Special report

SALARY FORECASTS 2016
Access to high quality labour, at a competitive cost, is one of the main conditions for prosperity. This is why, every year, the Quebec Employers Council (CPQ) publishes salary forecasts for the coming year, in collaboration with some of the top human resources consulting firms in the province of Québec.

The document also contains a section which presents an analysis of salary trends in the associative activity sector, as observed by the Centre québécois de service aux associations.

This year, salary forecasts are marked by the economic slowdown and uncertainty in the global markets as well as the lower price of oil and of other natural resources.

This overview of salary trends will, hopefully, help you to set your own remuneration strategy. Thanks to the information on the following pages, you can:

- Compare the projected salary increases in your company with those forecasted for your own business sector;
- Evaluate the salary increases and salary scale adjustments in your various employment categories;
- Learn about the variations in salary growth among the various provinces;
- Assess the trends regarding managerial staffing.

We would again like to extend our thanks to our partners for their diligent collaboration to produce this document and congratulate them for their meticulous work.

Happy reading!

Yves-Thomas Dorval
President & CEO

The CPQ would like to thank the participating firms for their contributions in preparing the 2016 salary forecasts:
Morneau Shepell’s 33rd annual Compensation and Trends in Human Resources survey was conducted from mid-June to mid-August 2015. The survey findings are based on input from 255 benchmark organizations employing more than 640,000 people in Canada, including 202,000 in Quebec. The highest representation in the survey was from the service (43%) and manufacturing (17%) sectors. Forty-five percent of participants had annual revenues under $100 million and 20% over $1 billion.

The average increase in the anticipated total salary for 2016 is 2.5%, down 0.3% from last year’s anticipated increase. This average includes the 5% of benchmark organizations who are expecting salary freezes, which is up 4 percentage points from last year.

Participants in the mining, oil and gas sectors anticipate average salary increases of 2.4% in 2016 versus 3.4% in 2015. In the public sector, efforts to balance budgets have also lowered anticipated salary increases. Average salary increases in 2016 in education are expected to be in the 1.9% range, and only slightly higher at 2.1% in public administration, health care and social assistance. The highest projected salary increases are in financial services, at 3%, and in professional, scientific and technical services at 2.9%.

As top priorities in human resources, employers identified improving health, especially mental health, and workplace engagement. These were followed by better training and development, better communication of total compensation and reduced disability costs. Mental health is the leading cause of sick leave and disability and for many companies it is a growing concern. Over half the employers in the survey plan to have mental health training for managers in place by the end of next year, and 28% are developing plans to address psychological health in their workplaces.

In addition to improving health and productivity, organizations are also looking for ways to reduce costs. One of the top priorities among employers is reducing the cost of sick leave and disability, and helping people get back to work sooner. More than 40% of employers in the survey said this is a key area of focus for the coming year.

SURVEY RESULTS FOR ANNUAL CASH COMPENSATION FOR BENCHMARK ORGANIZATIONS IN QUEBEC

Employers in Quebec are expecting average salaries to rise by 2.5%, which is also down 0.2% compared to the expected increase in 2015. The average expected increases for 2016 for Quebec benchmark organizations in two job categories are as follows by sector:

<table>
<thead>
<tr>
<th>ALL SECTORS</th>
<th>Managerial and professional</th>
<th>Technical and administrative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Structures</td>
<td>Salaries</td>
</tr>
<tr>
<td>Utilities</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Commerce</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>2.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Public Administration</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Other Services</td>
<td>1.4</td>
<td>2.6</td>
</tr>
</tbody>
</table>

ABOUT MORNEAU SHEPELL: Morneau Shepell is the only human resources consulting and technology company that takes an integrative approach to employee assistance, health, benefits and retirement needs. The Company is the leading provider of employee and family assistance programs, the largest administrator of retirement and benefits plans and the largest provider of integrated absence management solutions in Canada. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity and improve their competitive position. Established in 1966, Morneau Shepell serves approximately 20,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With almost 4,000 employees in offices across North America, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly-traded company on the Toronto Stock Exchange (TSX: MSI).

