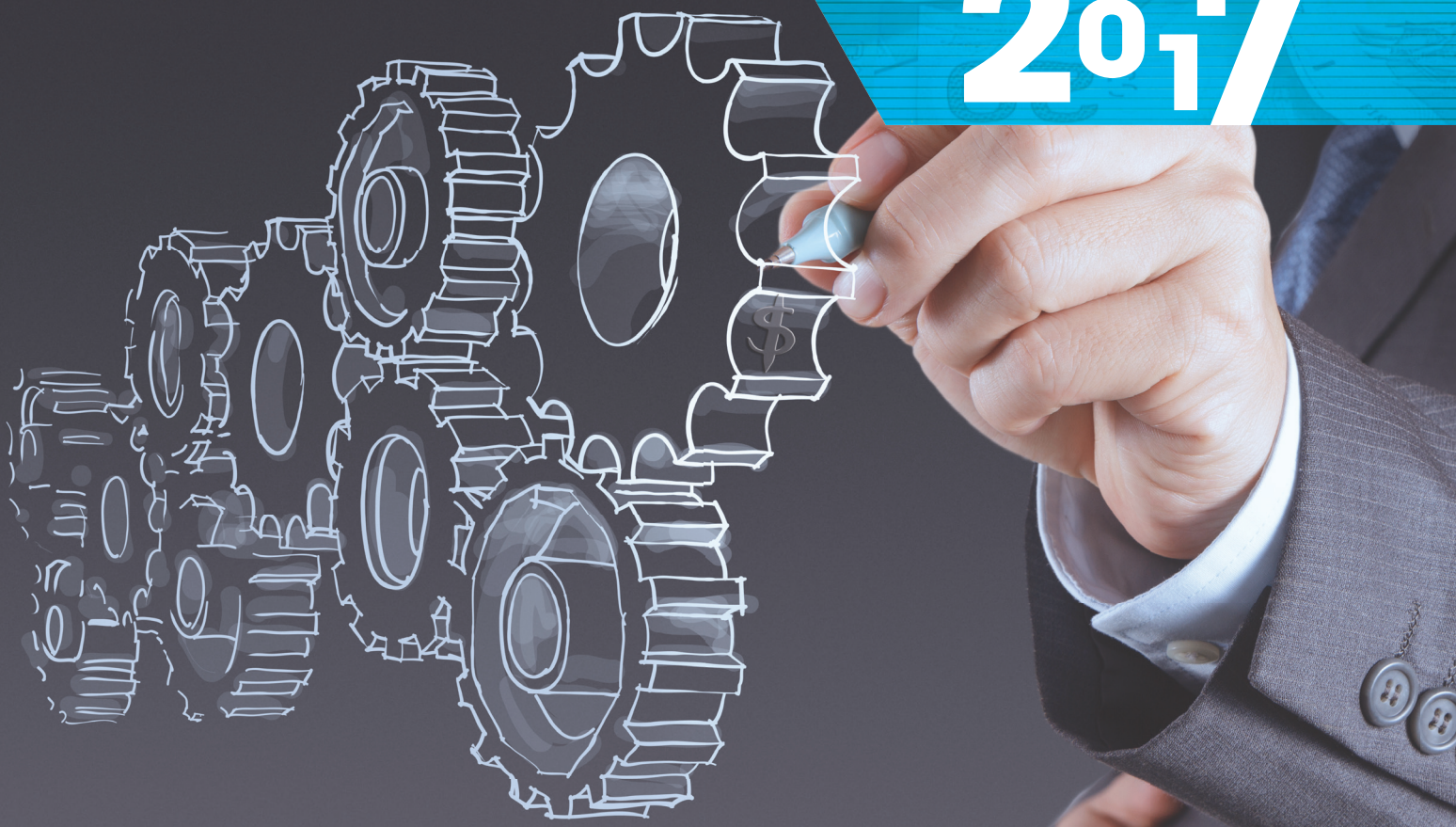


SALARY FORECASTS

SPECIAL REPORT

2017



PRESIDENT'S MESSAGE



In an aging population context, being able to access a skilled and available labour force at a competitive cost is a priority for employers and one of the main conditions for Québec's prosperity. This special Report on Salary Forecasts, published yearly by the CPQ in collaboration with some of the top human resources firms in the province of Québec, allows us to establish salary trends in the private sector for the coming year.

