

Credit crisis hits employees in the back pocket

Private sector salary increases look to be significantly lower in 2009, based on a website poll conducted by private sector remuneration consultants, Strategic Pay Limited. After five years of annual salary increases typically in the range of 4.2% to 5.5%, employees in more than half of the 36 companies who participated in the poll can look forward to salary increases of less than 3%; only three companies are budgeting more than 4%.

While this looks like bad news for workers, Director Helene Higbee says employees are generally realistic about the economy. "The results confirm our recent experience of the market, although even we were surprised at the extent of the swing. We know of several companies with wage freezes, whose employees have been very accepting of the practice. Given the choice between keeping a job and receiving an increase, most people prefer the former."

Employees who do lose their jobs face a tough market, particularly in the hard-hit finance sector. In many companies, wage freezes are accompanied by recruitment freezes, and one-third of employees made redundant are likely to receive no redundancy payments at all. "Our most recent Financial Services sector survey reported that 32% of companies offer no redundancy provisions. Job security has suddenly become an issue."

However, there are a few bright spots in the market "It's not all doom and gloom – the drop in the exchange rate has helped exporters, and some industries thrive in tough conditions." In addition, almost 20% of the employers polled expect bonuses and incentives to be at least as high as last year's, indicating good business results.

Ironically, some employers in more buoyant sectors are finding it hard to attract candidates, with employees preferring to stick with their current job until things become clearer. "Most people are just sitting tight, waiting to see how the economy fares."

Strategic Pay Limited will have more robust data when their two key New Zealand-wide salary surveys are published in March and April. "We may find more moderate results from our formal market surveys, but overall, the ball is now in the employers' court – after years of capitulating to market wage pressure, affordability is once again an acceptable criterion in salary increase budgeting."