

The Salary Trap

Developed with IPSOS
SEPTEMBER 2022





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Introduction

Amidst economic uncertainty and in a moment of change in the job market, this RMIT Online report aims to understand how these transformations impact workers and companies. The goal is to help leaders and professionals interpret the trends and find the best solutions for them, their businesses and their employees.

Forward

The Australian job market is undergoing a tumultuous moment. In response to the covid-19 pandemic and border closures, strong government support to business has resulted in the lowest unemployment rates in decades.

As talent shortages impact most industries, companies are struggling to find employees to fill open positions. Combined with strong consumer demand, businesses are under pressure to meet the needs of their customers in the current climate, leading to companies offering higher salaries or promotions to attract critical talent.

On the other hand, rising inflation and interest rates are increasing the cost of living, generating pressure on households. These inflationary pressures are creating a sense of urgency, leading many to look for jobs that will offer them a promotion or a better paycheck, in order to maintain their lifestyle.

In the past 12 months, our research shows that around a third of employees have started new roles. However, this demand for new hires has driven increased salaries and led to higher performance expectations that might be difficult to sustain into the future.

Just under half of managers (46%) feel they have had to overpay new hires, and 40% feel their new colleagues don't have the skills or experience to be in their new roles.

When asked about their own roles, a third of managers who have changed jobs in the past 12 months don't feel qualified and are concerned they may not be able to maintain their current position. These employees are twice as likely to be actively searching for a new role, compared to those who have stayed in their current role for at least a year.

The combination of these trends has created a phenomenon we call the 'Salary Trap', impacting for both employers and employees. This is a situation where many companies are overpaying a proportion of their new hires in order to attract talent, and employees realise they might not have all of the necessary skills to succeed in their new positions.

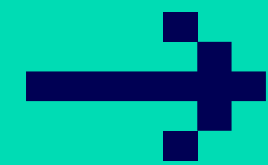
Our data reveals managers are more likely to feel trapped by recent moves and promotions, with 37% of those who have moved jobs recently, already actively looking for a new opportunity.

At RMIT Online, we study and help shape the future of work. This report contributes to understanding how businesses can build a bigger, better trained, and more productive workforce.

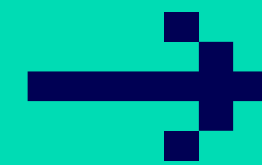
Claire Hopkins, Interim CEO RMIT Online



Methodology



Online interviews via
Ipsos Partner Panels



N=800 respondents

Screeners set to ensure
respondents were:

- Employed (employ staff if self employed)
- Work in an office or have worked in an office before COVID-19

Current employment landscape





Market and movement

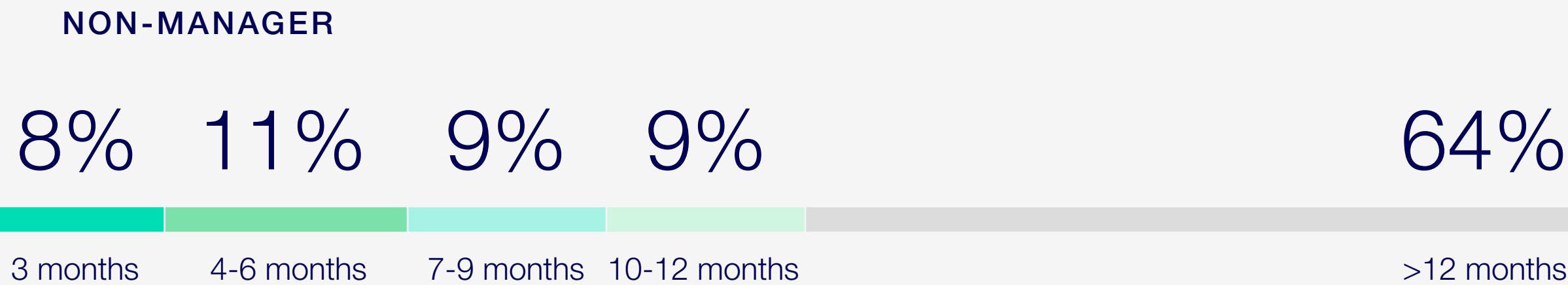
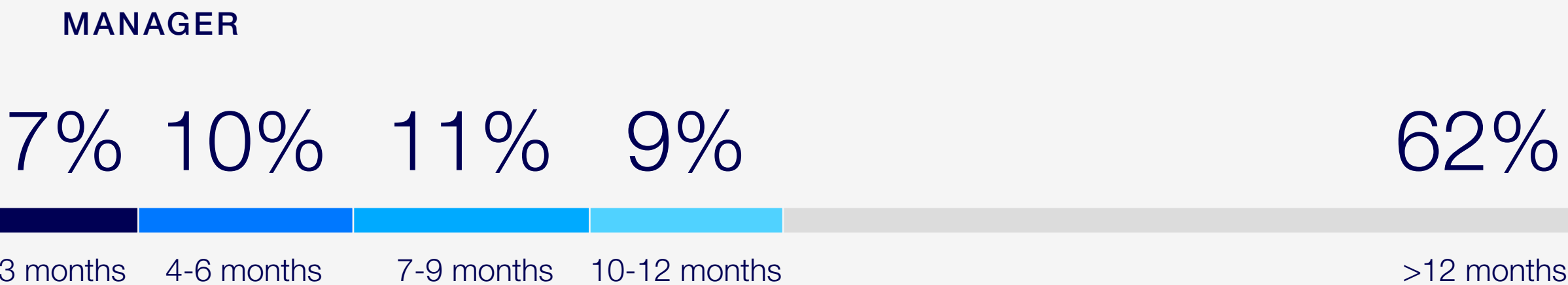
In the past 12 months, around a third of interviewed employees have started new roles. 1 in 4 managers claim to be actively looking for a new role – even amongst those who are satisfied, still 1 in 5 are actively searching (updating CVs, networking, talking to recruiters and taking courses are the top activities being actively pursued).

- The topic of compensation for current roles has a negative outlook and the role of salary is increasingly important in the face of economic pressures.
- Salary and role not being sufficiently good are the key reasons for declining jobs – for those who switched in the P12M, managers did so for (primarily) salary related reasons whilst non-managers focused on future career prospects (just over 1/3 said they left for less than \$5,000 pay increase).
- For those who had been in a role for more than a year, the overwhelming majority indicated they would leave for more money (75%). On average, the tipping point is \$12k. Still, 45% of managers would leave for future prospects suggesting there are other ways to keep them within the business.
- Whether the training is self directed or employer supplied, there is high participation in self improvement.

Career move recency

Over one in three Australians we surveyed claimed to have switched jobs in the past year.

