

# SALARY FORECASTS

special report

**2019**

## PRESIDENT'S MESSAGE



For some years already, businesses in Quebec have had to grapple with significant challenges with respect to the availability of a qualified and cost-competitive labour force.

With its yearly *Salary Forecasts Special Report*, the CPQ aims to provide employers with tools that will allow them to identify the private sector's leading salary trends for the year. Generated in collaboration with human resources consulting firms, the report also includes insights from the survey of non-profit sector salary increases led by the Centre québécois de service aux associations.

As such, the report provides swift access to expert forecasts and helps effectively plan your remuneration strategy. This information will allow you to:

- Compare your organization's projected wage increases with those forecasted in your industry;
- Assess the wage increases and wage scale adjustments of your various employment categories;
- View wage growth variances across different provinces;
- Take stock of executive staffing trends.

Moreover, the current widespread need for labour in most of the province's regions as well as in numerous sectors presents Quebec employers with a challenge, one that compels them to become particularly creative in terms of the conditions of employment they offer if they hope to recruit, retain, and motivate personnel at a time when vying for labour market talent remains fiercely competitive.

We would further like to thank our partners and congratulate them for their thoroughness in preparing this report which, year after year, serves as a key reference for human resources professionals and for managers all across the province.

Wishing you an insightful read,

**Yves-Thomas Dorval**  
President-CEO

**THE CPQ WOULD LIKE TO THANK THE PARTICIPATING FIRMS FOR THEIR CONTRIBUTIONS  
IN PREPARING THE 2019 SALARY FORECASTS:**



# FORECASTS OF KORN FERRY



The results shown are based on a national survey of 438 Canadian public and private sector employers conducted by Korn Ferry in July 2018. 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 2019. For all organizations, actual base salary changes realized in 2018 was 2.5%, matching the 2.5% that was forecasted. U.S. salary projections remain the same as for 2018 (3.0%). According to the survey, only 42% of Canadian employers are confirming that they will provide their employees with base salary increases in 2019, which is similar to the 45% of employers at the same time last year and considerably less than the 65% in 2017. This suggests a trend to "wait and see", with decisions being taken later in the year as there is no indication of an increase in organizations committing to a salary freeze.

Economic growth in Canada for 2019 is expected to be around 2.1%, which is slightly greater than the current forecast for 2018 of 2.0%. The aggregate growth in 2018 could still surprise to the upside at 2.3% rather than the current 2.0%

forecast. This may change if the negative effects of existing trade tensions disappear faster than currently projected. <sup>1</sup>

**THIS YEAR, THE AVERAGE BASE INCREASES EXCLUDING THOSE WITH FREEZES HAS SLIGHTLY INCREASED FROM 2.6% IN 2018 TO 2.7% IN 2019.**

Province	2019 projection	2018 projection	2017 projection	2016 projection	2015 projection	2014 projection
BC	2.7%	2.5%	2.3%	2.3%	2.6%	2.3%
Alberta	1.7%	1.9%	1.3%	2.5%	3.1%	3.2%
Saskatchewan	2.5%	2.8%	2.2%	2.7%	2.9%	3.4%
Manitoba	*	2.7%	2.4%	2.5%	2.3%	2.6%
Ontario	2.6%	2.4%	2.3%	2.5%	2.5%	2.5%
Quebec	2.6%	2.8%	2.5%	2.5%	2.6%	2.6%
Maritimes	2.4%	2.6%	1.9%	1.9%	2.1%	2.1%
Newfoundland	*	2.9%	1.4%	2.3%	2.6%	4.0%
Montreal	2.8%	2.8%	2.5%	2.4%	2.6%	2.6%

\* insufficient data

## OTHER CONCLUSIONS:

- Looking at major Canadian cities, workers in Ottawa (2.9%), Montreal and Vancouver (2.8%) and the Greater Toronto Area (2.6%) will receive base salary increases above the national average while those in Edmonton (1.6%) and Saskatoon (1.9%) will receive the lowest.
- By sector, Chemicals (2.9%); Pharma (2.8%) and Mining (2.8%) will receive the highest increases in Canada while Health Care (0.9%) and Education (1.7%) are forecast to be well below the national average of 2.4%.
- By job level, all positions will be at the national average of 2.4% next year.
- Projections for countries such as U.S. (3.0%), U.K (2.4%), Australia (2.5%), and Canada (2.4%) continue to lag behind those for India (9.5%), and China (6.0%).

