



2023

special report



SALARY
FORECASTS

MESSAGE FROM THE PRESIDENT AND CEO

As they continue to grapple with the unrelenting uncertainty ushered in by the pandemic, business operations press on yet must now contend with even more disruptions fuelled by the war in Ukraine and soaring inflation. In the space of a few months, the price of materials and transport have flared alongside delivery delays the likes of which none has ever seen. Meanwhile, and unsurprisingly, the jump in the cost of living is driving a sustained demand for higher wages.

In the face of these new economic realities, businesses have to readjust once more as they continue to tackle their ongoing employee recruitment and retention challenges. The stakes have never been higher for employers to stand out and make their mark.

Our Special Brief on Salary Forecasts should undoubtedly serve them during this complex time. Published annually and developed in collaboration with our expert partners, our report includes forecasts on salary trends and a yearly outlook on the course of human resource management.

The CPQ shares this expertise with you to help inform your operations' compensation strategies. You will find information pertaining to your sector as well as your various employment categories.

This report, developed for employers and managers from every sector as well as for human resource professionals, presents a rigorous, well-documented analysis guided by our compensation experts. It should offer a great deal of useful information to help you navigate these uncommon times.

Sincerely,

Karl Blackburn



THE CPQ WOULD LIKE TO THANK THE PARTICIPATING FIRMS FOR THEIR CONTRIBUTIONS IN PREPARING THE 2022 SALARY FORECASTS:

Solutions Mieux-être
LifeWorks

 **Mercer**

normandin
beaudry
straight talk

pci
COMPENSATION
CONSULTING

wtw


REGROUPEMENT
Loisir et Sport
du Québec

FORECASTS FROM LIFEWORKS

For our 40th edition of the Salary Projection Survey, there were **548 participating organizations** from across Canada, covering all industries and reflecting a wide range of revenues.

LifeWorks' annual Canadian Salary Projection Survey indicates that non-union employees could see an average salary increase of **3.93%** in 2023 excluding salary freezes, and **3.86%** including them. In 2022, **5.7%** of organizations froze salaries compared to **12%** in 2021. In addition, only **1.5%** of organizations plan to freeze salaries in 2023. Salary structures, meanwhile, are expected to increase by **3.15%** when salary freezes are excluded and by **2.89%** when they are included. Furthermore, **82%**

of organizations use a salary structure to manage the salaries of non-unionized employees.

In Canada, we find the highest expected salary increases in Manitoba (**4.75%** excluding freezes, **4.75%** including freezes) followed closely by Quebec with average salary increases of **4.16%** excluding freezes and **4.12%** including them.

AVERAGE SALARY INCREASE AND SALARY STRUCTURE PROJECTIONS (CANADA, BY INDUSTRY SECTOR)

INDUSTRY SECTOR	AVERAGE INCREASES PROJECTED FOR 2023			
	BASE SALARIES		SALARY STRUCTURES	
	INCL. FREEZES	EXCL. FREEZES	INCL. FREEZES	EXCL. FREEZES
National average	3.86%	3.93%	2.89%	3.15%
Construction	4.08%	4.08%	2.83%	3.00%
Education	3.06%	3.06%	2.22%	2.54%
Finance & insurance	3.94%	3.99%	2.84%	3.23%
Healthcare	3.30%	3.57%	2.75%	2.75%
Industrial Goods and Chemical	3.93%	3.93%	3.11%	3.43%
Business Services	4.15%	4.15%	3.31%	4.42%
Durable Consumer Goods	4.42%	4.42%	4.63%	4.63%
Non-durable Consumer Goods	3.60%	3.60%	3.70%	3.70%
Mining and Metals	3.81%	3.81%	3.10%	3.10%
Oil & Gas	3.50%	3.50%	3.17%	3.17%
High Technology	4.54%	4.54%	2.91%	2.91%
Professional Services	4.20%	4.50%	3.00%	3.92%
Public Administration	2.93%	2.93%	2.62%	2.62%
Real Estate	4.65%	4.65%	1.50%	2.25%
Arts, Ent., Recreation, Hospitality, Media and Comm.	3.64%	3.81%	3.93%	4.21%
Utilities	3.05%	3.05%	1.83%	1.83%
Farming and Fishing	3.83%	4.60%	3.63%	3.63%
Forestry	2.25%	2.25%	2.50%	2.50%
Not-for-Profit	3.83%	3.83%	2.24%	2.70%
Life Sciences	3.97%	3.97%	2.70%	2.70%
Retail	3.50%	3.50%	2.62%	2.62%
Transportation & Warehousing	3.94%	4.20%	2.85%	3.10%
Wholesale Trade	4.32%	4.32%	2.64%	2.64%
Information Technology	4.73%	4.73%	3.28%	3.28%

ABOUT

LifeWorks is a world leader in offering in-person and virtual solutions to support the total wellness of people. We offer a range of personalized care to support our clients with their employees' wellness and, in doing so, foster their organization's success.

