

Special report on salary forecasts 2008

As we usually do at this time, the CPQ is publishing its salary estimates for the coming year, with the cooperation of the best human resources consulting firms. This overview of salary trends expected in 2008 will allow you, we hope, to develop your own remunerations strategy. Thanks to the information contained in the following pages, you can:

- *Compare the salary increases projected in your company with those forecast for your business sector;*
- *Assess the salary increases and adjustments to salary scales in your various employment categories;*
- *Learn about the variations in salary growth among the various provinces.*

This publication brings together in a single document the strategic information of five firms and, as such, it will allow you to see at a glance the opinions of experts in human resources. We would like to extend our thanks once again to our partners and congratulate them on their rigorous work.

Happy reading!



The Conseil du patronat du Québec would like to thank the following firms for participating in the preparation of the 2008 salary forecasts

- **Groupe-conseil Aon**
- **Morneau Sobeco**
- **Mercer**
- **Watson Wyatt**
- **Towers Perrin**

The 2007-2008 Pay Increase Survey from Groupe-Conseil Aon

The 2008 Pay Increase Survey conducted by Aon Consulting gathered data from 332 Canadian organizations employing close to 600,000 people from mid-August to mid-September.

Status Of 2008 Pay Increase Budgets

Before presenting the survey results, it is important to note that approximately 25% of the surveyed organizations had either already approved their salary structure and pay increases, or made recommendations to senior management in this respect. One-third of organizations had begun the process of reviewing their salary increases. Approximately 40% of organizations provided pay increase estimates but reported that they were waiting for the results of the projection surveys before making a definite decision on this issue.

Detailed Results for Salary Structures and Salaries

According to the results of our survey, the median pay increase¹ in 2007 was 3.3%. This increase provided a genuine increase in purchasing power to employees since the increase in the Consumer Price Index (CPI) between July 2006 and July 2007 was 2.2% nationally.

In 2008, organizations anticipate granting similar pay increase rates to 2007. Hence, the median pay increase of salaries in Canada this year should be approximately 3.3% again.

As for salary scales, the projected 2008 median increase is 2.5%, this is almost the same as the actual median salary scale increase in 2007 (2.6%).

Overall Results

	Median Projected 2007 Pay increase	Median Actual 2007 Pay increase	Median Projected 2008 Pay increase
Salary	3.3%	3.3%	3.3%
Salary structure	2.5%	2.6%	2.5%

Note: Approximately 7% of organizations stated that they planned to freeze their salary structure and salaries in 2008. Since we are reporting median increases, including or excluding these organizations has no impact on the survey results.

Results by Province

	No. of org.*	2007 Increases		2008 Projections		CPI
		Salary (median)	Salary Structure (median)	Salary (median)	Salary Structure (median)	July 2006 - July 2007
Canada, including Alberta	332	3.3%	2.6%	3.3%	2.5%	2.2%
Canada, not including Alberta	283	3.3%	2.5%	3.2%	2.5%	n/a
Newfoundland and Labrador	23	3.4%	2.5%	3.5%	2.5%	1.0%
Prince Edward Island	17	3.2%	2.5%	3.5%	2.1%	1.3%
Nova Scotia	39	3.5%	2.5%	3.5%	2.5%	1.5%
New Brunswick	28	3.3%	2.5%	3.5%	2.5%	2.2%
Quebec	155	3.1%	2.5%	3.3%	2.5%	1.3%
Ontario	136	3.4%	2.5%	3.4%	2.5%	1.9%
Manitoba	62	3.5%	2.7%	3.5%	2.7%	2.2%
Saskatchewan	58	3.5%	2.8%	3.5%	3.0%	3.2%
Alberta	85	4.0%	2.8%	4.5%	3.0%	5.0%
British Columbia	75	3.5%	2.5%	3.5%	2.5%	1.6%
Yukon, Northwest Territories and Nunavut	9	3.7%	2.8%	3.5%	2.5%	3.9%

* Since an organization may have operations in more than one province, the numbers do not add up to the overall sample's total.