**ABOUT KORN FERRY:** Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations, and societies succeed by releasing the full power and potential of people. Visit [kornferry.com](http://kornferry.com) for more information.

Our insight is supported by rigorous client data. Our clients are from the private, public and not-for-profit sectors, across every major industry. Korn Ferry Global PayNet database contains data for more than 20 million job holders in 24,000 organizations across more than 110 countries.

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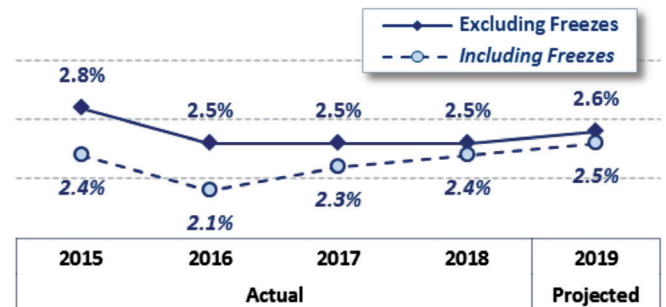


# FORECASTS OF MERCER

According to Mercer's 2018/2019 Compensation Planning Survey for non-union employees in Canada, salary increase projections have increased slightly for the year 2019, with actual 2018 increases remaining consistent with 2018 forecasts. The data was collected in May and June of 2018 from nearly 600 Canadian organizations.

## OVERALL PROJECTED SALARY INCREASES UP FROM 2018

For 2019, Canadian companies are budgeting average salary increases of 2.6%, excluding salary freezes. The inclusion of salary freezes reduces this forecast to 2.5%. According to 69% of respondents, retention concerns was the factor that most influenced their compensation planning decisions. Actual 2018 salary increases remain consistent with 2016 and 2017 increases, while salary freezes continue to decline in prevalence.



## FORECASTS GENERALLY CONSISTENT ACROSS CANADA

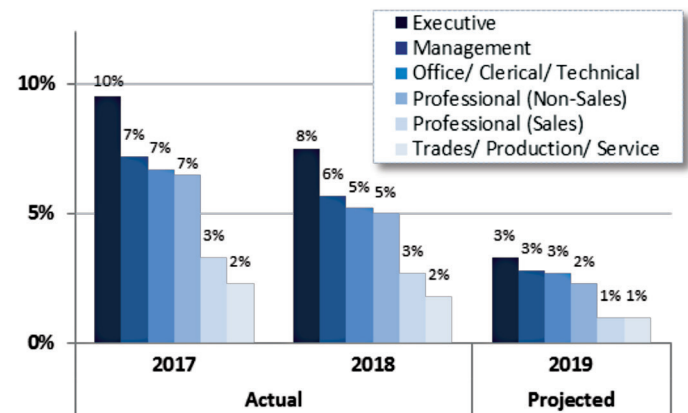
Excluding the impact of salary freezes, projected salary increases for 2019 fluctuate between 2.5% and 2.6% across provinces, with the exception of Saskatchewan with a forecast of 2.4%. In the United States, projected salary increases are at 2.9%.

## SALARY STRUCTURE ADJUSTMENTS

Overall average actual salary structure adjustments in 2018 were 2.0% and are also projected to be 2.0% in 2019.

## SALARY FREEZES CONTINUE TO DECLINE IN PREVALENCE

Participants reported fewer salary freezes in 2018 compared with 2017. A further decline in salary freezes is projected for 2019, as illustrated below:



## FORECASTS GENERALLY CONSISTENT ACROSS INDUSTRIES

While projections for most sectors are consistent, the Life Sciences sector exceeds the overall average with 2019 salary increase forecasts of 2.8%, and the Insurance/Reinsurance sector trails the overall average with a projection of 2.4%.

### CONCLUSION:

While retention concerns remain the most important factor influencing compensation planning decisions, and with salary increase budgets remaining modest in comparison to historical trends, organizations must have a solid understanding of their competitive landscape in order to properly allocate their investments to address attraction and retention concerns.

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# FORECASTS OF MORNEAU SHEPELL



Morneau Shepell's annual survey of Trends in Human Resources indicates that employers in Canada are expecting salaries to rise by an average of 2.6 per cent in 2019, the same as the actual average increase for 2018. The average forecast by respondents for 2019 includes expected salary freezes and excludes salary adjustments for promotions or other special circumstances.