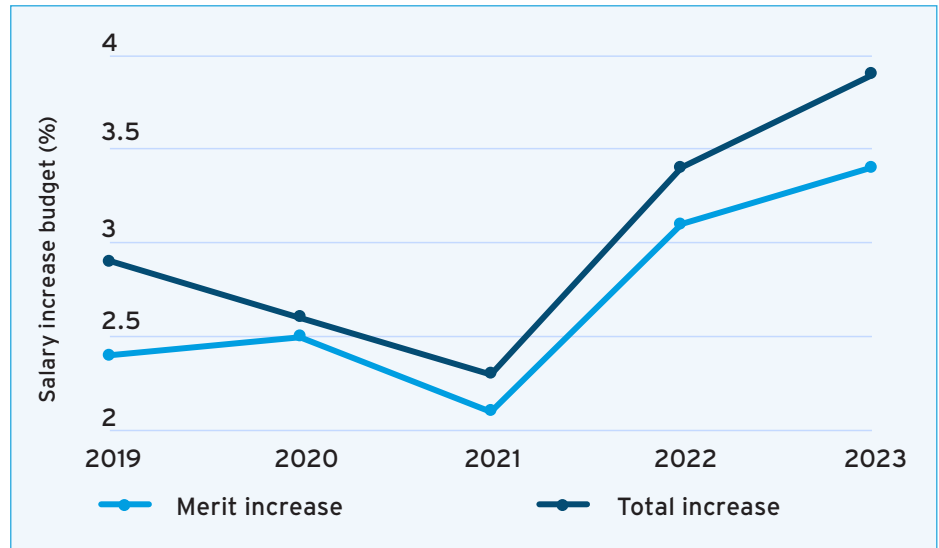
FOR MORE INFORMATION

Guyline Béliveau CRHA, MBA
Associate Partner, Compensation Consulting Practice
LifeWorks
guyline.beliveau@lifeworks.com
lifeworks.com

Each year, Mercer conducts a series of surveys on salary planning by collecting data on salary increase budgets. Below we present the results of actual increases (based on data collected in March 2022) as well as forecasted increase budgets based on data collected in September 2022.

ACTUAL INCREASES MARCH 2022 STUDY

As uncertainty around the COVID pandemic dissipates, organizations strive to stand out from their competitors to attract and retain talent, more elusive than ever as the employment rate rises. Moreover, as if current issues – employee well being, focus on mental health, back to work policies – weren't enough, a new contender takes centre stage: inflation.



PROJECTED INCREASES – SEPTEMBER 2022 STUDY

Regarding projected increases for 2023, **83%** of participants (from 572 organizations) reported having just begun their data collection / planning for their salary increase budget. Only **6%** have received approval from senior leadership while **11%** have submitted their budget for approval. Practically no participants foresee a salary freeze for 2023 with **7%** of them categorizing their status as uncertain. A third of participating organizations are planning to provide off cycle *ad hoc* adjustments to offset market inflation.

Among those participants having reported a merit salary increase budget, the average increase, including zeroes (e.g., salary freezes) is **3.4%**. Excluding zeroes, the average merit salary increase is **3.5%**. As it concerns total increase budgets (including promotional and other adjustments) the average is **3.9 %** (both including and excluding zeroes). Merit increase budgets for organizations in Greater Montreal average **4.2%** with a total budget increase averaging **4.4%**, both regardless of zeroes.

CLOSING THOUGHTS

Data on salary increase budgets are an essential tool for Human Resources professionals, particularly during our current unique circumstances. As the economy recovers, the labour market will intensify. Salary increase budgets are but one of the many tools organizations can leverage to remain competitive. Evidently, employers should also consider their organization's financial situation, their compensation philosophy, their desired market positioning especially as it relates to critical roles as well as their employee value proposition and segmentation strategy.

