

Compensation Planning Outlook 2012
The Conference Board of Canada

The Conference Board of Canada
Insights You Can Count On



Report **October 2011**



Compensation Planning Outlook 2012

HUMAN RESOURCE MANAGEMENT

The Conference Board of Canada Insights You Can Count On



Compensation Planning Outlook 2012
by Nicole Stewart

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Preface

Compensation Planning Outlook 2012 is the 30th edition of this publication, which summarizes the results of The Conference Board of Canada's annual compensation survey. In June 2011, a questionnaire was sent to 1,363 predominately large and medium-sized Canadian organizations operating in a variety of regions and sectors. A total of 381 respondents participated in the survey, representing a response rate of 28 per cent.

This publication was prepared under the auspices of the Conference Board's Compensation Research Centre (CRC) and was made possible through the ongoing support of the funding members and survey participants. We owe a special thank you to all of the individuals who took the time to answer this year's comprehensive questionnaire and to the many organizations that participate year after year. Their efforts are very much appreciated, as it is through the commitment of respondents that The Conference Board of Canada is able to produce this report.

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EXECUTIVE SUMMARY

Compensation Planning Outlook 2012

At a Glance

- ◆ With average base pay increases for non-unionized employees projected to be 3.1 per cent in 2012, Canadian employers continue to show guarded optimism. As confidence in the global economy continues to weaken, employers and employees watch anxiously in the hope that Canada can weather the storm.
- ◆ In 2011, 88 per cent of employees received a salary increase, up from 82 per cent in 2010.
- ◆ Projected salary increases for 2012 are highest in the oil and gas sector (4.3 per cent) and lowest in the retail sector (2.4 per cent).
- ◆ Short-term incentive pay plans remain prevalent in organizations, and target payouts in 2012 are expected to be similar to what was planned for 2011.
- ◆ Looking ahead to 2012, 23 per cent of compensation planners expect that their workforce will expand, with only 6 per cent anticipating workforce reductions.

cent and 2.7 per cent, respectively). However, salary increases are still not at the levels we saw in 2008—where base salary increases averaged 4.2 per cent.

Organizations remain guarded but optimistic. The average increase among those planning salary adjustments is 3.1 per cent—slightly higher than in 2010 and 2011.

According to information provided by the 2012 Compensation Planning Outlook's 381 survey respondents, the average pay increase for non-unionized employees is projected to be 3.1 per cent¹ in 2012—1.1 percentage points above the 2.0 per cent total inflation rate forecast for the year ahead.² The actual overall increase for 2011 was 3.0 per cent, slightly higher than what was projected by compensation planners in last year's survey (2.8 per cent).

With only 1 per cent of organizations planning a pay freeze across all employee groups in 2012, the average increase among organizations planning salary adjustments is 3.1 per cent (excluding zeros).

In the midst of a turbulent global economy, organizations remain guarded but optimistic—planning moderate base salary increases for 2012. Salary increases are expected to continue to rise, slightly higher than the actual increases for 2011 and 2010 (3.0 per

1 Note: Unless stated otherwise, all average salary increase percentages reported in the text include reported zero per cent increases. For averages excluding zero per cent increases, please consult tables 1 to 4.

2 The consumer price index (CPI) forecast for 2012 is from the *Canadian Outlook Executive Summary: Autumn 2011* (Ottawa: The Conference Board of Canada, October 2011).

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Salary increases are expected to vary by industry, sector, and region:

- ♦ Projected increases are highest in oil and gas at 4.3 per cent, followed by the natural resources industry (excluding oil and gas), at 4.1 per cent.
- ♦ The lowest average increases are expected in retail trade, with an average increase of 2.4 per cent.
- ♦ The expected increase in the private sector is 3.2 per cent, while the overall average increase for employees in the public sector³ is expected to be 2.6 per cent.
- ♦ Regionally, Saskatchewan leads, with an average projected increase of 3.9 per cent; Alberta follows at 3.6 per cent.
- ♦ The lowest average base pay increase is expected in Ontario and Atlantic Canada, at 2.7 per cent.
- ♦ Anticipated wage increases for unionized employees are projected to be 2.0 per cent in 2012—1.5 per cent in the public sector and 2.3 per cent in the private sector.

Raises are expected to average 3.2 per cent of base pay in the private sector and 2.6 per cent in the public sector. Saskatchewan leads at 3.9 per cent.

Salary budgets are expected to increase by 3.2 per cent in 2012, up from 3.0 per cent in 2011. Only 2 per cent of organizations are planning to freeze salary budgets in 2012. This is down slightly from the 4 per cent of organizations that froze salary budgets in 2011 and far fewer than the 22 per cent that froze budgets in 2009. The percentage of employees receiving an increase was 88 per cent in 2011, up from 82 per cent in 2010. For those who did receive an increase to base salary in 2011, the average adjustment was 3.4 per cent. Average increases to salary ranges (or “structure”) are expected to be 1.9 per cent in 2012, slightly higher than the 2011 increase of 1.7 per cent. Only 14 per cent of organizations with salary range structures plan to hold their ranges constant in 2012, down from 24 per cent in 2011 and 34 per cent in 2010.