The document also provides an overview of the survey on salary increases in non-profit organizations conducted by the Centre québécois de service aux associations. Again this year, the difficult economic context and market uncertainties have led employers to proceed cautiously, thereby hampering their salary planning. In fact, almost every activity sector is experiencing a decline in wage hikes. This publication will enable you, at a glance, to get the opinion of human resources experts so you can better plan your remuneration strategy.

You will be able to:

- Compare the salary increases you are planning to those being forecast in your activity sector;
- Assess the salary increases and wage scale adjustments in your various employment categories;
- Learn about the variations in salary growth among the various provinces;
- Assess the trends in terms of managerial staffing.

Meanwhile, in the context of the current debate on the minimum wage in the province, the CPQ is in the process of conducting an in-depth research to assess the actual impact of the various scenarios, in which the determining factor is how quickly the increases are to occur, and the ensuing impact on the job market. Don't forget that employers may have to reassess their internal wage scales should the government legislate significant increases in the minimum wage.

Once again, we would like to extend a heartfelt thanks to our partners for their collaboration and congratulate them for their meticulous work.
Happy reading!

Yves-Thomas Dorval
CEO

THE CPQ WOULD LIKE TO THANK THE PARTICIPATING
FIRMS FOR THEIR CONTRIBUTIONS
IN PREPARING THE 2017 SALARY FORECASTS:



2016-2017 MERCER SURVEY COMPENSATION PLANNING IN CANADA

SALARY INCREASE PERCENTAGES STAY LOW

According to Mercer's 2016/2017 Compensation Planning Survey for non-union employees in Canada, projected salary increases for 2017 are 2.6%, the lowest percentage increase since Mercer began its survey more than 20 years ago. The data was collected in May and June 2016 from 487 Canadian organizations.

For 2017, Canadian companies are budgeting average salary increases of about 2.6%, excluding salary freezes. If salary freezes are taken into account, average salary increases will be approximately 2.3%. This shows that employers are being cautious in the current economic situation. More than 60% of respondents said that the economy was the factor that most influenced their compensation planning decisions. Furthermore, changes in the economic context had the following impact on changes in salary projections:

	2016 Projected – May 2015 Data	2016 Projected – Nov. 2015 Data	2016 Actual	2017 Projected
Excluding freezes	2.8%	2.6%	2.5%	2.6%
Including freezes	2.6%	2.2%	2.1%	2.3%

PERFORMANCE RATINGS REMAIN IMPORTANT

Most organizations continue to use performance ratings when making salary adjustment decisions—only 4% of them either eliminated such ratings in 2016 or plan to do so, and a further 9% are considering doing so.

ABOUT MERCER: Mercer is a global consulting leader in health, wealth and careers. Mercer helps clients around the world advance the health, wealth and performance of their most vital asset—their people. Mercer's more than 20,000 employees are based in more than 40 countries and the firm operates in over 130 countries. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy and people. With 57,000 employees worldwide and annual revenue exceeding \$13 billion, Marsh & McLennan Companies is also the parent company of Marsh, a leader in insurance broking and risk management; Guy Carpenter, a leader in providing risk and reinsurance intermediary services; and Oliver Wyman, a leader in management consulting.

SITUATION CONSISTENT ACROSS CANADA

Excluding the impact of salary freezes, projected salary increases for 2017 are essentially the same across Canada (ranging from 2.5% to 2.7%), while they are 2.9% in the United States.