The highest average salary increases in Canada in 2019 are expected to be in the real estate sector at 3.8 per cent, and in the professional and technical services sector at 3 per cent. Respondents anticipate lower than average increases in information and cultural industries at 1.5 per cent. On a provincial basis, expected average salary increases vary by 0.5 per cent, with Quebec respondents coming in at the national average of 2.6 per cent and British Columbia respondents forecasting the highest increase at 2.8 per cent.

In Quebec and Canada, the average salary increase forecasts for 2019 are as follows for certain industry sectors and benchmark organization size, measured in revenues or the equivalent:

The 36<sup>th</sup> annual Morneau Shepell Trends in Human Resources survey covers the forecast salary increases of 356 benchmark organizations in Canada. In addition to looking at expected salary increases, the survey also asked human resources (HR) leaders about their priorities for 2019. More than two-thirds of the HR leaders identified employee engagement, and 59 per cent employee attraction and retention, as their top priority.

The survey identified HR leaders' growing concern about employee retirement. A majority said they were concerned about employees' financial preparedness for retirement. To address this, HR leaders are considering a range of solutions, from implementing decumulation options in retirement to allowing the purchase at a reduced price of insurance on online retiree marketplaces for health and life insurance benefits.

	Québec (%)		Canada (%)	
	Salary Structure	Salaries Paid	Salary Structure	Salaries Paid
<b>General Forecasts</b>	<b>1.9</b>	<b>2.6</b>	<b>1.9</b>	<b>2.6</b>
<b>SECTORS</b>				
Manufacturing	1.8	2.6	2.0	2.8
Trade	1.9	2.4	2.1	2.6
Finance and Insurance	2.0	2.1	1.8	2.7
Professional, Scientific and Technical Services	2.2	3.2	2.2	3.0
Public Administration	2.1	2.7	2.1	2.8
Other sectors	1.7	2.6	1.6	2.3
<b>REVENUES OR THE EQUIVALENT</b>				
Under \$50 million	1.8	2.6	2.0	2.7
\$50 million to less than \$100 million	2.7	2.9	2.2	2.3
\$100 million to \$1 billion	1.8	2.6	1.8	2.6
Over \$1 billion	1.8	2.4	1.5	2.3

**ABOUT MORNEAU SHEPELL:** Morneau Shepell is the only human resources consulting and technology company that takes an integrated approach to employee well-being, health, benefits and retirement needs. The Company is the largest administrator of retirement and benefits plans and the largest provider of integrated absence management solutions in Canada. LifeWorks by Morneau Shepell is a total well-being solution that combines employee assistance, wellness, recognition and incentive programs. As a leader in strategic HR consulting and innovative pension design, the Company also helps clients solve complex workforce problems and provides integrated productivity, health and retirement solutions. Established in 1966, Morneau Shepell serves approximately 24,000 clients, ranging from small businesses to some of the largest corporations and associations. With more than 4,500 employees in offices across North America, Morneau Shepell provides services to organizations around the globe.

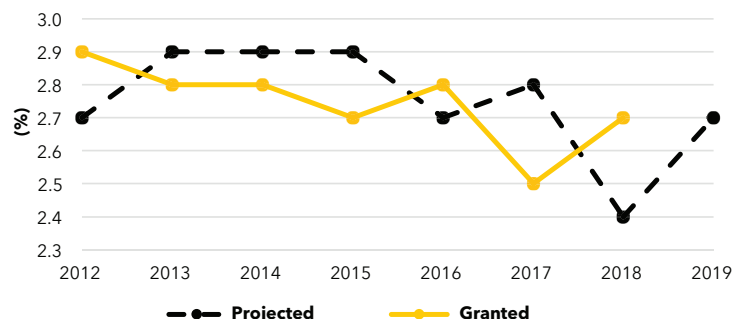
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# FORECASTS OF NORMANDIN BEAUDRY

The eighth edition of our Salary Increase Survey was conducted in June and July 2018. A total of 233 organizations representing more than 640,000 employees completed the survey.