Q7. Response to the question “Which statement best describes your most recent career move?”
(Base: all respondents n=800, managers n=405, non-managers n=395)

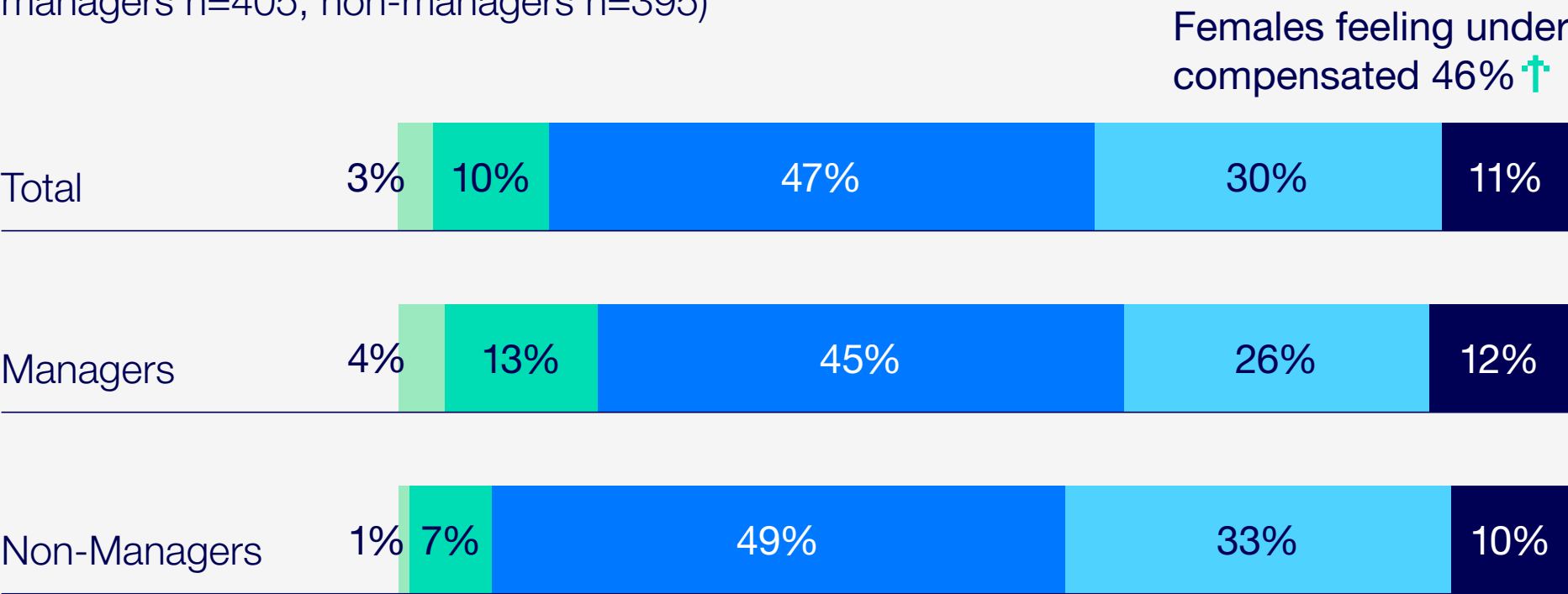


Current remuneration

Around half of Australians feel adequately compensated for their current role, while two fifths feel under-compensated. Managers feel slightly more compensated than non-managers.

REMUNERATION SENTIMENT

Q6. What statement best describes your sentiment towards your current remuneration? (Base: all respondents n=800, managers n=405, non-managers n=395)



COMPENSATION INDEX	OVER COMPENSATION	UNDER-COMPENSATION
-29%	12%	41%
-22%	17%↑	39%
-36%	8%	44%

- I am severely overcompensated for my role
- I am slightly overcompensated for my role
- I am fairly compensated for my role
- I am slightly under-compensated for my role
- I am severely under-compensated for my role

↑↓ Significantly lower/higher than overall at 95% CL.

Financial compensation

Agree Disagree

(T2B% - Strongly Agree/Agree)

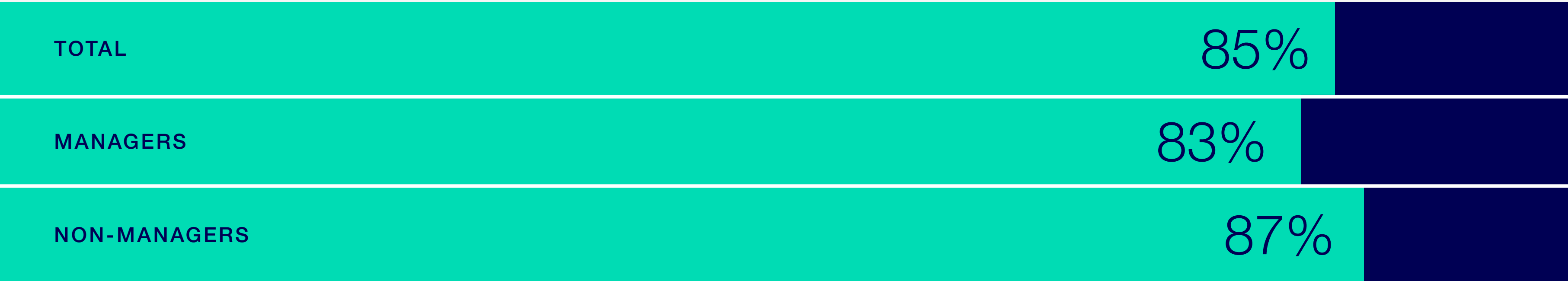
Q12. How much do you agree or disagree with the statement: “Inflation and high cost of living make salary and financial compensation more important to me now than a year ago.” Base: all respondents n=800, managers n=405, non-managers n=395)

Q5. How much do you agree or disagree with the statement: “In the past 12 months, I have talked negatively about my role and pay to those of my peers or friends.”

Significantly lower/higher than overall at 95% CL.

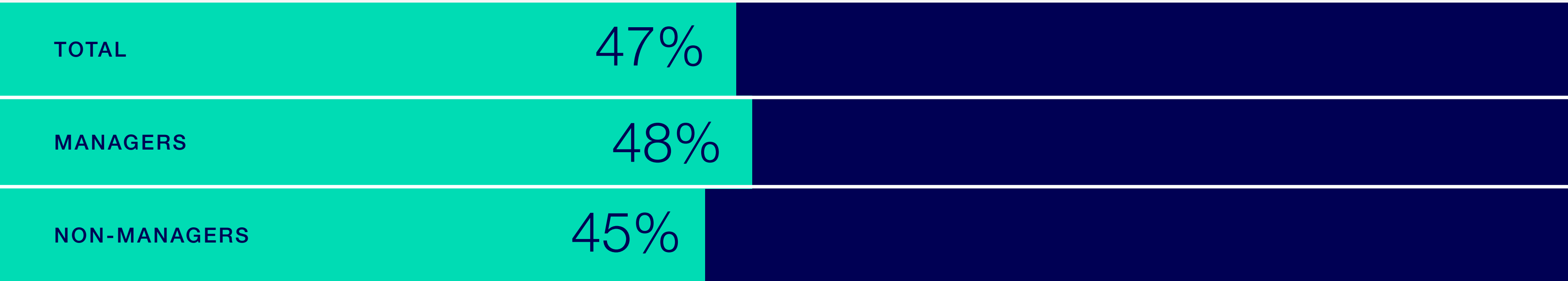
“Inflation and high cost of living make salary and financial compensation more important to me now than a year ago.”