Results by Job Category

	2007 Increases		2008 Projections	
	Salary (median)	Salary Structure (median)	Salary (median)	Salary Structure (median)
Executives	3.5%	3.0%	3.5%	2.6%
Managers and professionals	3.5%	2.8%	3.5%	2.8%
Technical and administrative staff	3.3%	2.6%	3.3%	2.5%
Unionized hourly employees	3.0%	3.0%	3.0%	3.0%
Non-unionized hourly employees	3.0%	2.8%	3.0%	2.9%

Results by Province

Except for Alberta (4.5%)², the projected pay increases in Canada are similar across provinces (from 3.3% to 3.5%). However, it should be noted that the inclusion or exclusion of data reported by Alberta organizations has very little impact on the overall 2008 projections, as shown in the following table. The rightmost column includes the Consumer Price Index (CPI) which is interesting to compare against the increase rates.

Results by Job Category

The median 2007 pay increases in Canada ranged from 3.0% to 3.5%, depending on the type of job, while salary structures increased by 2.6% to 3.0%. The 2008 projections range from 3.0% to 3.5% for salaries, and from 2.5% to 3.0% for salary structures. The last table presents the survey's detailed median results by job category.

¹ The median, or 50th percentile, refers to the value where 50% of the surveyed organizations are above and 50% of the surveyed organizations are below this value in an ordered data set.

² This projection for Alberta is conservative since our sampling for that province generally consists of organizations with national operations and excludes Alberta-based gas and oil companies. We recognize that companies in other industries may, however, be affected by the oil and gas market.

Morneau Sobeco survey on trends and projections in compensation and employee benefits for 2008

The Morneau Sobeco survey on trends and projections in compensation and employee benefits for 2008 is based on data collected from 335 organizations representing some 921,000 employees across Canada. The survey was conducted between June and August 2007 and the results were released in September 2007. The following tables summarize some of the main findings with respect to cash compensation.

In Canada, the average salary increases expected for 2008 have stabilized following last year's highest expectations seen in the past 5 years. The average salary structure increase expected is 2.5% on average. In other respects, the average projected budget for 2008 salary increases is 3.7%, including individual progression based on service or performance, special adjustments and promotions. At the regional level, once again, the highest salary increases are expected in Western Canada, in particular in Alberta. Respondents in this region expect to make on average salary adjustments of 5.6% for executives, and 4.3% for operation employees, excluding possible provisions for promotions or special adjustments. In Quebec, comparable salary increases will be 3.2% for executives and 3.0% for operation or production employees. The table in the middle shows the expected increases in Quebec for these two employee categories in 21 sectors covered by the survey. One hundred seventy-nine participants with operations in Quebec are included in the survey results.

Furthermore, the marked incidence of annual cash bonus programs seen in the last five years is stabilizing this year. The lower table show anticipated cash bonuses in 2008 across Canada for two categories of participants. The differences in this area between the participating organizations are sharper for executive functions.

Recruitment and hot skills retention will be, once again this year, the key HR issue in 2008.

Salary increase, by employee category, Canada

Employee category	Projection 2007	Real 2007	Projection 2008
Executives	3.6%	3.5%	3.4%
Management and professional employees	3.4%	3.0%	3.3%
Technical and administrative personnel	3.3%	3.0%	3.3%
Operation or production employees	3.1%	2.9%	3.1%

Expected average annual increase for 2008 in Quebec, by industry sector

	Executives		Operation or production employees	
	Structures	Salaries	Structures	Salaries
Overall results	2.3%	3.2%	2.3%	3.0%
Mining	1.4%		2.2%	
Utilities (electric power generation, transportation and distribution, natural gas distribution)	2.1%	2.4%	2.0%	2.0%
Construction	1.4%		2.2%	
Manufacturing	2.6%	3.4%	2.3%	2.8%
Food, beverage and tobacco manufacturing	2.6%	2.7%	2.5%	3.5%
Paper or wood product manufacturing		1.8%		1.6%
Chemical or allied product manufacturing, excluding pharmaceutical products	2.4%	3.2%	2.1%	2.7%
Pharmaceutical manufacturing	2.1%	3.6%	2.0%	3.5%
Fabricated metal product manufacturing	3.7%	4.1%		2.4%
Transportation equipment		4.1%		2.6%
Furniture and related product manufacturing		3.7%	2.3%	
Wholesale trade	1.4%	2.6%	2.2%	3.2%
Retail trade	2.5%	3.4%	2.5%	3.3%
Transport and warehousing	2.8%	3.0%	2.9%	2.7%
Finance and insurance	2.3%	3.3%	2.3%	3.3%
Credit intermediation and related activities	1.6%	2.3%	1.5%	3.2%
Insurance carriers and related activities	2.4%	3.6%	2.4%	3.4%
Real estate, rental and leasing		3.5%		3.0%
Professional, scientific and technical services	2.9%	4.0%	2.3%	4.4%
Accommodation and food services	2.3%		2.3%	
Other services (except public administration)	1.7%	2.9%	2.0%	

