

HaRe Group newsletter: 27 July 2011

Subject: Financial forecasts – fickle, fallacious, or fair

Early this month, The Age published the results of a survey of 19 economists. The median of forecasts for next year included:

- CPI = 3.1%
(released today, 3.6% for the year to June 2011)
- Unemployment = 4.6% @ June 2012
(3.7% to 5.6% @ June 2011, depending on location)
- GDP = 3.55% for the financial year to June 2012
(1.0% pa @ March 2011, seasonally adjusted)
- RBA cash rate = 5.0% @ December 2011
(today, 4.75%)
- AU dollar = US\$1.02 @ December 2011
(this morning, US\$1.09)

HaRe Group research has also revealed that 2011 remuneration budgets will increase by a median of 4%, which is almost 1% ahead of the expected CPI rate. (In contrast, US surveys are predicting a median budget increase of 3%, which is less than their forecast CPI of 3.6%).

However, any comfort in knowing this median data is quickly unsettled by Australia's multispeed economy. Industries that are booming (like financial investment, gas production and mining) are facing significantly higher remuneration costs. Industries in decline (like wired telcos) have different talent management problems. Then there are the sectors that continue to struggle with the consumer confidence vacuum since the GFC – in particular, the larger retailers.

For employees, the Australian market presents a vicarious blend of opportunities. The younger generations with their higher degrees are often drawn into growth industries, or into those professions that service them. Unfortunately, there are also many underqualified people who are left to fill positions in less attractive industries that are desperate for talented employees. Where the unemployment rate falls under 5% (eg. Vic & WA), the problems for the less appealing employers tend to escalate.

Successful businesses meet these challenges head on. Attractive companies need to keep pace with industry conditions – competitive, performance-based remuneration is important, but it still needs to be delivered in concert with a familiar bundle of employment offers that address:

- Challenging and meaningful work;
- Enjoyable work environment (fun and positive);
- Reputation for looking after employees (not just promises);
- Personal development (professional and individual);
- Career development.

Companies in less attractive industries often have the challenge of limited resources, so HR budget management is a greater priority. Nevertheless, talent management must still be a strategic imperative and every employer needs to have its own bundle of employment offers tailored to support organisation culture.

Whatever the economic conditions, employers need to take a long-term view of their ability to attract and retain good people. While an HR department may illuminate the best strategy and provide all the right systems and processes, the desire for recognition as a great employer needs to be imbedded in the organisation's culture.

In my experience, market leadership and a "great employer" culture both involve fair & objective reward and individual recognition for contributing to business success. It's not just the performance management process, or the salary review system, it's the behaviour of all leaders in the organisation that will help make an employer great.

Simon Hare

www.haregroup.com.au