55+ YO (59%)



“In the past 12 months, I have talked negatively about my role and pay to those of my peers or friends”

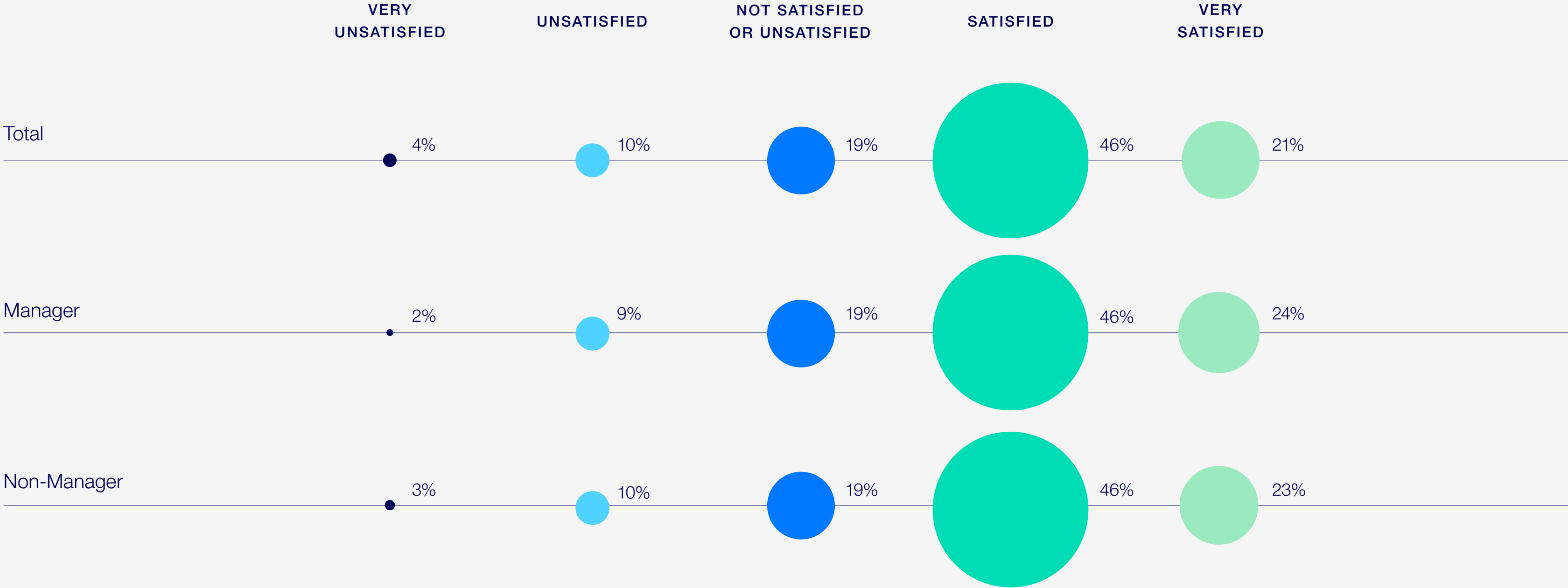
Female (52%)
55+ YO (32%)



Job satisfaction

Job satisfaction is mostly positive.

Q7. Response to the question “In relation to your job satisfaction, would you say that...” (Base: all respondents n=800, managers n=405, non-managers n=395)

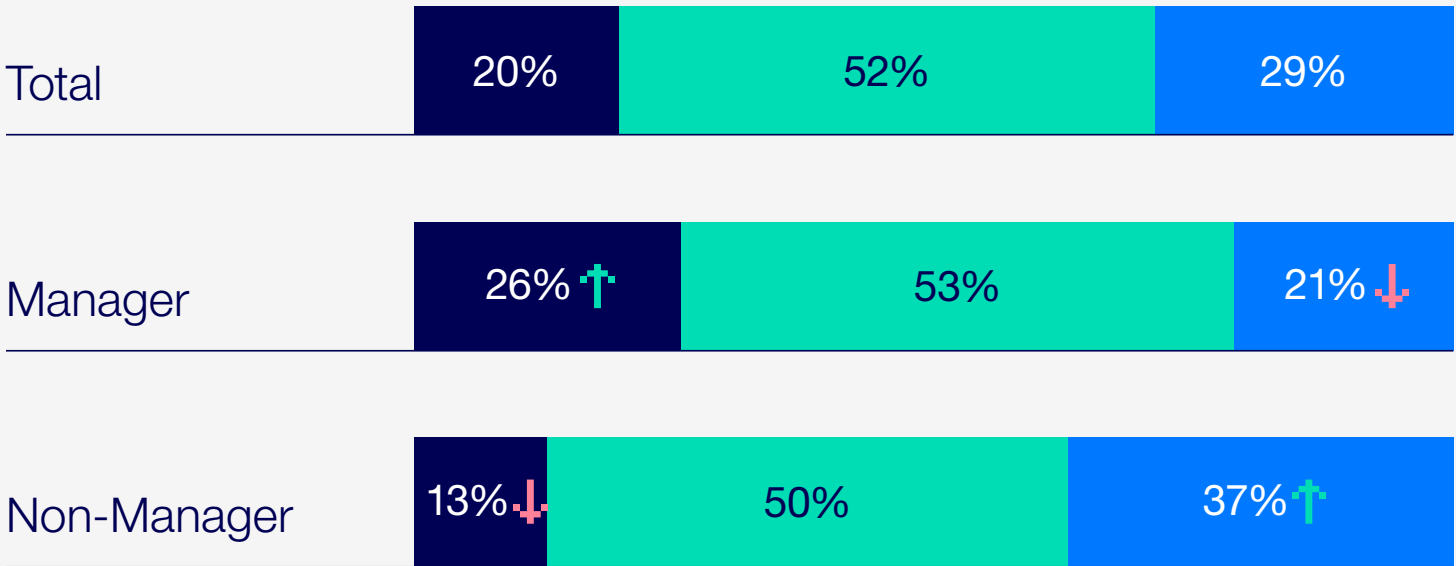


Satisfaction and job search

Of those who are actively looking for new roles, managers are doing so at a greater level regardless of satisfaction levels in their current roles.

JOB SEARCH STATUS

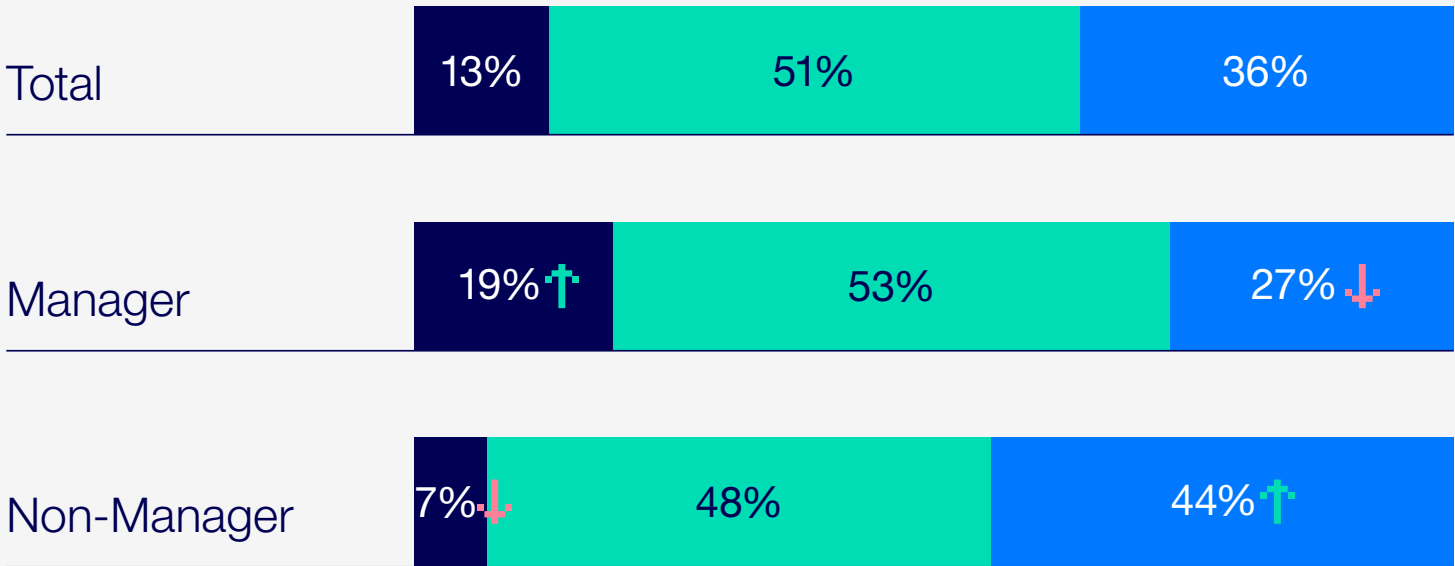
Response to the question “Which of the following best describes your current situation?” (Base: all respondents n=800, managers n=405, non-managers n=395)