ABOUT

Mercer believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's approximately 25,000 employees are based in 43 countries and the firm operates in over 130 countries. Mercer is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 76,000 colleagues and annual revenue of over \$17 billion. Through its market-leading businesses including Marsh, Guy Carpenter and Oliver Wyman, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.

FOR MORE INFORMATION

Luis Castro Jemmal
Compensation Senior Principal, Career
Mercer
luis.castro.jemmal@mercer.com
mercer.ca/en.html

FORECASTS FROM NORMANDIN BEAUDRY

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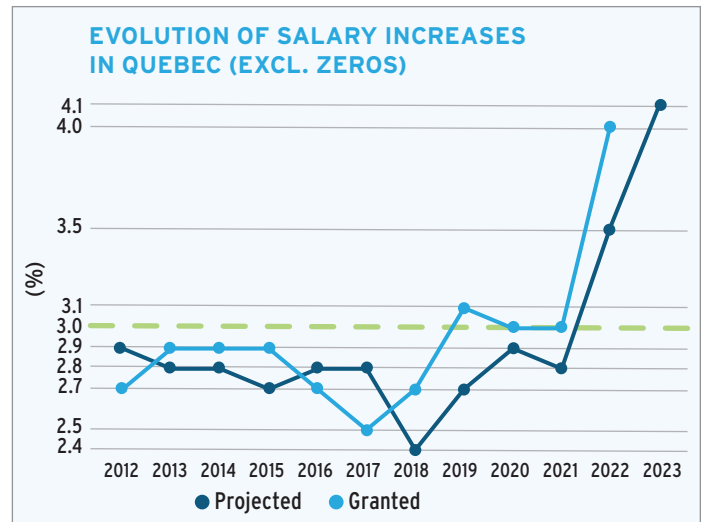
This summer, more than **750 organizations** across Canada took part in the 12th edition of the *Salary Increase Survey*.

Being proactive in managing salaries is an essential strategy to adopt in response to the ongoing economic challenges (skyrocketing inflation rates and a looming recession) and difficult labour market conditions (low unemployment rate and high demand for talent). In light of the results of this survey, the demographics of your workforce and your compensation infrastructure, you can start planning your budget.

Full details of the survey are available on our [interactive platform](#).

- Only **1%** of the organizations have frozen salaries in 2022 or intend to do so in 2023, a particularly low number, which can be attributed to the current context, but contrasts with the rates observed in recent years. Uncertainty related to the pandemic had pushed the number of organizations that have implemented a salary freeze in 2021 to **8%**, when it was typically between **3%** and **5%** before the pandemic.
- Organizations are continuously adapting to market pressures with average salary increases granted in 2022 in Canada reaching **3.8%**, exceeding the initial projections of **3.4%** and **2.8%** published in February 2022 and July 2021, respectively.
- Nearly half of organizations had an additional budget of **1.9%** on average in 2022, which is higher than the initial forecast of **1.2%**. For 2023, forecasts reveal that one third of organizations plan to grant additional budgets averaging **1.4%**.

- The average salary increases budgeted for 2023 of organizations in IT-related sectors reflect the intensifying competitiveness for talent in this sector: **4.8%** on average (excluding salary freezes).
- The average salary structure increases granted in 2022 in Canada clocks in at **3.0%**, excluding organizations that decided to freeze their salary structure.