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The results reported in this article come from the Mercer 2015/2016 Canada Compensation Planning Survey for non-unionized personnel. The data was collected in June 2015 from 590 Canadian organizations and reflects compensation practices for more than 1,700,000 non-unionized employees. This year, 358 participating organizations reported having operations in Quebec.

In 2016, Canadian organizations are planning on giving average salary increases in the order of 2.8%, and on adjusting their salary structures by 2.1%. This is slightly lower than the projection made in 2015 and it is related to the economic slowdown. Furthermore, almost two-thirds (62%) of reporting organizations said that the economy was the main factor influencing their compensation planning decisions.

A NEW REALITY IS EMERGING IN TERMS OF SALARY BUDGET INCREASES, WHILE ECONOMIC SLOWDOWN IS MAKING EMPLOYERS TAKE CAUTIOUS DECISIONS

Salary freezes
In addition, the survey shows that 8% of organizations froze the salaries of all their employees in 2015; in the Energy sector, 37% of organizations reported freezing salaries for at least one employee group. However, this percentage should drop considerably in 2016, since the results of the survey indicate that only about 3% of organizations, all industry sectors combined, plan to call for such a freeze next year.

Recurrent leveling of salary increases across employee groups
For a third consecutive year, the survey shows that employers do not much vary their salary increase budgets by employee group. In 2016, Canadian organizations are planning on giving average salary increases in the order of 2.8% to three of their five employee groups, such as Executives, Managers and Professionals, and 2.7% to their Office/Clerical/Technical and their Trade/Production/Service personnel. However, when salary freezes are taken into consideration, the latter group lags significantly with a projected salary increase budget at 2.4% compared to 2.6% projected for the other employee groups.

Energy sector no longer No. 1 for salary increases
For some years, the Energy sector has dominated other industries when it comes to actual and projected salary increase budgets. For 2016, High Tech has the largest projected salary increase budgets (3.0%). On average, in 2015, almost all industries gave smaller than projected increases. The most noticeable declines were seen within the Energy (-0.3%) industries.

Alberta in line with the Canadian average
The 2016 forecast for the Energy sector has had a significant downward impact on salary increase budgets in Alberta. For the first time in a number of years, Alberta’s projected rate is in line with the national average (2.8%). The projection for 2016 for the Calgary and Vancouver areas is in the order of 2.8%; the projection is at 2.7% for all other Canadian regions.

Room for manœuvre maintained and strong interest in pay for performance
The Survey shows that average salary structure adjustment rates have been flat. The difference between projected average salary increase budgets (2.8%) and salary structure adjustments (2.1%) is 0.7%, which indicates that in 2016, employers plan to maintain their room for manœuvre to differentiate high performing employees.

In 2015, 87% of surveyed organizations said that they tied salary increases to individual performance. The Survey also showed that most organizations prefer a five level rating scale (52%) rather than a four level (22%) or three level rating scale (12%) to measure their employees’ performance.

Lastly, 73% of organizations stated that they use individual performance levels as a factor to determine annual incentive payouts. The Survey shows that on average, high performing employees in 2014, were paid incentives at least 1.4 times higher than employees with a median performance.

CONCLUSION: Organizations in Quebec and in the rest of Canada will remain prudent in 2016. Falling commodity prices, such as oil and gas, have brought Alberta’s and the Energy sector’s projected salary increase budgets into line with the national average. In general, the increase in budgets projected for 2016 remain unchanged from actual salary increase budgets in 2015. Moreover, the performance continues to be a major factor in the compensation of talent.

ABOUT MERCER: Mercer is a global consulting leader in talent, health, retirement, and investments. Mercer helps clients around the world advance the health, wealth, and performance of their most vital asset – their people. Mercer’s more than 20,500 employees are based in more than 40 countries, and we operate in more than 130 countries. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy, and human capital.