Target and maximum bonuses as a percentage of salary, Canada

Employee category	Participants with more than \$1 billion in operating revenue		Participants with less than \$100 million in operating revenue	
	Target bonus	Maximum bonus	Target bonus	Maximum bonus
Executives	30%	61%	21%	30%
Management and professional employees	13%	22%	12%	19%
Technical and administrative employees	6%	10%	7%	9%
Operation or production employees	5%	7%	7%	8%

2008 Compensation Planning Survey for Non-union Employees

Information has been extracted from Mercer's 2008 Compensation Planning Survey for Non-Union Employees. Data was gathered as of June 2007, from 491 organizations across Canada.

The first table shows the percentage of salary increases and salary structure increases in the private sector in 2007 (actual) and 2008 (projected).

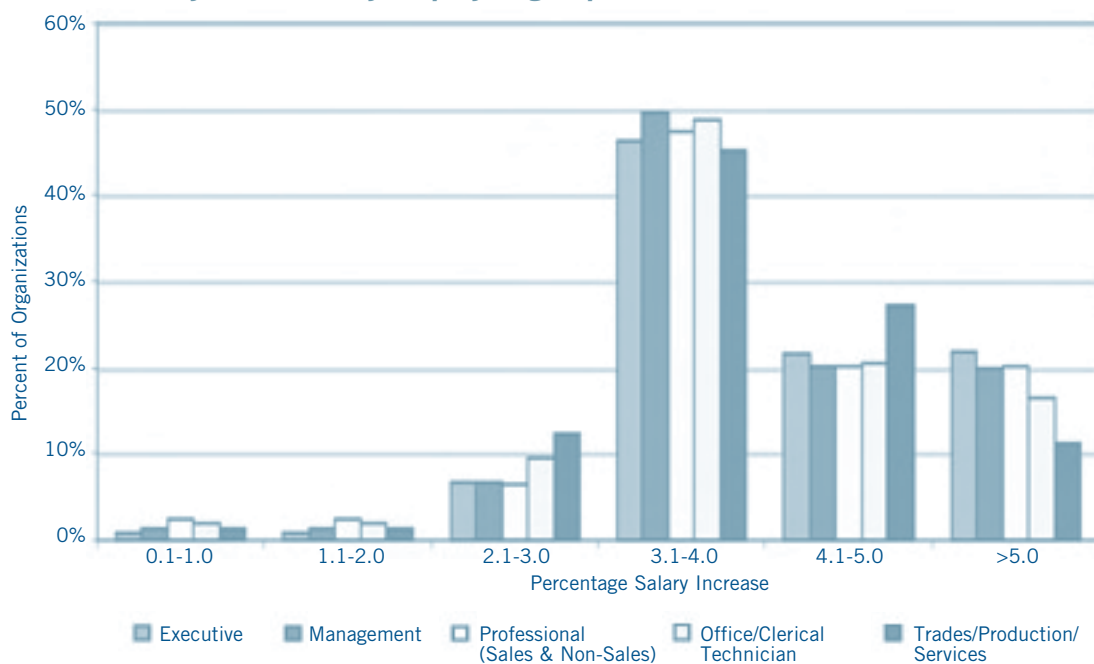
The salary and structure increases planned for 2008 are slightly lower than those implemented in 2007. The salary increase planned for 2008 for all employee groups is 3.9%. In 2007 the actual was 4.1%. The salary structure increase planned for 2008 for all employee groups is 2.9%. In 2007 the actual was 3.0%. Moreover, we note a difference of 0.8% to 1.2% between the salary and salary structure increases, indicating that organizations allocate a portion of their salary increase budget for employees to progress within the salary structure.

