Market Trends: June 2010

Since our February newsletter, we've produced some of our most comprehensive survey reports – both cross-industry and industry specific – and their data have reflected the difficulties the economy experienced over the previous 12 months. After many years of what appeared to be ever-increasing salary movements, the 2009 – 2010 movements have dropped to lows not seen since the late 1990s.

Market Movement versus Salary Increases

While we've included these definitions in the newsletter before, it's worth having another look at them, since we often find that there's some confusion between reported market movements and salary increases.

Market Movement

+ Looks at the value of the job in the market as a whole
+ Dynamic and volatile movement – can be up or down
+ Incorporates recruitments, exits, premiums, as well as salary increases

Salary Increases

+ Looks at average pay increases for individual employees
+ Typically an upward year on year movement

If you relate these terms to those used by Statistics New Zealand, Market movement can be roughly equated to the Quarterly Employment Survey (QES) figures, while salary increases can be compared with the Labour Cost Index (LCI), which specifically excludes anything other than individual same job salary changes.

Market Movements 2010

Movement in the General Market (public and private sectors combined), as reported in the 2010 NZ Remuneration Report, was an overall 1.7% for Fixed Remuneration. Public sector movement was 2.7%, while movement in the private sector was 1.6%. Our 2010 Corporate Services and Executive Management Report, covering mid- to large-sized private sector organisations reported movement of only 1.1% at the Fixed Remuneration comparator.

To put these results in perspective, the LCI for the year to March 2010 increased by 1.5% (the lowest increase since the year to September 2000), while the QES for the same period showed that average hourly earnings increased by 2.1%. (Source: Statistics NZ). The LCI also showed a difference between public and private sector movements, with the public sector moving by 2.3% and the private sector by 1.3%.

Salary Forecasts

As confidence slowly returns to the New Zealand market, salary increase forecasts are reflecting intent to maintain a fairly tight hold on salary movements, while still rewarding employees at a slightly higher level than in the last year. Private sector forecasts are for increases of 3%, while the public sector is forecasting 2.2%. This would appear to reflect a loosening of the purse strings in the private sector, where increases have been tightly contained, and a tightening of those same purse strings in the public sector as the government continues to insist on stringent financial management.