JOB SEARCH STATUS

(Of those who were very satisfied or somewhat satisfied)

Response to the question “In relation to your job satisfaction, would you say that...” (Base: T2B satisfied with role n=549, managers n=283, non-managers n=266)



- Actively looking for new role
- Not actively looking but open to new role/opportunities
- Not currently looking for a new role

Significantly lower/higher than overall at 95% CL.

Reasons for dissatisfaction

Of those dissatisfied, 1 in 2 report not feeling valued and not being compensated fairly.

Q4. Response to the question “What is the reason you are unsatisfied or very unsatisfied with your current job? Please select the statements that are relevant to you. (Base: all dissatisfied n=98, managers n=45, non-managers n=53)

	TOTAL	MANAGERS	NON-MANAGERS
I don't feel valued	57%	60%	55%
I don't have an adequate salary for my role or level of responsibility	51%	56%	47%
I'm poorly managed	43%	42%	43%
I don't have clarity about my career progression	41%	42%	40%
I don't fit into my current company's culture	31%	29%	32%
I haven't received a promotion or a pay raise in the last year	28%	38%	19%
I don't enjoy the sector my current company works in	24%	13%	34%
I don't receive training	22%	27%	19%
I don't like my colleagues	13%	20%	8%

What is being offered and luring candidates





A salary increase in a new role is the main reason for changing jobs

For those who have switched in the P12M, an increase in salary is the top reason for taking a new role, while future career advancement opportunities is highly regarded too. Managers are moving for money and non-managers are more focused on career advancement. Non-managers switching jobs in the past 12 months do so more for roles offering less than a \$5,000 raise.

Minimum salary increase accepted and drivers to move to new job

Three-quarters of those employed longer than a year have increased salary as the top reason to move to a new role; it would only need to be a \$10,000 salary increase for half of them. Future career opportunities and promotions are indicatively more important for managers.

Main driver for new role

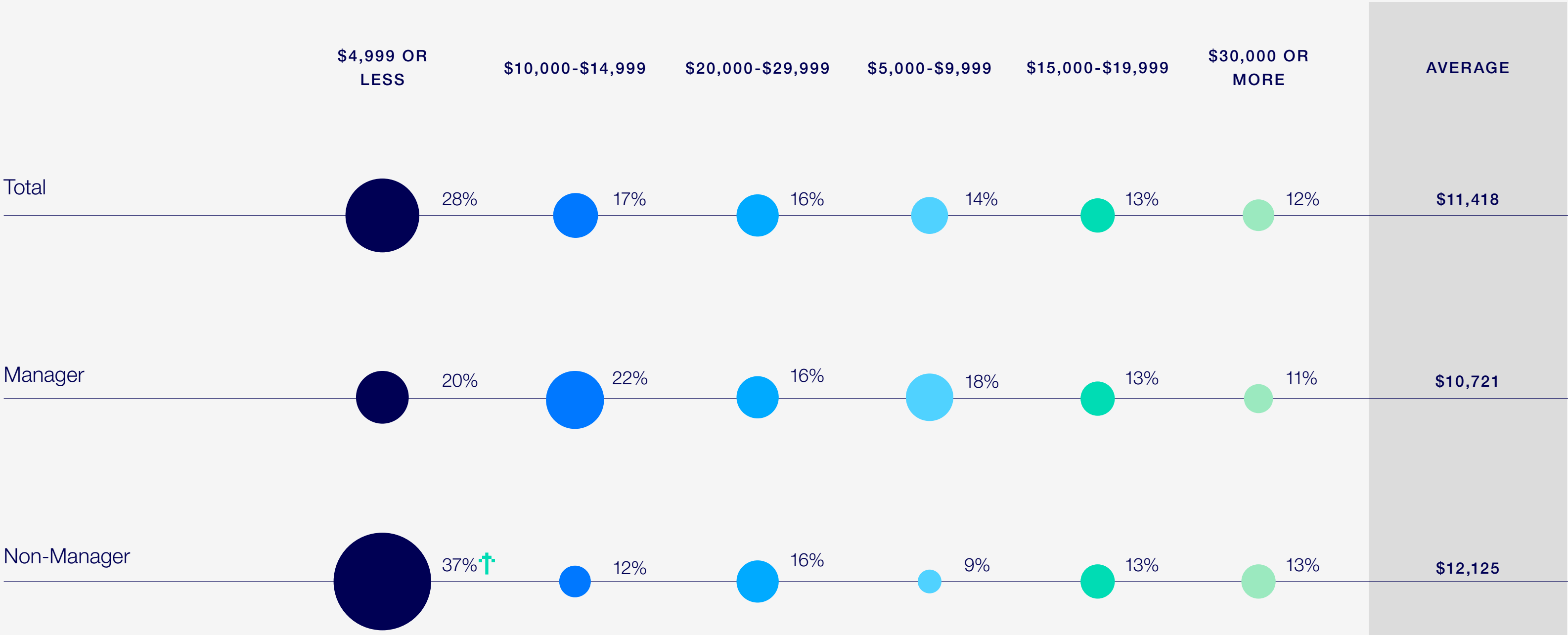
What was the primary reason for taking on a new role?

	TOTAL	MANAGERS	NON-MANAGERS
NET: Increase in salary	35%	41%	27%
Increase in salary & a promotion	24%	29%	19%
Future career advancement opportunities	18%	14%	22%
I felt burnout at my previous job	11%	11%	11%
Increase in salary for the same position	11%	13%	8%
I was poorly managed at my previous work	9%	11%	8%
Hybrid/remote work without salary increase	5%	8%	2%
Better cultural fit	4%	5%	5%
Greater flexibility without salary increase	4%	2%	4%
Didn't identify with previous company's values area of expertise	3%	4%	6%
Other	9%	4%	15%

(Base: Those who changed jobs in P12M n=295, managers n=152, non-managers n=143)

Annual salary increase

What was the increment of annual salary that you received in your most recent job move?



