budgets

Results of Higbee Schäffler's recent website poll showed the following:

- 42%** of participants have frozen salaries and wages for the year
- 54%** have salary review budgets of 3% or lower
- 70%** are managing a lower salary review budget than originally forecast
- 4%** will pass on salary increases of more than 3%

In contrast, over **50%** of participants in our January – March surveys anticipated salary review budgets in excess of 3%.

While the website poll was informal, the results were reflected in a more formal survey of employers carried out in February and again in April, which saw a drop of almost 1% in salary review budgets over that two month period.

### Recruitment and Retention

As the recession began to hit home at the end of 2008, with a resulting increase in unemployment, recruitment became easier and there was less pressure on employers to focus on attraction and retention.

However, the recent Westpac McDermott Miller Employment Expectations Index, which lifted a record 9.9 points in the June quarter, suggests that employees may be starting to feel more positive about future prospects. As a result of that more positive expectation, employees may once again be willing to think about changing employers.

This shift in outlook sends a strong message to employers that even though they still need to manage their overall employment costs, they also need to make sure they focus on the retention of their star performers. If you only have a small amount of money in the salary review kitty, now more than ever you need to target it squarely at rewarding outstanding performance.

### Motor Vehicle Costs

The annual update of our motor vehicle costing methodology has shown a significant drop in the value of company cars provided to employees.

This drop has been driven largely by two items in the costing process:

- *Interest rates* - have dropped from 9.5% in 2008 to only 4.6% in 2009\*
- *Petrol costs* - have dropped from \$2.15 to \$1.67 per litre\*

Some examples of changes in value for commonly provided vehicles are shown below:

Vehicle	\$ Value without FBT		\$ Value with FBT	
	2008	2009	2008	2009
Ford Mondeo Sedan	14,142	13,180	19,004	18,542
Mazda 6 Sedan	14,915	13,119	20,191	18,443
Mitsubishi Lancer Sedan	11,290	10,304	15,129	14,464
Toyota Camry Sedan	16,126	14,708	22,014	20,979

\*Interest rates and petrol costs are based on the AA's annual report on vehicle running costs