OVERALL SALARY INCREASES FOR NON-UNIONIZED EMPLOYEES BY PROVINCE

PROVINCES	TOTAL SALARY INCREASE BUDGET					SALARY STRUCTURE INCREASE				
	N*	GRANTED IN 2022		PROJECTED FOR 2023		N*	GRANTED IN 2022		PROJECTED FOR 2023	
		EXCL. FREEZES	INCL. FREEZES	EXCL. FREEZES	INCL. FREEZES		EXCL. FREEZES	INCL. FREEZES	EXCL. FREEZES	INCL. FREEZES
Quebec	486	4.0%	3.9%	4.1%	4.0%	378	3.1%	2.9%	3.2%	3.0%
Ontario	280	3.8%	3.8%	3.9%	3.8%	217	3.0%	2.7%	3.0%	2.8%
British Columbia	267	3.9%	3.9%	3.7%	3.6%	184	3.2%	2.9%	3.0%	2.8%
Alberta	200	3.7%	3.7%	3.6%	3.5%	149	2.9%	2.5%	2.8%	2.4%
Saskatchewan	97	3.6%	3.5%	3.5%	3.4%	77	2.8%	2.6%	2.6%	2.4%
Manitoba	98	3.6%	3.6%	3.5%	3.5%	77	3.0%	2.7%	2.7%	2.4%
New Brunswick	81	3.6%	3.5%	3.6%	3.5%	57	3.0%	2.8%	2.8%	2.6%
Nova Scotia	95	3.5%	3.4%	3.6%	3.5%	77	2.9%	2.6%	2.8%	2.6%
Prince Edward Island	33	3.2%	3.2%	3.3%	3.3%	27	2.8%	2.6%	2.6%	2.3%
Newfoundland and Labrador	62	3.7%	3.7%	3.6%	3.6%	49	2.8%	2.6%	2.9%	2.7%
Yukon	15	5.1%	5.1%	3.6%	3.6%	11	2.8%	2.8%	2.9%	2.5%
Nunavut	9	2.8%	2.8%	3.4%	3.4%	9	3.8%	3.8%	2.6%	2.6%
Northwest Territories	12	3.3%	3.3%	3.7%	3.7%	12	2.3%	1.8%	3.2%	2.7%
CANADIAN AVERAGE¹	641	3.8%	3.8%	3.8%	3.7%	480	3.0%	2.7%	3.0%	2.7%

1- Methodology: weighted average based on the active population by province – *N = number of organizations

ABOUT

Founded in 1992, **Normandin Beaudry** is a leader in actuarial services consulting and total rewards. Close to 300 employees working out of Montreal, Toronto and Quebec City serve clients across Canada in eight areas of expertise: Pension and Savings, Pension Plan Administration, Investment Consulting, Group Benefits, Compensation, Health, Performance, and Communication.

FOR MORE INFORMATION

Anna Potvin
Partner and Practice Leader, Compensation
Normandin Beaudry
apotvin@normandin-beaudry.ca
normandin-beaudry.ca

PCI's Salary Increase Survey Reveals a Record Increase of 4.2% on Average for Quebec Organizations

Despite an uncertain economic environment, record high inflation has resulted in salary forecasts that are significantly higher for 2023 than they have been since we launched our salary increase survey 9 years ago.

- The actual salary increase budgets for 2022 were **4.5 %**, on average, in Québec and **4.2 %** in the rest of Canada.
- Salary increase budgets forecasted for 2023 are similar, on average: **4.2 %** in Québec and **4.1 %** in the rest of Canada.
- The average projected budget for 2023 is between **3.2%** and **4.9%** depending on the sector – with Energy / Mining / Materials / Natural Resources being the most generous.
- At **3.2%**, the projected rate of wage increases in the Culture and Recreation / Accommodation and Food Services sector is the lowest.
- There are marked differences between the practices of companies with revenues of less than \$500 million and those of larger size:
 - Those with revenues under \$500M have more generous average budgets (**4.1%** to **4.6%**);
 - While larger companies have budgets averaging **3.5%**.

Our analysis of past trends has also shown that in the face of uncertainty, companies have tended to plan more conservative budgets while actual budgets have turned out to be higher than expected.

OTHER HIGHLIGHTS

- **53%** of the organizations surveyed have an additional budget of **2.5%**, on average, to recognize special cases (high-potential employees, fast-tracked employees, employees in jobs with labour shortages, etc.), which is identical to the actual budget given in 2022, but higher than the trends observed in recent years which was between **1.5%** and **2%**.
- Only **2%** plan to freeze their salary structures. Structure increase budgets are averaging **3.3%**, a notable increase in comparison with the **2%** trends we've seen in recent years.

- The majority (**90%**) of the organizations have implemented at least one new measure to deal with inflation, of which **61%** of them said these new measures were adopted uniformly to all employees.
- The majority (**68%**) of organizations indicated that they have accelerated employee salary progressions in recent years to face market competitiveness (**87%** of organizations) and retention (**83%** of organizations).

RECRUITMENT STRATEGIES

A majority (**69%**) of organizations surveyed also said that they have adopted new recruitment strategies to counter labour market pressures, of which:

- **91%** said they regularly or sometimes made compromises on experience or qualifications during the recruitment process
- **88%** provided more internal training on a regular or occasional basis
- **56%** said they are relying on outsourcing more

INTERNAL EQUITY

Organizations have also had to deal with internal equity challenges. Although **44%** of organizations said that internal equity issues arise frequently or very frequently when hiring employees, only **12%** said they frequently or very frequently adjust the salaries of current employees after hiring new ones. A further **54%** say that they do so occasionally.