LOWER SALARY INCREASES AFFECT NEARLY ALL INDUSTRIES

Not taking into account salary freezes, nearly every industry sector saw a decline in actual 2016 salary increases versus 2015. Approximately 60% of energy companies froze salaries in 2016 and 40% are projecting to freeze salaries in 2017.

SALARY STRUCTURE ADJUSTMENT UNCHANGED

The average actual salary adjustment in 2016 was 2.1% and is projected to be consistent in 2017 at 2.1%.

This is the lowest percentage increase in more than 20 years, showing that employers are being cautious in the current economic situation.

CONCLUSION: With salary increases trending lower, it's more important than ever for organizations to know what is happening on salary movements so they can remain competitive in the marketplace for the best talent. Given the smaller budgets for promotional increases and off-cycle adjustments, Canadian companies need to be more strategic in their employee value propositions, namely in how they distribute limited funds to attract and retain key talent.

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KORN FERRY HAY GROUP SURVEY ON CANADIAN SALARY FORECASTS FOR 2017

The results shown are based on a national survey of 699 Canadian public and private sector employers conducted by Korn Ferry Hay Group in June and July 2016. 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 2.2% in 2017. This projection is lower than the 2.4% projection for 2016, 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 2016 (3.0%), and Canadians have now fallen further behind their U.S. counterparts. According to the survey, 65% of

Canadian employers are forecasting that they will provide their employees with base salary increases in 2017, which is less than the 70% of employers who projected increases for 2016. 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 (28% are still undecided at this time).

Economic growth in Canada for 2017 is expected to be around 2%, which is more optimistic than what was observed during the last 18 months. With an expected stabilization in Alberta and in Saskatchewan (due to the investment in the reconstruction of Fort McMurray instead of the investment in the oil and gas sector), all Canadian provinces can expect an economic growth between 2.0 % and 2.5%, except for the Atlantic provinces that fall behind

(0.5%). While they are adapting to the new reality of oil prices, it is not surprising to see provinces rich in oil industries (Alberta and Newfoundland) predicting the lowest salary increases in 2017, while Québec leads the country in salary projections in 2017.

The economic context surrounding salary planning remains essentially unchanged; there are no new looming threats.

Province	2017 projection	2016 projection	2015 projection	2014 projection	2013 projection	2012 projection
BC	2.3%	2.3%	2.6%	2.3%	2.7%	2.5%
Alberta	1.3%	2.5%	3.1%	3.2%	3.6%	3.4%
Saskatchewan	2.2%	2.7%	2.9%	3.4%	3.2%	3.2%
Manitoba	2.4%	2.5%	2.3%	2.6%	2.7%	2.5%
Ontario	2.3%	2.5%	2.5%	2.5%	2.7%	2.7%
Quebec	2.5%	2.5%	2.6%	2.6%	2.7%	2.8%
Maritimes	1.9%	1.9%	2.1%	2.1%	2.6%	2.4%
Newfoundland	1.4%	2.3%	2.6%	4.0%	3.4%	3.4%
Montreal	2.5%	2.4%	2.6%	2.6%	2.7%	2.8%

OTHER CONCLUSIONS

- Looking at major Canadian cities, we observed an expected shift with Calgary (1.2%), Edmonton (1.5%) and St. John's (1.5%) who project the lowest increases, while Victoria (2.5%), Saskatoon (2.5%) and Montreal (2.5%) project the highest increases in 2017.
- For all organizations, actual base salary changes realized in 2016 were 2.2%, lower than the 2.4% projected in last year's survey.
- By job level, most positions will be at or above the national average of 2.2%, except for non-unionized clerical/operations and executive positions that will see average increases of 2.1%.
- Projections for countries such as U.S. (3.0%), U.K (2.5%), Australia (3.0%), and Canada (2.2%) continue to lag behind those for India (10.0%), Brazil (8.0%) and China (8.0%).

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. Our nearly 7,000 colleagues deliver services through our Executive Search, Hay Group and Futurestep divisions.