## UPWARD PRESSURE FOR 2019

Following a decline in salary increases granted over projected in 2017, organizations granted salary increases in 2018 more in line with previous years as shown in the graph. The various economic and political factors, such as the low unemployment rate, rising inflation and the new Pay Transparency Act are putting pressure on organizations, and we would not be surprised if increases granted in 2019 push above 3.0%, a level not seen since 2009.



## HIGHLIGHTS

With a projected average increase of 2.7% for 2019, Quebec's forecast increased by 0.3% compared to last year's survey. Moreover, Quebec's forecast is the highest in the country with a Canadian average at 2.5%.

As for increases granted in 2018, Quebec and British Columbia were among the most generous provinces with increases of 2.7%, 0.2% higher than the Canadian average. The provinces of Newfoundland and Labrador and Prince Edward Island fell at the bottom of the ranking with increases of 2.4% on average.

## AVERAGE BY PROVINCE (EXCLUDING FREEZES)

PROVINCE	Total salary increase budget			Salary structure increase		
	N	Granted in 2018	Projected for 2019	N	Granted in 2018	Projected for 2019
Quebec	225	2.7%	2.7%	181	2.1%	2.1%
Ontario	85	2.6%	2.6%	68	1.9%	1.9%
British Columbia	42	2.7%	2.5%	36	1.8%	1.9%
Alberta	44	2.5%	2.6%	38	1.9%	1.9%
Saskatchewan	25	2.5%	2.5%	23	2.0%	1.8%
Manitoba	28	2.6%	2.5%	22	2.0%	1.8%
New Brunswick	32	2.5%	2.5%	27	1.9%	1.8%
Nova Scotia	32	2.6%	2.4%	28	1.9%	1.8%
Prince Edward Island	13	2.4%	2.4%	13	2.0%	1.9%
Newfoundland & Labrador	19	2.4%	2.5%	18	1.9%	1.9%
CANADIAN AVERAGE		2.5%	2.5%		1.9%	1.9%

As for salary structures, the Canadian average was of 1.9% for 2018 and the forecasts for next year are also of 1.9%. Quebec is on top with increases granted in 2018 of 2.1% and 2.1% projected for next year.

The average gap between salary increases and average salary structure increases has widened slightly by 0.6% compared to the previous year. Despite this increase, we find that less than a quarter of the total budget allows organizations to reward the performance of their employees and that most of the amount is designated to maintain the positioning of employees within their salary scale.

**ABOUT NORMANDIN BEAUDRY:** Founded in 1992, Normandin Beaudry is now recognized as a major player in the field of consultation. Operating from its Montreal, Toronto and Quebec City offices, Normandin Beaudry creates human capital and financial performance with its clients through the excellence of experts ignited by a total rewards mindset. More than 200 employees serve Normandin Beaudry's Canada-wide clientele by providing advisory services in six areas of expertise: pension and savings, asset management, group benefits, compensation, health and performance, and communication.

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# FORECASTS OF WILLIS TOWERS WATSON

Canadian employees hoping for larger pay raises next year will have to wait a little longer. A new survey by Willis Towers Watson, a leading global advisory, broking and solutions company, reveals Canadian employers expect to maintain the status quo on pay raises in 2019. The survey of 366 companies also found employers continue to reward their best performers with significantly larger raises to retain these employees and strengthen their commitment to paying for performance. Employers are also rethinking how to administer limited salary budgets. So while organizations may be forecasting an increase for 2019, the landscape of how and when they are giving increases varies considerably.

## HIGHLIGHTS

The Canadian report on salary management indicates that the increase in salary budgets and actual salary structures in 2018 was slightly higher than the forecasts. The national results of salary budget increases by employee group, including zero budgets, are shown in the table below, it should be noted that the projections for 2019 are generally in line with actual increases in 2018.

EMPLOYEE GROUPS	Salary Budget Increase Average Increase (%)			Salary Structure Adjustment Average Increase (%)		
	2018 Projected	2018 Actual	2019 Projected	2018 Projected	2018 Actual	2019 Projected
Executives	2.3%	2.4%	2.5%	1.5%	1.5%	1.5%
Supervisors/Management	2.6%	2.7%	2.7%	1.4%	1.4%	1.5%
Professionals	2.6%	2.7%	2.7%	1.4%	1.4%	1.5%
Technical & Business Support	2.6%	2.7%	2.7%	1.4%	1.5%	1.5%
Production/Operations	2.4%	2.3%	2.4%	1.4%	1.4%	1.6%

We found that approximately 97% of respondents are projecting base salary increases for some or all employee groups in 2019, slightly up from 95% that have granted increases in 2018.