The second table shows the expected distribution of increases by job category. No organization reported projected salary freezes for 2008. The majority of organizations in the sample are planning salary increases between 3.1% and 4.0% in 2008, for all employee groups.

	Executive	Management	Professional/ (Sales & Non-sales)	Office/Clerical/ Technician	Trades/ Production/ Service	All employees
Salary increases						
2007 (actual)	4.4%	4.2%	4.1%	3.9%	3.8%	4.1%
2008 (projected)	4.1%	3.9%	3.9%	3.8%	3.7%	3.9%
Salary structure increases						
2007 (actual)	3.0%	3.0%	3.0%	2.9%	2.9%	3.0%
2008 (projected)	2.9%	2.9%	2.9%	2.8%	2.9%	2.9%



Salary increases by employee group



Again this year, Alberta leads the way with projected salary increases of 4.2%, followed by Manitoba/Saskatchewan (3.9%), British Columbia (3.8%) and Ontario (3.6%). In Quebec, projected increases are 3.7% excluding Montreal (3.6%).

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

For more information, please contact
Marie-Christine Piron, Principal Consultant, at 514 841-6888.

Watson Wyatt Data Services Forecasts for 2007-2008: Outlook and Trends

Calgary employers project highest overall salary increase for 2008

Banking/Finance sector anticipates the highest salary increases in the coming year

Watson Wyatt Data Services, a wholly-owned subsidiary of Watson Wyatt Worldwide, completed its 39th Annual Canadian Salary Survey. This survey reflects responses from 360 organizations reporting data on more than 110,000 incumbents across 10 major industry classifications, 12 regions and major metropolitan areas, and multiple organization size groups. Collectively, these 360 organizations employ 900,000 Canadians.

Alberta's booming economy continues to impact employers across all regions of Canada, and increasing base salaries is just one piece of the total compensation puzzle employers are drawing upon to attract – and retain – employees, as organizations continue to grapple with staffing shortages.

Calgary employers are leading the way with anticipated base salary increases of 3.80% for 2008. Employers in other parts of Alberta and neighbouring Saskatchewan are projecting base salary increases of 3.68% and 3.58% respectively. While projections in these regions are lower than increases actually received in 2007, it's likely that 2008 increases will exceed predictions.

The overall Canadian base salary increase for 2008 is projected at 3.50%. In a healthy economy, salary increase projections tend to be somewhat conservative – actual increases are typically higher than those forecast the year previous.

Overall base salary increases by region

City/ Regional Breakdown	2007 Actual	2008 Forecast
All Canada	3.61%	3.50%
Atlantic Canada	3.58%	3.35%
Montreal	3.41%	3.33%
Other Quebec	3.06%	3.16%
Greater Toronto	3.46%	3.42%
Southwestern Ontario	3.33%	3.29%
Other Ontario	3.43%	3.37%
Manitoba	3.48%	3.40%
Saskatchewan	3.75%	3.58%
Calgary	3.95%	3.80%
Other Alberta	3.80%	3.68%
Vancouver	3.57%	3.46%
Other British Columbia	3.52%	3.44%

Overall base salary increases by major industry grouping

Industry Sector Breakdown	2007 Actual	2008 Forecast
All Private Sector- For Profit	3.59%	3.51%
Public Sector	3.84%	3.59%
Retail	3.16%	3.26%
Manufacturing Non-durable	3.39%	3.41%
Manufacturing Durable	3.39%	3.51%
Banking/Finance	4.18%	3.99%
Insurance	3.82%	3.76%
Professional/ Business Services	4.09%	3.67%

The upper table summarizes overall base salary increases by region and major industry grouping.

All base salary increases reported in this release are general increases (including cost-of-living and merit components) and were collected during May-July, 2007. All reports based on the 2007/2008 Annual Canadian Salary Survey are available online through Watson Wyatt CompSource™.

If the Canadian economy continues to thrive – and there are no imminent signs of a dramatic downturn – then actual 2008 increases are expected to be higher than projections provided during the survey collection period.