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SURVEY ON CANADIAN SALARY FORECASTS FOR 2016

The results shown are based on a national survey of over 525 Canadian public and private sector employers conducted by Hay Group in June and July 2015. Survey participants include many of Canada’s leading employers. Projections include those organizations reporting 0% increase.

EXECUTIVE SUMMARY: Canadians can expect to see average base salary increases of 2.4% in 2016. This projection is lower than the 2.6% projection for 2015, continuing a downward trend in Canadian salary increases that has developed since the start of the economic downturn in 2008/2009. U.S. salary projections remain the same as for 2015 (3.0%), and Canadians have now fallen further behind their U.S. counterparts. According to the survey, 70% of Canadian employers are forecasting that they will provide their employees with base salary increases in 2016, which is significantly less than the 83% of employers who projected increases for 2015. This is due to continued economic uncertainty across many sectors in the Canadian economy and to the fact that more employers are now adopting a “wait and see” position before increasing their budgets.

Due to the economic impact of collapsing oil prices over the last year, workers in the oil and gas sector, who have traditionally received the highest salary increases in Canada, are now projected to receive the lowest increases in the country at 1.5% as employers shed jobs and the labour supply now exceeds demand. Credit unions (3.0%), leisure/hospitality (3.0%) and insurance (2.9%) will lead all sectors with forecasts higher than the national average of 2.4%. Saskatchewan (2.7%) and Alberta (2.5%) still lead the country with projected overall base salary increases higher than the national average (2.4%). However they are significantly lower than in recent years, due mainly to the global softening in commodity prices, particularly in the Alberta oil and gas sector.

RESOURCE-BASED SECTORS ARE NOW BEHIND OTHER ECONOMIC SECTORS IN CANADA

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<tbody>
<tr>
<td>BC</td>
<td>2.3%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.7%</td>
<td>2.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Alberta</td>
<td>2.5%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>3.6%</td>
<td>3.4%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>2.7%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.3%</td>
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<tr>
<td>Manitoba</td>
<td>2.5%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.7%</td>
<td>2.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Ontario</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Québec</td>
<td>2.5%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Maritimes</td>
<td>1.9%</td>
<td>2.1%</td>
<td>2.1%</td>
<td>2.6%</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Newfoundland</td>
<td>2.3%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Montréal</td>
<td>2.4%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

OTHER CONCLUSIONS
• Looking at the 2016 projections for major Canadian cities, workers in Edmonton are projected to receive increases of 2.9%, followed by Regina at (2.6%) and Toronto, Saskatoon, Winnipeg and Ottawa at 2.5%.
• For all organizations, actual base salary change realized in 2015 was 2.2%, lower than the 2.6% projected in the survey as the economic performance across Canada has not lived up to predictions.
• By job level, most positions will be at or above the national average of 2.4%. Only unionized clerical/operations positions will see average increases (2.2%) below the national average.
• Projections for countries such as U.S. (3.0%), U.K. and Australia (2.5%), and Canada (2.4%) continue to lag behind those for India (10.8%), Brazil (7.0%) and China (7.6%).

ABOUT HAY GROUP: Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organize people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organizations realize their potential. We have over 4000 employees working in 87 offices in 49 countries. Our insight is supported by rigorous data from over 100 countries. Our clients are from the private, public and not-for-profit sectors, across every major industry.

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The fifth edition of the Quebec survey on salary increases was conducted in the summer of 2015. A total of 160 organizations, including 45 with nationwide operations, representing more than 440,000 employees completed this survey. The data collected was analyzed by Normandin Beaudry’s compensation specialists to identify market trends and present salary forecasts for 2016.