3 The public sector includes federal and provincial government departments, agencies, and Crown corporations; municipalities; hospitals; and universities and colleges.

Organizations continue to use short-term incentive pay as a key part of their total rewards offering. The majority of respondents (86 per cent) have at least one short-term incentive pay plan in place. On average, organizations spent 11.8 per cent as a percentage of total base pay spending on short-term incentive pay plans in 2011. In 2012 organizations expect to spend 11.4 per cent as a percentage of total base pay spending on short-term incentive pay, similar to the 11.3 per cent that was planned for 2011.

A quarter of compensation planners expect their workforce to expand in 2012; 6 per cent expect reductions.

Canada’s economy stalled in the second quarter of this year. In particular, oil production was down due to wildfires in northern Alberta and maintenance shut-downs in other parts of the country, while manufacturing was affected by supply-chain constraints resulting from the tsunami that hit Japan in March. But these effects were temporary, and both manufacturing and oil extraction have since rebounded. And while another recession has so far been avoided, real GDP growth in 2011 is expected to register only a modest 2.1 per cent. The outlook for next year is mired in risks. Volatility in global equity and commodity markets has served as a reminder of just how fragile confidence remains and how vulnerable the current economic recovery is to any shock. The avoidance of another downturn will crucially depend on the steps taken by policy-makers over the next few months to restore confidence. Under the assumption that confidence is restored, The Conference Board of Canada expects that real GDP growth for Canada will be 2.4 per cent in 2012.

After peaking at 8.5 per cent in mid-2009, the Canadian unemployment rate now sits at a healthier 7.3 per cent. Canada currently has approximately 236,800 more jobs than it did in September 2008 and has thus recovered all of the jobs that were lost during the recession. Job growth has been especially strong in the professional services and construction sectors. Looking ahead to 2012, 23 per cent of compensation planners expect that their workforce will expand, with only 6 per cent anticipating workforce reductions.

While labour markets are not as tight as they were in 2008, when 74 per cent of organizations reported challenges with recruiting and/or retaining personnel, they are starting to heat up. This year, two-thirds of organizations reported challenges with recruiting and/or retaining personnel—up from 53 per cent in 2010 and 54 per cent in 2009. Labour markets are expected to continue to tighten into 2012–13 as the unemployment rate dips below 7 per cent. This past year's voluntary turnover rate was 6.9 per cent—an increase from the 10-year low of 6.1 per cent in 2009–10.

The turmoil in stock and commodity markets also had the effect of rapidly deflating the Canadian dollar vis-à-vis its U.S. counterpart. The strengthening of the greenback in times of uncertainty comes as no surprise. Time and time again—whenever anxiety hits the global markets—financial capital floods quickly to U.S. treasuries. As

currency traders regain confidence in the global economy, the “flight to quality” effect will wear off, helping to bolster the loonie over the near term. Moreover, relentless growth in demand for oil and other commodities from emerging economies is expected to keep the Canadian dollar strong throughout the medium term. Despite its recent tumble, the loonie is expected to average just over US\$1.02 in 2012. As a result, global competitive pressures will continue for Canadian businesses—to the degree that improvements to productivity are key to business success.

Uncertainty and risk in the global economy continues to affect Canada. Compensation planners must focus on retaining and attracting talent in a tightening labour market within a tumultuous economic climate. They need to ensure they are compensating their employees appropriately, while maintaining business competitiveness.

CHAPTER 1

Compensation Planning and Practices

Chapter Summary

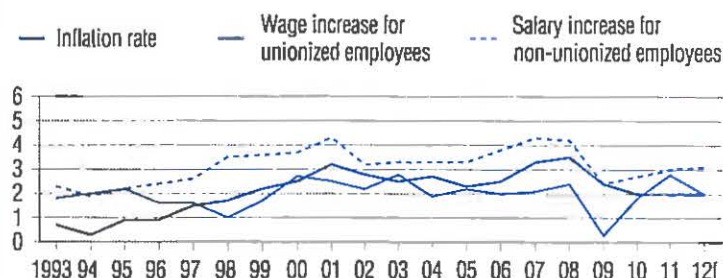
- ◆ Compensation planners are showing a glimmer of optimism as they enter 2012. Average pay increases of 3.1 per cent for non-unionized employees are expected—up slightly from actual increases of 3.0 per cent in 2011.
- ◆ Only 1 per cent of organizations expect a base pay salary freeze for all employees in 2012—less than the 2 per cent of organizations that did not provide salary increases for any employees in 2011.
- ◆ More than 8 in 10 respondents have short-term incentive pay plans, with an average cost of 11.8 per cent of total base pay spending. Cash bonuses or incentives remain, by far, the most common type of short-term incentive pay plan. Short-term incentive pay targets vary widely across industries and employee groups.

in 2012—1.1 percentage points ahead of the 2.0 per cent total inflation rate forecast for the year ahead.² (See Chart 1.)