If we consider only the organizations who will provide an increase and exclude the organizations that plan a salary freeze in 2019, the employees can expect a similar base salary increase next year as what was granted or budgeted this year, with a 2.8% increase. For the change in salary structure, if we exclude the organizations that plan a salary freeze, the increase is in the range of 2.0%.

## FOR THE PROVINCE OF QUEBEC, THE PROJECTED SALARY BUDGET INCREASES ARE SIMILAR TO THE CANADIAN PROJECTIONS.

With regards to the annual bonus plan, while the budgeted payment should be maintained in comparison to 2018, we expect that the discretionary premiums paid in 2018 and in 2019 will be slightly higher than 2017 for all employee groups.

**ABOUT WILLIS TOWERS WATSON:** Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance.

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# FORECASTS OF CENTRE QUÉBÉCOIS DE SERVICES AUX ASSOCIATIONS



The information below is taken from the "Rapport de l'Enquête sur les augmentations salariales 2019" of the Centre québécois de services aux associations\* (CQSA) to be published in September of this year.

## HIGHLIGHTS: 2.7% is a number that you will see a lot in this article

According to the CQSA surveys of Quebec's Not-For-Profits managers, the salary increases projected for 2019 are similar in size to the ones granted for the current year. Our annual study shows that **organizations estimate a growth of 2.7% of their total salary budget for the 2019 fiscal year**. On average, the total salary budget percentage increase is identical to increases granted by NFP organizations in 2018 (2.8%) and is in line with last year's CQSA' projections. On the other hand, the 2019 salary structure increases for non-unionized NFPs are estimated on average at 2.2%, mostly to cover inflation. Again, the current economic situation is calling NFP organizations to be very cautious.

**TABLES** - In order to compare forecasted data for 2019 and granted salary increases of the current year, we have placed our observed information side by side, below:

Table 1 : General overview		
NFP's Salary budget	Increases (excluding freezes)	
	Granted in 2018	Projected in 2019
Total budget	2.8%	2.7%
Salary structure budget	2.0%	2.2%

Table 2 : Employee groups overview		
Per group	Increases (excluding freezes)	
	Granted in 2018	Projected in 2019
Managers	2.8%	2.7%
Non-managers	2.8%	2.7%

## INCREASES - A CONSTANT 2.7% IN 2019

Respondents to our survey indicated that average salary increases for **non-managerial positions are estimated at 2.7% for 2019**. Furthermore, salary increases (including performance-related bonuses) for **managers is projected at 2.7% for 2019**. These results are almost identical for managers and non-managers both in 2018 and 2019. (Table 2)

We also notice that the size of an organization (i.e. the number of employees) had a larger impact on average salary increase

*\*This report on Quebec's NFP's salary increases for 2019 is a study by the CQSA in cooperation with the firm Normandin Beaudry.*

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**ABOUT CQSA:** The Centre québécois de services associations, an initiative of the Regroupement Loisir et Sport du Québec, is a private non-governmental 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, travel and education. CQSA provides direct services to 650 non-for-profit organizations and supports over 10,000 Quebec-based NFP's in other ways.

Table 3 : Overview according to NFP's size

Number of employees	Increases (excluding freezes)	
	Granted in 2018	Projected in 2019
4 and less	3.4%	3.2%
5 to 9	2.7%	2.6%
10 to 24	2.8%	2.7%
25 to 49	2.4%	2.4%
50 to 99	3.5%	3.0%
Over 100	2.4%	2.6%

in 2018 that we did expect NFPs with less than 5 employees and organizations with 50 to 99 employees offered higher salary increase (3.4 % and 3.5 % respectively). In 2019, NFP size should be a less significant factor: on average salary increases for all categories will tend to merge towards a central salary increase average of 2.7 %. (Table 3)

## ANOTHER YEAR OF CONTINUITY

As presented in our three main overviews, above, anticipated 2019 salary increases are just in line with granted increases of this past year with 2.7 % increases of total salary budgets. In general, the observed results still reflect concerns over lack of funding for Not-for-profits. In the light of the current economic situation, NFP organizations will again be very cautious.



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