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NORMANDIN BEAUDRY'S SALARY INCREASE SURVEY 2016-2017

The sixth edition of the Salary Increase Survey was conducted in the summer of 2016. A total of 175 organizations, including 41 with nationwide operations, representing more than 965,000

employees completed this survey. The data collected was analyzed by **Normandin Beaudry's** compensation specialists to identify market trends and present salary forecasts for 2017.

HIGHLIGHTS

The annual Salary Increases Survey reveals that Quebec salaries are expected to increase by 2.8% in 2017. Salary structures are expected to increase by an average of 1.8%. As in 2016, the economic outlook remains uncertain for 2017 and the volatile environment brings organizations to remain cautious.

The final budget of 2.8% granted for 2016 was higher than the initial forecast of 2.7% last year.

Salary increase forecasts for private sector organizations remain higher (2.9%) than those for public and parapublic organizations (2.5%).

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	TOTAL BUDGET*		GENERAL/ ECONOMIC BUDGET		PERFORMANCE- BASED BUDGET		OTHER	
Entire province	Granted 2016	Projected 2017	Granted 2016	Projected 2017	Granted 2016	Projected 2017	Granted 2016	Projected 2017
	2.8 %	2.8%	2.0%	2.1%	1.5%	1.5%	0.3%	0.3%

Once again this year, small businesses (less than 100 employees or with revenue less than \$50M) are setting themselves apart from the market by forecasting salary increase budgets above the provincial average (between 2.8% and 3.0% on average). Large organizations (more than 500 employees or revenue over \$100M) are cautious with below provincial average forecasts for 2017 (between 2.6% and 2.8% on average).

After a shortfall in 2016, forecasts for the Quebec City region are again similar to those Montreal, averaging 2.9% and 3.0% respectively.

Some industry sectors set themselves apart with salary increase budget forecasts that are higher than the provincial average. These sectors include Durable Goods Manufacturing (3.4%), Educational Services (3.4%), Information Technology and Communications (3.2%), Professional, Scientific and Technical Services (3.2%) and Non Durable Goods Manufacturing (3.2%).

Conversely, some sectors are well below the provincial average. These sectors include Information Culture and Entertainment industry (2.3%), Foundations, Community and Health Care Assistance (2.3%) and the Municipal Sector (2.2%).

Quebec organizations with nationwide activities forecast slightly higher increases (3.0%) in Quebec than the provincial average of 2.8%. For the other provinces, the forecasts range between 2.5% and 2.6% and are lower than the Quebec provincial average.

- 54% of organizations granted equivalent salary increase budgets across the provinces in 2016, a decrease of 14% compared to the results of the previous year.
- 85% of organizations granted the same salary structure increase across the provinces in 2016, and 94% expect to do the same in 2017.

**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 175 employees and is owned by 37 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 **rēmun**, Normandin Beaudry'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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WILLIS TOWERS WATSON

2016/2017 SALARY BUDGET SURVEY

Willis 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. This year, more than 400 organizations participated in our survey.

HIGHLIGHTS

The Canadian report on salary management indicates that the actual increase in salary budgets in 2016 was generally below the anticipated increase.

The national results of salary budget increases by employee group, including zero budgets, are shown in the table below.

EMPLOYEE GROUPS	Salary Budget Increase Average Increase (%)			Salary Structure Adjustment Average Increase (%)		
	2016 Projected	2016 Actual	2017 Projected	2016 Projected	2016 Actual	2017 Projected
Executives	2.5%	2.1%	2.3%	1.6%	1.3%	1.4%
Supervisors/Management	2.7%	2.4%	2.5%	1.6%	1.5%	1.5%
Professionals	2.7%	2.4%	2.6%	1.6%	1.5%	1.6%
Technical & Business Support	2.7%	2.3%	2.6%	1.6%	1.5%	1.6%
Production/Operations	2.4%	2.0%	2.3%	1.7%	1.3%	1.5%

Among the participating companies, approximately 6% expect a salary freeze in 2017. If we consider only companies with planned increases in 2017, the salary budget increase is in the order of 2.8% and the average of structure adjustments is 2.1%.