**HIGHLIGHTS**

Normandin Beaudry’s annual survey on salary increases reveals that Quebec salaries are expected to increase by 2.7% in 2016. Salary structures are expected to increase by an average of 1.8%. The uncertain economic outlook for 2016 and the current economic contraction are causing organizations to be cautious. The final budget of 2.7% granted for 2015 was lower than the initial forecast of 2.9% last year. Contrary to the last two years, salary increase forecasts for privately owned organizations are higher, at an average of 2.7%, than those for public and parapublic organizations, at an average of 2.3%.

**SALARY INCREASE SURVEY 2015-2016**

Once again this year, small businesses are setting themselves apart from the market by forecasting salary increase budgets above the provincial average (between 2.8% and 3.1% on average). Large businesses are the most cautious with forecasts falling below the Quebec average (2.6%). For the first time in five years, organizations from Quebec City are forecasting salary increases that are lower than those for organizations from Montreal, averaging 2.4% and 2.7% respectively.

Certain industry sectors set themselves apart with forecasts higher than the provincial average. These sectors include durable goods manufacturing (3.0%), high technology (3.3%), professional, scientific and technological services (2.9%), the information, culture and recreation industry (3.1%) and the municipal sector (2.9%). Conversely, some sectors are well below the provincial average. These sectors include transportation and warehousing (1.5%) and education (1.4%).

Quebec organizations with nationwide operations (n=45) expect to grant increases lower than the Quebec average (2.6%). For the most part, these organizations have stable budgets across provinces. It is therefore not surprising that the percentages are similar from one province to another, due to uniform policies across provinces of employment. Below are some observations drawn from the sample:

- 68% of organizations granted equal salary increase budgets for all provinces in 2015.
- 90% of organizations granted the same salary structure increase in 2015, and 98% expect to do the same in 2016.

*Methodological note: Although mathematically applicable for every organization, this formula \( T = 1 + 2 + 3 \) may not add up to the overall result. This is explained by the absence of budgetary components or by salary increase practices that vary by job category for certain organizations.

**ABOUT NORMANDIN BEAUDRY:** Normandin Beaudry was founded in 1992 and today comprises more than 150 employees and is owned by 32 of its professionals, making it the largest wholly-Quebec owned total compensation firm. The firm serves clients across Canada and around the world, providing total compensation consulting services in six areas of practice: health and performance, compensation, group benefits, pension and savings, asset management and communication. Thanks to rémun, NormandinBeaudry’s total compensation survey for Quebec, the firm’s experts have an acute knowledge of the market that allows them to assist organizations of all sizes in designing attractive and competitive total compensation packages promoting a positive employee experience and improving the organization’s brand image.

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<table>
<thead>
<tr>
<th>TOTAL BUDGET*</th>
<th>GENERAL/ ECONOMIC BUDGET</th>
<th>PERFORMANCE-BASED BUDGET</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.7%</td>
<td>1.9%</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
This year, 422 organizations participated in Towers Watson’s 46th edition of the Salary Budget Survey. Towers Watson conducts a yearly survey of salary budget increases and salary structure adjustments for use by organizations in their compensation planning. The survey also reports on projected turnover rates, annual incentive award payouts and long term incentive grant values. Statistics are presented by geographic region, revenue, industry and employee group.

HIGHLIGHTS
The Canadian report on salary management indicates that the increases in salary budgets in 2015 were generally below the anticipated increase.

When we consider employee segmentation (based on performance), we note that employees whose performance is deemed satisfactory received an average salary increase of 2.5% in 2015 while employees judged to have provided a superior level of performance were awarded an average increase in the area of 4.4%.

The national results of salary budget increases by employee group, including zero budgets, are shown in the table below. When considering the size of the organizations surveyed, there seems to be little variation in projected budget increases for 2016.

