

**AIM Media Release
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SME pay increases in WA defy the doom and gloom

Despite the current crisis, small company employees in Western Australia (WA) received an average annual salary rise of 4.9 per cent in 2008/2009, slightly higher than the national average for small companies of 4.6 per cent and the upward trend is set to continue over the next 12 months, the nation's leading survey of salaries and human resources trends has found.

In fact, while the expected 4.6 per cent average pay increase forecast by small companies in WA for 2009/2010 is slightly lower than actual increases passed on over the past twelve months, they are still well above the national forecasts of 4.1 per cent.

And employees working in Australia's small companies are increasingly choosing to stay with their employers, with voluntary staff turnover rates plummeting to 9 per cent per annum, from 12.7 per cent in the previous year.

There is likely to be even less opportunity for staff to move between small companies in the foreseeable future, with only around one-third (34.2 per cent) of small companies expecting to increase permanent staff numbers over the next 12 months, down significantly from 67.3 per cent in the previous year.

The Australian Institute of Management's (AIM) National Salary Survey 2009 (now in its 45th year of publication) was based on the responses of 759 companies, comprising small companies (211 contributors) and large companies (548 contributors).

The Survey revealed signs of further negative fallout from the global economic downturn, with annual salaries nationally rising by 4.6 per cent in the 2008/2009 year (down from 5.2 per cent in the previous year). This downward trend is set to continue into the foreseeable future, with small companies forecasting wage movements for 2009/2010 nationally at only 4.1 per cent, according to the nation's leading salary survey.

Small companies in Victoria/Tasmania have been hardest hit, with the rate of actual salary increases down 1.1 per cent from the previous year's pay movements and forecast salary increases down 1.3 per cent from the previous years forecast salary increases.

The combined effects of lower wage increases and higher involuntary turnover rates, amounts to significant challenges for organisations to contain employment costs while remaining competitive and keeping employees engaged, all within the context of an increasingly uncertain and challenging economic environment.

“Within this Market, savvy employers are looking at creative ways to attract, retain and motivate people. This may include putting in place a career development plan, complete with a formal training program, to give employees the skills they need to progress to the next level within the organisation. In this way employees get that sense of a great career move, while employers get to engage and retain high-performing individuals,” said the chief executive of AIM WA, Mr Patrick Cullen.

While voluntary staff turnover rates are down on last year, they still pose a threat to small companies due to the significant costs associated with recruitment and re-training.

As indicated in the Survey, the top reasons for staff resignations from small companies were to pursue a new challenge (in 64.7 per cent of small companies) and to obtain better pay (in 51.8 per cent of small companies).

“While pay is important, clearly there is a need for employers to ensure that employees have the right skills to take on more challenging roles and to ensure that investment in training is benefited by the organisation by developing and retaining key talent,” said Mr Cullen.

Indeed, the Survey indicates that in 2008/2009, only 40.0 per cent of small companies have a dedicated training budget (as compared to 57.3 per cent of large companies) while around one-fifth (21.7 per cent) of small companies have formal succession plans in place (as compared to 31.7 per cent of large companies).

According to the AIM Survey, despite the recent economic downturn, there has been little change in the proportion of small companies reporting that they expect to decrease training spend over the next 12 months.

Since last years (2008) Survey, a comparatively higher proportion of small companies in the Survey group reported using Performance Based Pay plans to incentivize Senior/Other Managers and Salaried Staff and help improve overall business performance.

“Given the increased difficulty in managing operating costs in order to remain competitive, it is perhaps not surprising that a comparatively higher proportion of small companies are electing to use low financial risk Variable Reward incentive schemes, in order to improve business performance,” said Mr Cullen.

Highlights of pay trends within the 2009 AIM Survey of small companies include:

The highest annual salary movement by job level was recorded for Professional Technical staff and Management (at 4.9 per cent and 4.8 per cent respectively), while Senior Executives had the lowest average salary rise (4.4 per cent). According to forecasts, Professional Technical staff will continue to receive the highest pay rises in the year ahead at 4.3 per cent, while Salaried Staff will have the lowest increases at 3.8 per cent;

By job family, the highest salary increase was recorded for Finance & Accounting and HR & Industrial Relations (both 5.1 per cent) and the lowest for Manufacturing and Purchasing & Distribution (3.6 per cent and 3.9 per cent respectively). The Manufacturing job family recorded the largest drop in salary movements since last years Survey (1.1 per cent lower). Average forecast salary movement for 2009/2010 by job family were between 3.0 per cent and 4.1 per cent, with the highest increase forecast for the General Management, Finance & Accounting and Information Technology job families and the lowest for the Manufacturing and Purchasing & Distribution job families. The greatest decrease in forecast salary movements, since those reported in last year's (2008) Survey was for the Manufacturing job family (1.3 per cent lower than the previous year's forecast);

Queensland recorded the highest salary rise for 2008/2009 at 5.4 per cent, while Victoria/Tasmania recorded the lowest (4.4 per cent). When compared to pay movements recorded in last year's (2008) AIM Survey, Victoria/Tasmania recorded the greatest fall (down 1.1 per cent). When comparing pay forecasts made in the 2008 AIM Survey to those made in the 2009 AIM Survey, Victoria/Tasmania is predicting the greatest decline (down 1.3 per cent from the forecast pay movement reported in the 2008 Survey) however, New South Wales/ACT is forecasting the lowest annual pay movements overall (at 3.9 per cent).

About the National Salary Survey 2009

A total of 759 private and publicly listed companies from a broad range of industries contributed to the 45th Australian Institute of Management's National Salary Survey 2009. The Large Company (more than \$10 million turnover) edition reports the data of 548 organisations, and the Small Company (less than \$10 million turnover) reports from 211. For more information go to www.aimsurveys.com.au

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To purchase a copy of the full National Salary Survey, please contact AIM WA's bookshop on (08) 9383 8088.