For province of Quebec, the projected salary budget increase are similar to the Canadian projections

In regard to the annual bonus plan, the budgeted payment levels for 2017 are comparable to 2016 and 2015.

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 of growth. With roots dating to 1828, Willis Towers Watson has 39,000 employees in more than 120 territories. 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. Together, we unlock potential.*

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NOT-FOR-PROFITS IN QUEBEC: SALARY TRENDS FOR 2017

The information below is taken from the "Rapport de l'Enquête sur les augmentations salariales 2016-2017" of the *Centre québécois*

*de services aux associations** (CQSA) to be published in October of this year.

HIGHLIGHTS

According to the CQSA survey of Quebec's Not-For-Profits managers, the salary increases projected for 2017 are similar in size to the ones granted for the current year. Our annual study shows that organizations estimate a **growth of 2.5% of their total salary budget for the 2017 fiscal year**. On average, the total salary budget percentage increase is identical to increases granted by NFP organizations in 2016 (2.5%) and is in line with last year's CQSA' projections.

On the other hand, the 2017 salary structure increases are estimated on average at 1.6%, mostly to cover inflation. Slight variations are now becoming a trend. Again, the tight economic situation and lack of funding are calling NFP organizations to be extra cautious.

TABLE 1 : GENERAL OVERVIEW		
NFP's Salary budget	Increases	
	Granted in 2016	Projected in 2017
Total budget	2.5%	2.5%
Salary structure budget	1.8%	1.6%

TABLE 2 : EMPLOYEE GROUPS OVERVIEW		
Per group	Increases	
	Granted in 2016	Projected in 2017
Managers	2.1%	1.9%
Non-managers	1.9%	1.8%

TABLE 3 : OVERVIEW ACCORDING TO NFP'S SIZE		
Number of employees	Increases	
	Granted in 2016	Projected in 2017
5 and less	2.1%	2.0%
6 to 10	2.6%	2.3%
11 to 20	3.1%	3.0%
21 to 50	2.3%	2.3%
Over 50	2.7%	3.3%

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 500 non-for-profit organizations and supports over 10,000 Quebec-based NFP's in other ways.*

VARIABLE INCREASES

Respondents to our survey indicated that salary increases for **non-managerial positions are estimated at 1.8% for 2017**. Furthermore, salary increases (not including performance-related bonuses) for **managers is projected at 1.9% for 2017**, a decline of 0.2 % from last year. (Table 2)

We also noticed that the size of an organization (i.e. the number of employees) proportionally impacts the average salary increase: smaller NFP are projecting smaller salary increases than larger organizations. Generally speaking, projected salary increases are slightly lower in 2017 compared to the current year. (Table 3)

← **Tables – In order to compare forecasted data for 2017 and granted salary increases of the current year, we have placed our observed information side by side.**