(Base: Those job switching in P12M)
(Base: all respondents n=295, managers n=152, non-managers n=143)

↑ Significantly higher than overall at 95% CL.

Main driver for new role

What would be the drivers to move to a new job?

	TOTAL	MANAGERS	NON-MANAGERS
Increased salary	75%	75%	75%
Future career opportunities	40%	45%	36%
Greater general flexibility	38%	34%	36%
A promotion	35%	40%	29%
A better hybrid/remote work model	25%	26%	24%
Better cultural fit	21%	21%	21%
More training	15%	15%	15%
Paid study leave	10%	13%	8%
Other	9%	8%	10%

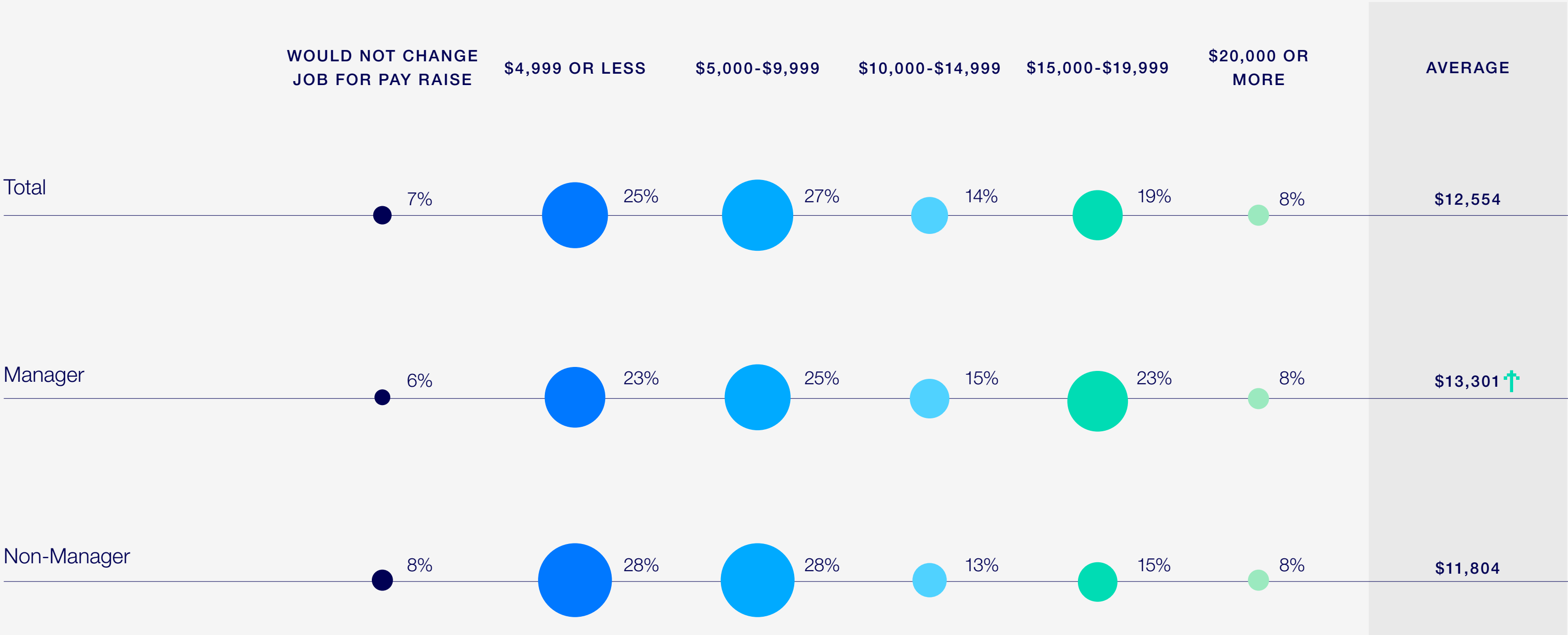
(Base: Those job switching longer than 12 months)

(Base: Those who changed jobs longer than P12M
n=505, managers n=253, non-managers n=252)

Significantly lower/higher than overall at 95% CL.

Annual salary increase

Which is the lowest increment of annual salary that would make you move to a new job?



(Base: Those job switching longer than 12 months)

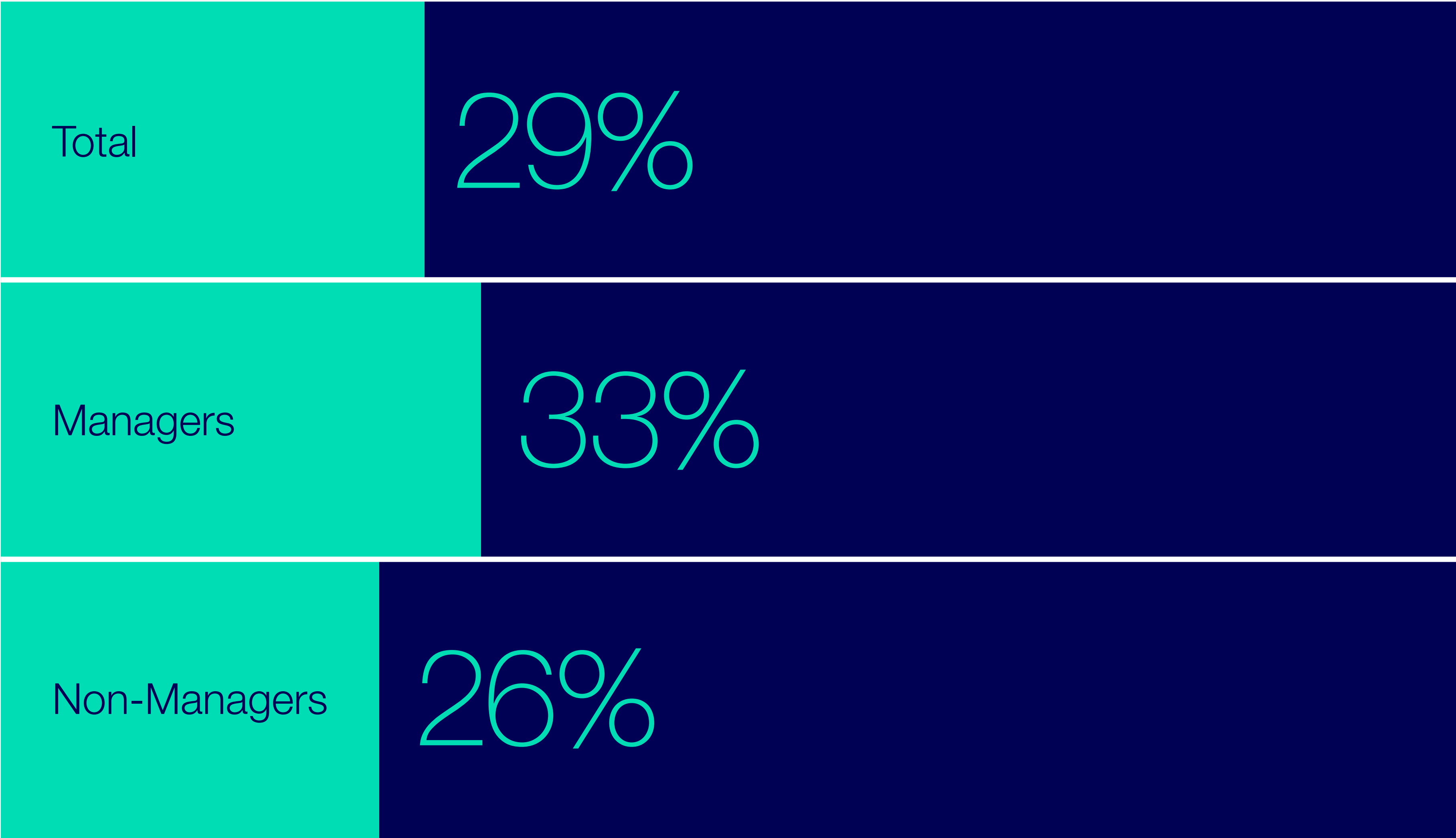
(Base: Those who changed jobs longer than P12M
n=505, managers n=253, non-managers n=252)

↑↓ Significantly lower/higher than overall at 95% CL.