In 2007, base salary increases across all of Canada averaged 3.61% (compares to the previous year's projection of 3.46%). Moderate differences existed among the geographic regions with Calgary reporting the highest 2007 salary increase at 3.95%. Quebec (excluding Greater Montreal) reported the lowest average salary increase at 3.06%. Beyond Alberta borders, employees in Saskatchewan received the next highest increases averaging 3.75%.

Within the industry sectors, the largest overall salary increase occurred in the Banking/Finance Sector, where employees averaged a 4.18% increase, followed by Professional/Business Services at 4.09%; interestingly, these two industry sectors had predicted the highest increases in the previous year's survey and both sectors exceeded the prediction. Heading into 2008, these sectors are again projecting solid increases at 3.99% and 3.67% respectively.

Not to be left behind, the Public Sector is projecting an overall base salary increase of 3.59% in 2008. In the war for talent, Public Sector employers do not have an arsenal of short- and long-term incentives to reward employees and so must ensure their base compensation is competitive, reflected by average increases in 2007 of 3.84%.

Each year, Towers Perrin conducts a survey of current salary management practices and trends in the Canadian marketplace. This year, 309 organizations participated in the survey.

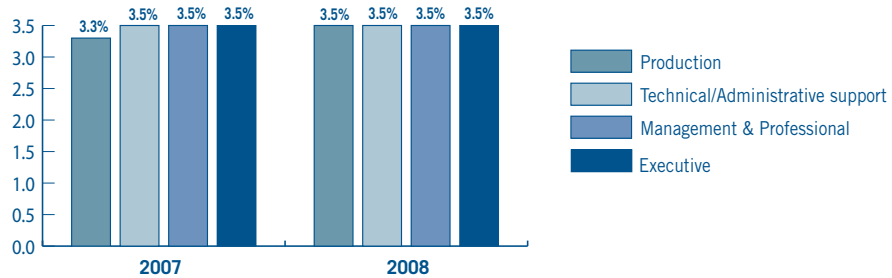
The following data have been extracted from the report issued in September 2007 and were analyzed for four employee groups (Production employees, Technical/Administrative Support employees, Management & Professional and Executive).

Note: 0% increases and adjustments are included in the data.

Report Highlights

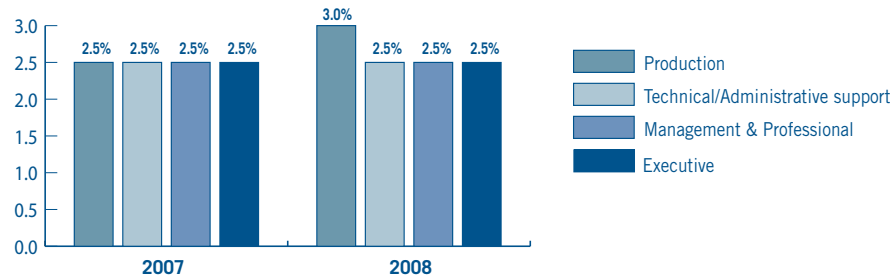
Salary Increases in 2007-2008

Percentage of the average salary increase granted in 2007 and anticipated in 2008 by the 309 participating organizations (by employee group).



Salary Structure Adjustments in 2007-2008

Salary structure average variation rates in 2007 and average rates anticipated in 2008 by the 309 participating organizations (by employee group).



Conclusions

Salary Increase

- In 2007, an increase was received by 93% of Production employees, 91% of Support employees, 90% of Management & Professional and 89% of Executive employees, all industries combined.
- In 2008, 1% of participating organizations do not anticipate giving an increase to Production Employees, 0% to Support Employees, 1% to Management & Professional employees and 3% of companies do not anticipate giving an increase to Executive employees.

Salary Structure Adjustments

- In 2008, 10% of participating organizations do not anticipate adjusting salary structures for Production employees, while 11% of the organizations do not anticipate adjusting Support employees salary structure, 12% for Management & Professional salary structures and 14% do not anticipate adjusting Executive salary structure.

Annual Incentive Plans

- 91% of survey participants offer annual incentive plans to at least one employee group.
- In 2007, the average budget for annual incentive awards was equal to 25% of the payroll for Executive employees, 13% for Management & Professional employees and 7% for Production and Support employees.