ABOUT

PCI Compensation Consulting is one of the largest consulting firms specialized in total compensation in Canada, and a trusted partner of hundreds of organizations, associations and non-profit organizations in the private, public and parapublic sectors. The firm offers a complete range of total compensation services for boards of directors, executives and employees. For more than 20 years, PCI has been helping its clients stand out and succeed by designing compensation programs that are tailored to their business needs, aligned with best practices, and channel the strengths of the whole organization into achieving common strategic objectives. As of last March, PCI joined forces with Gallagher, a global leader in insurance, risk management and employee benefits. Together, we help companies retain and attract top talent through our comprehensive approach to employee wellness with the same commitment to customized, flexible and innovative solutions.

FOR MORE INFORMATION

Evelyn Gaudreau
Consultant
PCI Compensation Consulting
egaudreau@pcicompensation.com
[pcicompensation.com](https://www.pcicompensation.com)

WTW Data Services conducted its **2022 Survey** on salary projections from April to June 2022 among **803** Canadian businesses representing all sectors. The report presents data on percentage salary increases of previous years and the current year as well as projections for the coming year.

CANADIAN EMPLOYERS ANTICIPATE GENEROUS SALARY INCREASES IN 2023

Canadian businesses intend to grant generous increases next year in response to the labour shortage and current inflationary pressures.

The survey respondents predicted average salary increases of **3.7%** across the board.

This uptrend is the result of ongoing strong demand for workers coupled with a shortage of hourly paid workers and some uniquely qualified professionals.

HIGHER INCREASES FOR OUTSTANDING PERFORMERS

The survey shows that businesses are still compensating their best workers by giving them much higher increases than the rest. The highest ranked managers and professionals received average increases of **5.5%** this year, which is **83%** higher than the increases given to average ranked employees.

The same trend was seen among support workers and those who are paid by the hour.

SALARY INCREASES BY INDUSTRY SECTOR	AVERAGE PROJECTED INCREASES			
	SALARIES		STRUCTURES	
	INCL. FREEZES	EXCL. FREEZES	INCL. FREEZES	EXCL. FREEZES
NUMBER OF RESPONDENTS	803	652	746	655
ALL JOBS COMBINED	3.7%	3.7%	2.3%	2.8 %
INDUSTRY SECTORS				
Energy, mines, oil and gas	3.3%	3.3%	1.4%	2.0%
Manufacturing	3.7%	3.7%	2.5%	2.8 %
Utilities	3.7%	3.8%	2.3%	3.0%
Transport and warehousing	3.0%	3.1%	1.7%	2.7%
Wholesale and retail	3.6%	3.6%	2.3%	2.9%
Finance and insurance	3.7%	3.8%	2.0%	2.5%
Professional, scientific and technical services	3.8%	3.7%	2.5%	2.9%
Information and communication technologies	3.8%	3.8%	2.5%	3.0%
JOB CATEGORIES				
Senior management, senior executives	3.7%	3.8%	2.4%	2.9%
Other executives and professionals	3.7%	3.7%	3.0%	3.0%
Operations and production	3.5%	3.6%	3.0%	3.0%
Administrative and technical support	3.6%	3.6%	2.7%	2.7%
NUMBER OF EMPLOYEES				
Fewer than 300 employees	3.8%	3.9%	2.4%	2.8%
300 - 999 employees	3.7%	3.7%	2.5%	2.9%
1,000 - 4,999 employees	3.8 %	3.8 %	2.6%	2.9%
5,000 employees and more	3.8%	3.8%	2.6%	2.9%

ABOUT

WTW 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, WTW has 45,000 employees serving more than 140 countries and markets.

FOR MORE INFORMATION

Louis-Philippe Beaupré

Director, Work and Rewards

WTW

louis-philippe.beaupre@wtwco.com

willistowerswatson.com



Conseil du patronat du Québec
1010 Sherbrooke Street West, Suite 510
Montreal (Quebec) H3A 2R7

Tel.: 514.288.5161
Toll free: 877.288.5161
cpq.qc.ca

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With the collaboration of several of the best compensation consulting firms, the CPQ launched and presented the 2023 salary forecasts report during a videoconference activity on Thursday, September 29, 2022.