Job offer decline P12M

One in three managers have declined an offer in the past year, compared to one in four non-managers.

18-24 YO (44%) ↑
25-34 YO (37%) ↑



Yes No

Q13. Response to the question “Have you declined a job offer in the past year?” (Base: all respondents n=800, managers n=405, non-managers n=395)

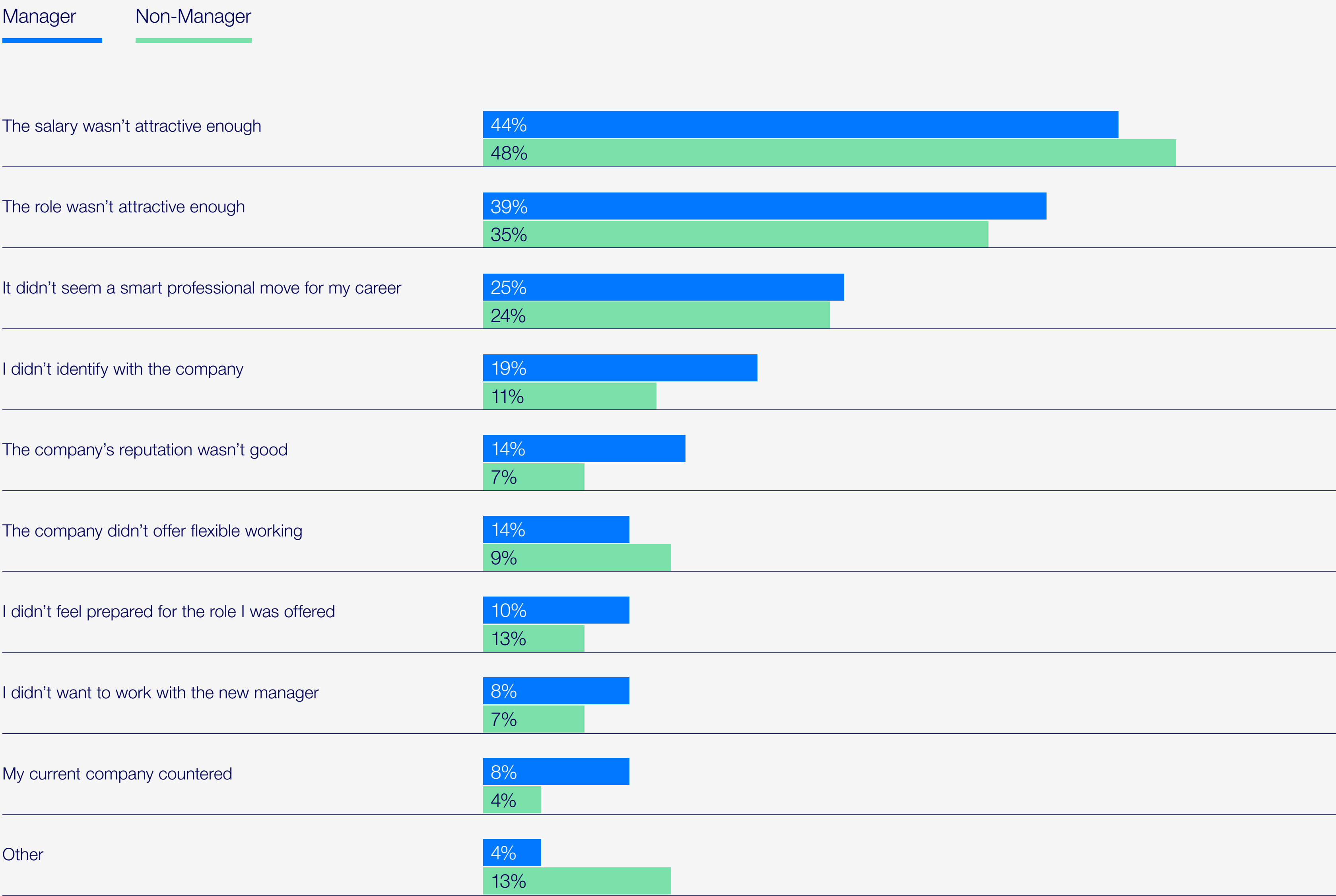
↑↓ Significantly lower/higher than overall at 95% CL.

Reasons for declining offer

Salary and role attractiveness are the top reasons.

Q14. Response to the question “What were the reasons for declining the job offer?” (Base: Those who declined a job offer in P12M n=233, managers n=132, non-managers n=101)

Significantly lower/higher than overall at 95% CL.



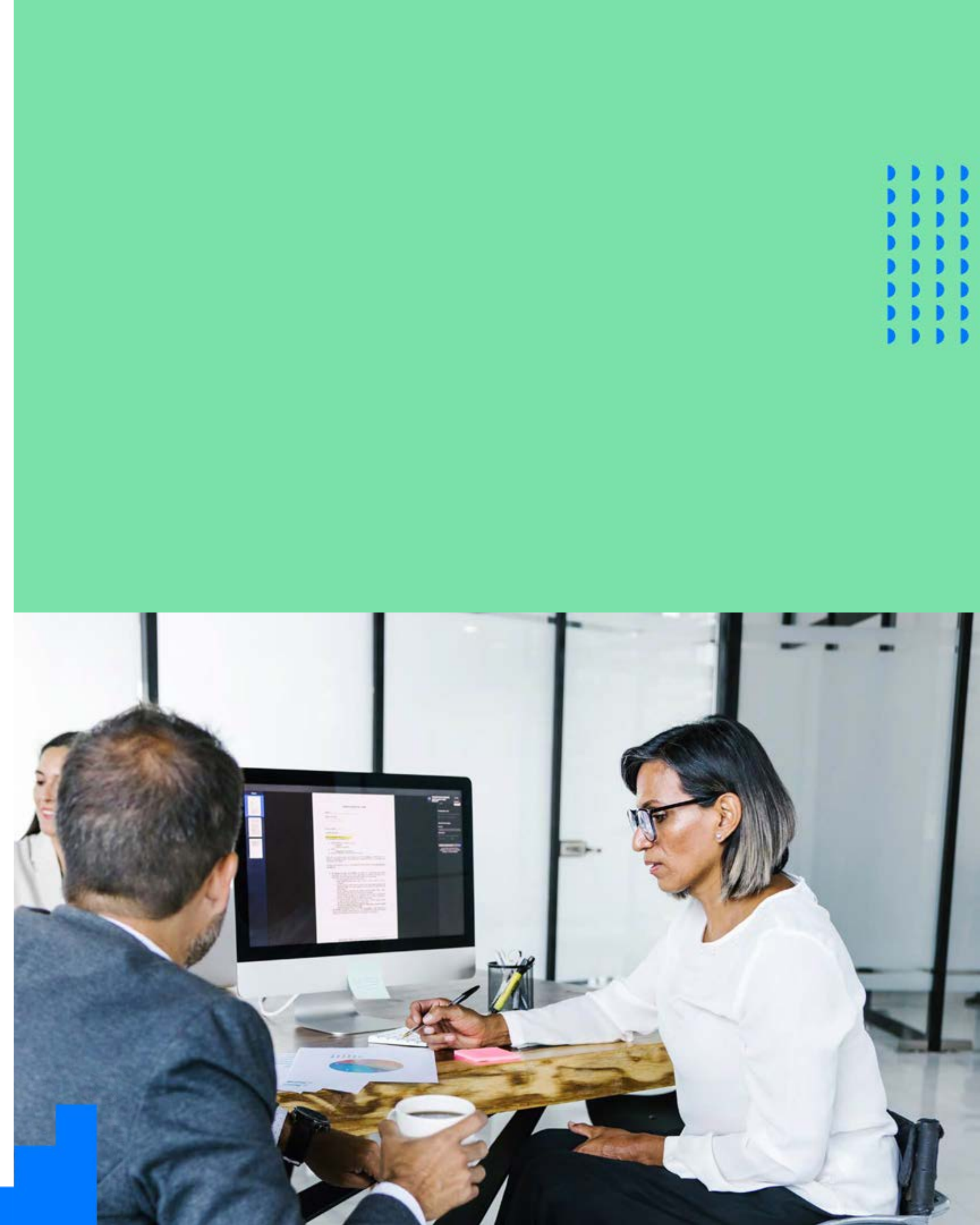
Performance and skills: Competency and training needs