A YEAR OF CONTINUITY

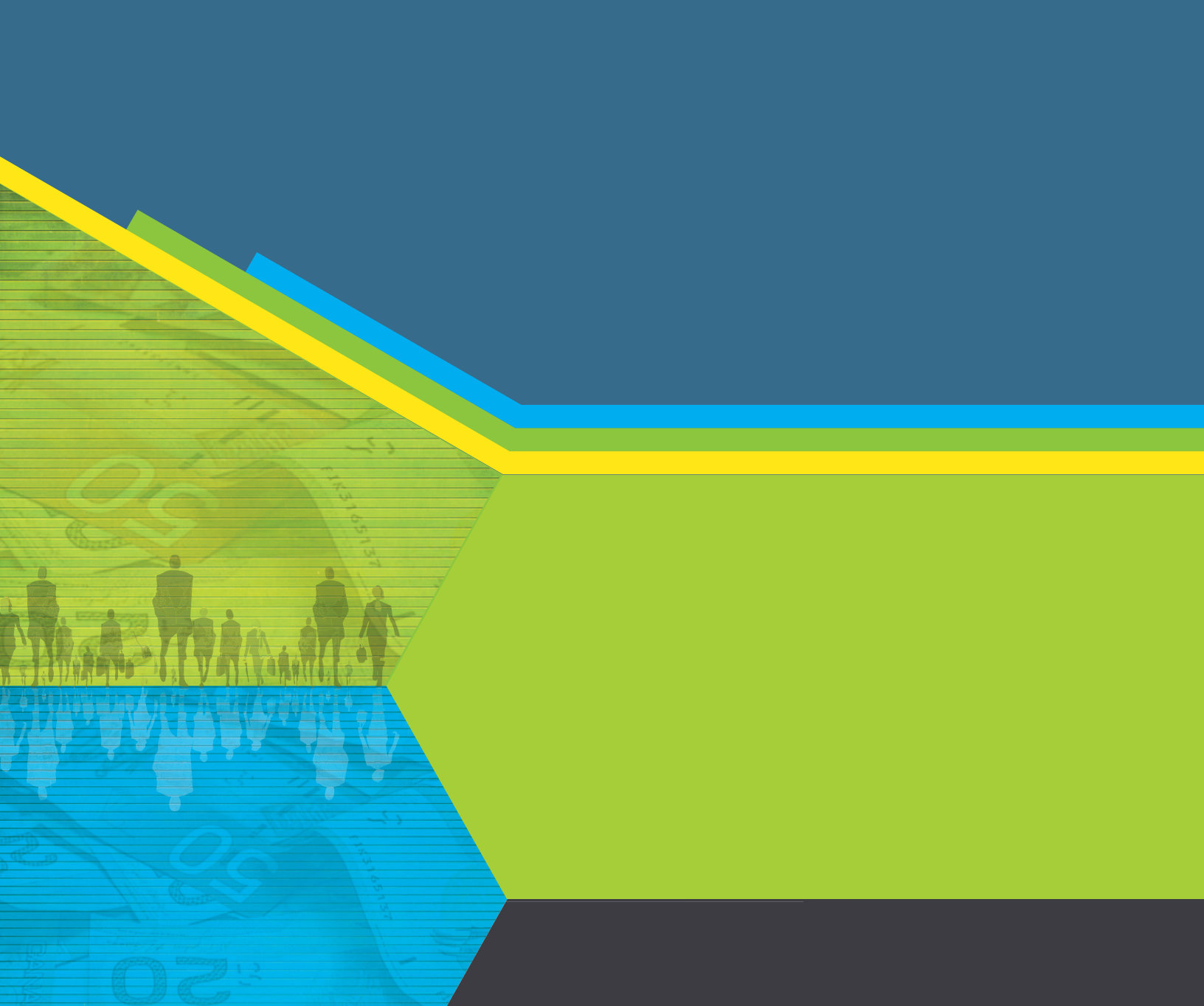
In general, the observed results still reflect NFP organizations' uncertainty linked to their lack of funding. As presented in our three main overviews, above, anticipated 2017 salary budgets are just a few points below granted increases of this current year.

For 2017, **19.2% of surveyed NFP say they are not budgeting any salary increase**. In comparison, 14.9% of organizations froze salaries for the current year. In the end, close to 5% more Not-for-profit organizations in Quebec will put additional control on their salary mass.

**This report on Quebec's NFP's salary increases for 2017 is a new study by the CQSA in cooperation with the firm Normandin Beaudry. For this first edition, 117 valid questionnaires were submitted electronically, from July to August 2016.*

This new study will be presented on a biannual rotation, adding to a regular compensation and benefits Report presented by the CQSA since 2009. This recognized tool is in its fourth edition and presents results from a bi-annual survey of our 1500 newsletter subscribers coming from NFP of all sizes, sectors, and scope throughout Quebec.

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