<table>
<thead>
<tr>
<th>EMPLOYEE GROUPS</th>
<th>Salary Budget Increase Average Increase (%)</th>
<th>Salary Structure Adjustment Average Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015 (Projected)</td>
<td>2015 (Actual)</td>
</tr>
<tr>
<td>Executives</td>
<td>2.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Supervisors/Management</td>
<td>2.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Professionals</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Technical &amp; Business Support</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Production/Operations</td>
<td>2.5%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

For the province of Quebec, we estimated budget increase for 2015 is 2.6% and there seems to be little variation by size of organization or by employee group.

In organizations with a distinct promotion budget (20% of organizations), its median value is 0.5%.

ABOUT TOWERS WATSON: Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of benefits, talent management, rewards, and risk and capital management.

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1 2015-16 Towers Watson General Industry Salary Budget Survey Report – Canada
NOT-FOR-PROFITS IN QUEBEC: 
SALARY TRENDS FOR 2016

The information below is taken from Centre québécois de services aux associations (CQSA)’s Rapport de l’Étude sur les pratiques, la rémunération et les avantages sociaux des OSBL au Québec 2015 to be published later in October of this year.

This report is the fourth study published since 2009. The results from this biannual compensation and benefits survey are representative of participants from CQSA's Newsletter readership of 1500 NFP’s organizations. 260 managers from NFP of all sizes, sectors, scope throughout Quebec completed their survey. The survey was conducted between June and August 2015.

HIGHLIGHTS

When surveyed this summer, Quebec’s Not-For-Profit’s leaders clearly indicated that they anticipated NFP organizations would increase their 2016 salary budgets to reflect the cost of living. In fact, half of the survey respondents anticipate a global increase of 2% or less, in line with trends of the CPI. On the other hand, one in five respondents anticipate a freeze or a decrease of salary budgets and/or salaries.

In general, the results reflect uncertainty about NFP’s funding. We used a global indicator, the growth of the salary budget of NFP expected by leaders for 2016, to determine a general trend. We found that 7 out of 10 respondents expect salary budgets to stay below a 2% increase. This variation is similar to a 1.6% global CPI (Stats Can, table 326-0020, July 2014 to July 2015) for the Province of Quebec. Furthermore, nearly 20% of NFP simply expect a freeze in salary budgets with 0% increase for 2016.

We also asked respondents about changes they expected specifically for the compensation of managers and non-managers in their organization. The overall results follow the same cautious trends for both job categories.

On the other hand, a little over one-quarter of respondents did forecast increases of more than 3%.

Table 1: Percentage of NFP leaders surveyed expecting salary variation in their organization for 2016 (by level)

<table>
<thead>
<tr>
<th>Level of expected variation</th>
<th>Salary budget</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Managerial</td>
</tr>
<tr>
<td>Increase of 4% &amp; up</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>3% Increase</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>2% Increase</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>1% Increase</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>0% Freeze</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>1%+ Decrease</td>
<td>1%</td>
<td>&lt; 2%</td>
</tr>
</tbody>
</table>

TABLE 1 – In order to compare the data we’ve collected, we placed side by side survey results for expected salary budget for 2016 and expected changes in managerial and non-managerial compensation. We found similar trends in all three analyses. This supports our interpretation that organizations go through a period of financial uncertainty at present, and use budget dollars with caution.

In 2016, NFP managers in Quebec might want to control salary budgets of their organization by reducing the number of worked hours in overtime and regular time. Not-for-profits might also be tempted to offer early-retirement to some employees and eliminate some other jobs by attrition. In the end, most financial efforts to control salary budgets in 2016 are linked to financial uncertainty as pointed out earlier.

ABOUT THE CQSA: The Centre québécois de services associations, an initiative of the RegroupementLoisir et Sport du Québec, is a private nongovernmental organization that provides administrative, technical and professional services: insurance, financial management and payroll, legal, graphic design and printing, Information Technology, human resources, telephony, group purchases, and travel. The CQSA provides direct services to 500 non-for-profit organizations and supports over 10,000 Quebec-based NFP’s in other ways.

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SPECIAL REPORT | SALARY FORECASTS: 2015-2016