New hires and competency

Managers feel the market is over inflated – 46% feel they have had to overpay and 40% feel their (new) colleagues don't have enough skills or experience to be in their new roles.

- When asked about their own roles, a third of managers who have changed roles in the past 12 months agree that they don't feel qualified and may not be able to maintain their current role – a clear skills gap is being identified and companies may need to act to address this.
- When looking at specific skills gaps, managers in particular identified Data Analytics as a key area for improvement.
- Skills gaps are evident for managers who change roles, particularly evident if they have changed within the last year.
- Employers have an opportunity to deliver training to provide stickiness in the future workforce.
- There does seem to be a need though for employers to consider a 'skills audit' for new hires to assess, support and develop new hires to ensure they can quickly feel confident in their new roles and avoid attrition (ultimately costing the business in hiring/search costs).



New hires and performance

There is a level of tension and lack of belief in new hires. One in two managers feel that new hires are overpaid due to the market conditions in the past year, while a third feel they have been overpromoted without the necessary experience.

EMPLOYMENT SENTIMENT
(T2B% - Strongly Agree/Agree)



Significantly lower/higher than overall at 95% CL.

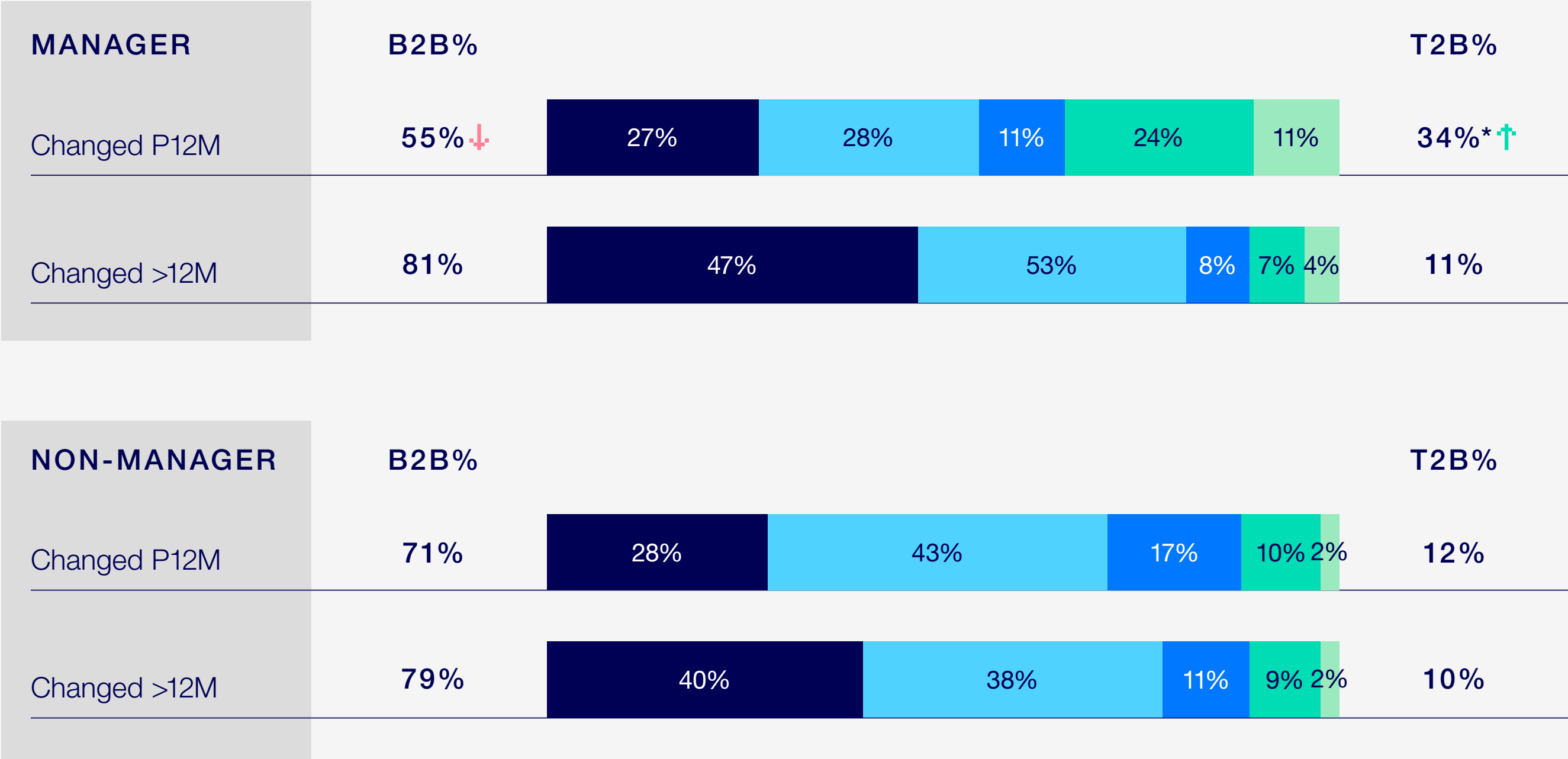
EMPLOYMENT SENTIMENT

Performance

“I’m concerned I don’t have the skills to perform at my current role and that I might not be able to maintain my job”

Q7. Which statement best describes your most recent career move? (Base: all respondents n=800, managers n=405, non-managers n=395)

Q19. To what extent do you agree or disagree with the following statement: “I’m concerned I don’t have the skills to perform at my current role and that I might not be able to maintain my job.” (Base: all respondents n=800, managers n=405, non-managers n=395)



*Managers changed jobs in the past 12 months more than non-managers.

↓↑ Significantly lower/higher than overall at 95% CL.

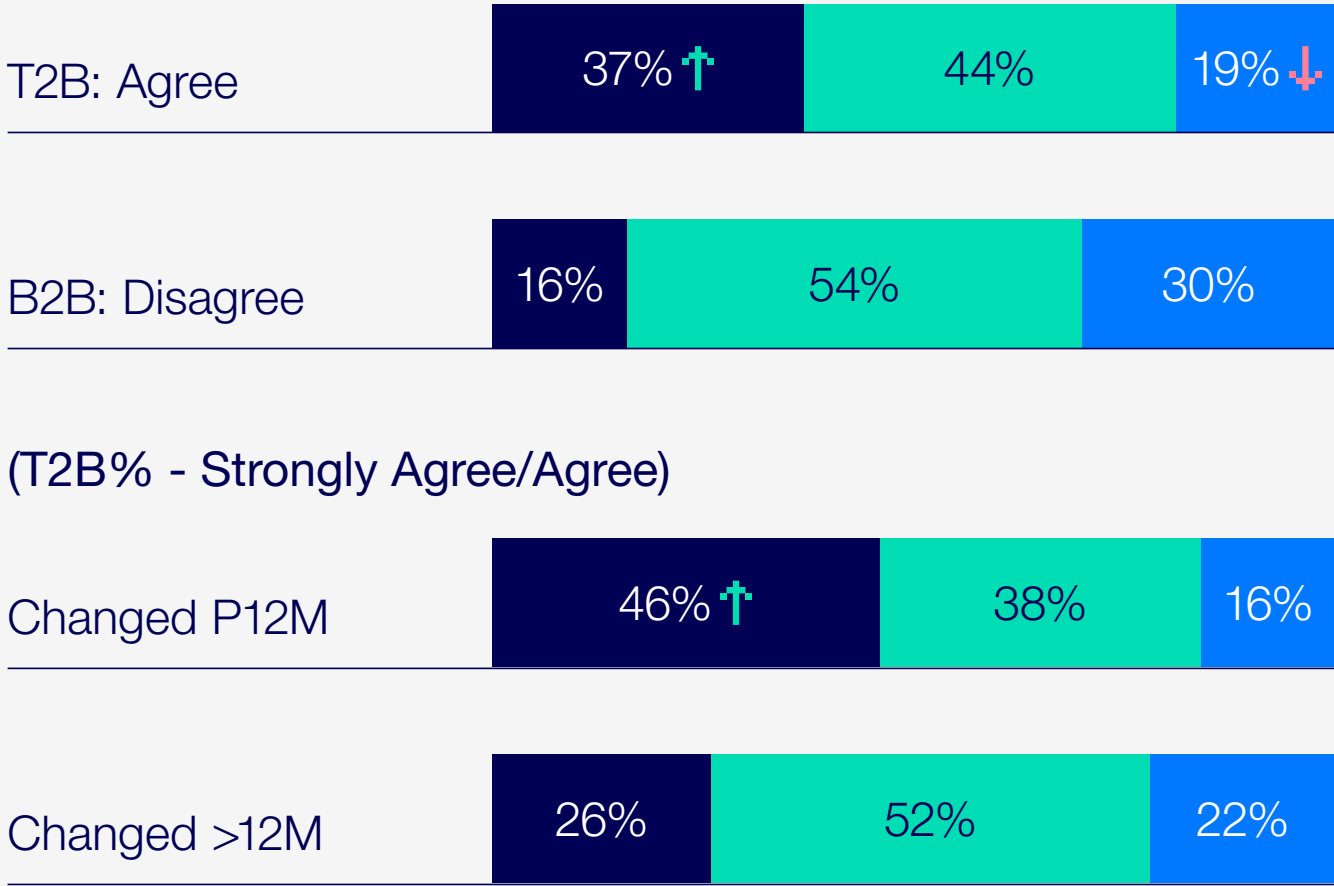
EMPLOYMENT SENTIMENT

Performance

↓↑ Significantly lower/higher than overall at 95% CL.

JOB SEARCH STATUS

Q19. To what extent do you agree or disagree with the following statement: “I’m concerned I don’t have the skills to perform at my current role and that I might not be able to maintain my job.” (Base: T2B agree % n=123, managers n=80, non-managers n=43)



- Actively looking for new role
- Not actively looking but open to new role/opportunities
- Not currently looking for a new role

EMPLOYMENT SENTIMENT

(T2B% - Strongly Agree/Agree)

Q1. Which of the following best describes your current situation? (Base: T2B agree % n=123, managers n=80, non-managers n=43)

Role Change	MANAGERS		NON-MANAGERS	
	P12M	>P12M	P12M	>P12M
I am actively looking for a new role	58%	32%*	12%*	19%*
I am not actively looking for a new role	35%*	54%*	47%*	50%*
I am not currently looking for a new role	8%*	14%*	41%*	31%*
Base	52	28	17	26
*Caution: Low base				

Skill assessment vs. employer requirement

Q21. How would you say your level of skills compare to your employer’s requirement? (Base: all respondents n=800, managers n=405, non-managers n=395)

	CRITICAL THINKING/ PROBLEM SOLVING		TECHNICAL SKILLS (JOB SPECIFIC)		LEADERSHIP		PROJECT/TIME MANAGEMENT		DIGITAL LITERACY		COLLABORATION		COMMUNICATION		DATA ANALYTICS	
	M	NM	M	NM	M	NM	M	NM	M	NM	M	NM	M	NM	M	NM
I am more skilled than is needed in my current role	36%	31%	36%↑	22%	33%↑	18%	33%↑	22%	33%	26%	30%↑	21%	28%	26%	26%↑	14%
I have the skill and at a level needed to perform my current role	55%	60%	52%	68%↑	54%	49%	54%	67%↑	52%	61%↑	60%	72%↑	61%	65%	47%	49%
I have the skill but it is out of date	7%	6%	9%	6%	9%	13%	10%	8%	11%	8%	8%	6%	9%	6%	18%*	15%
I don't have the skill required	1%	2%	2%	3%	3%	10%↑	2%	3%	3%	3%	1%	1%	2%	2%	6%	9%
Not required	1%	1%	1%	2%	1%	9%↑	0%	1%	0%	2%	0%	1%	1%	1%	3%	12%↑



Conclusion

With experts predicting inflation will continue to put pressure on everyday Australians in 2023, many of the employment trends identified in this report will remain unchanged.

The biggest risk for companies and leaders is failing to recognise what might be happening in their businesses and not reacting appropriately. Companies must support new hires even more than they already do, ensuring they can overcome skills or knowledge gaps to help employees settle in.

Employers have the opportunity to address the skills shortage for the benefit of both recruitment and retention - in a way that delivers secure jobs, increases employee satisfaction and creates more opportunities for more Australians.

The good news is companies can address this issue by supporting, training and upskilling new hires.

Another key consideration is to look at cross-skilling and upskilling opportunities for current employees. Feeling undervalued and concern over remuneration are the main reasons workers leave their position. Investing in staff will be critical for attracting and retaining the skills needed in the workplace.

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