Similar to last year, the private sector is reporting higher expected average salary increases (3.2 per cent) than those expected by public sector³ organizations

Chart 1

Inflation vs. Increases, 1993–2012*
(percentage change)



f = forecast

*Wage increases for unionized employees from 1993 to 2010 are actuals as reported by Human Resources and Skills Development Canada, Workplace Information Directorate. Wage increases for unionized employees for 2011 (actual) and 2012 (projected) are from the Compensation Outlook 2012 survey.

Sources: The Conference Board of Canada; Human Resources and Skills Development Canada, Workplace Information Directorate.

MANAGING BASE PAY

According to this year's survey respondents, the average pay increase for non-unionized employees is projected to be 3.1 per cent¹

¹ Note: Unless stated otherwise, all average salary increase percentages reported in the text include reported zero per cent increases. For averages excluding zero per cent increases, please consult tables 1 to 4.

² The consumer price index (CPI) forecast for 2012 is from the *Canadian Outlook Executive Summary: Autumn 2011* (Ottawa: The Conference Board of Canada, October 2011).

³ Note: The public sector includes federal and provincial government departments, agencies, and Crown corporations; municipalities; hospitals; and universities and colleges.

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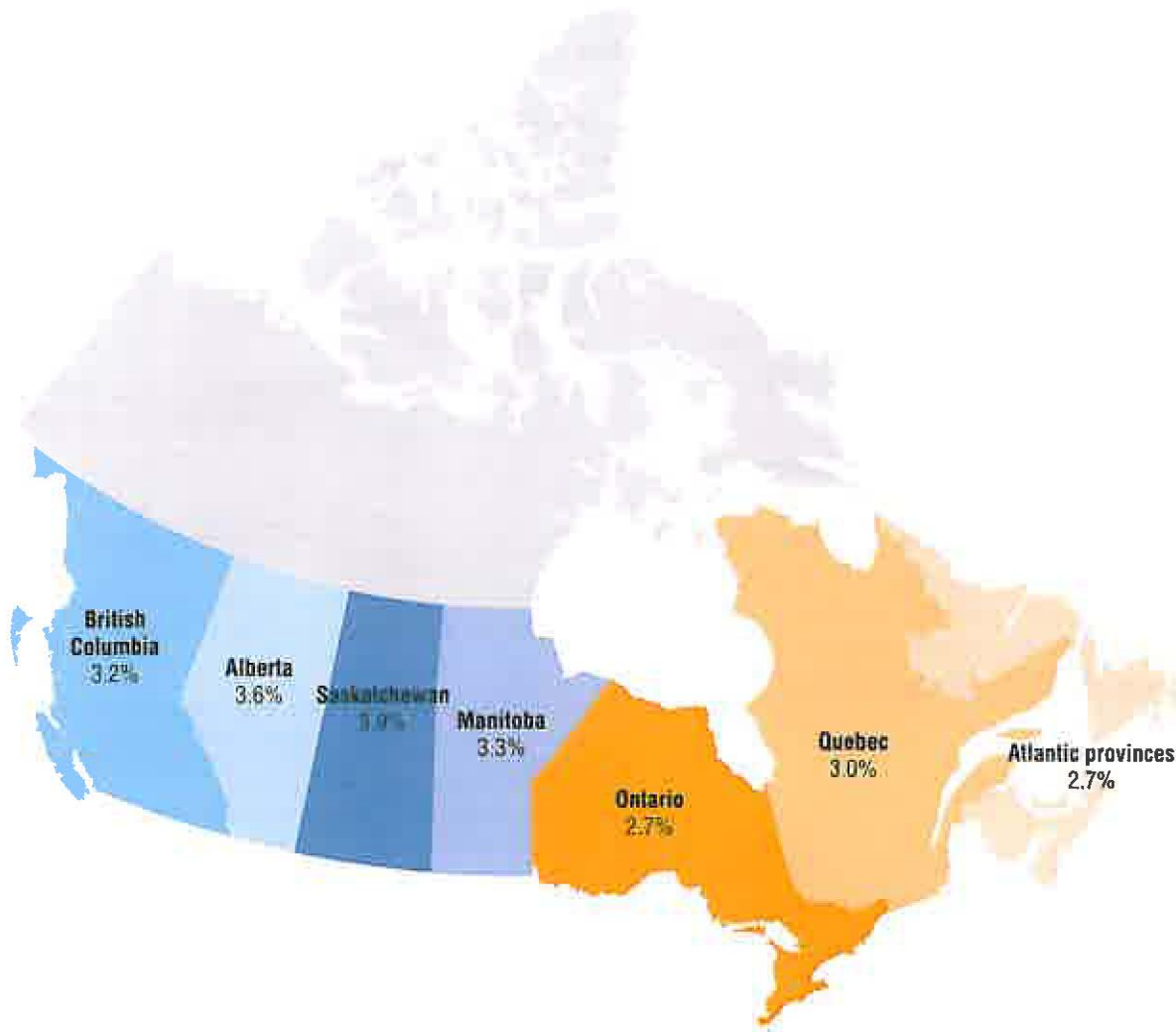
(2.6 per cent). Neither sector is straying far from the base pay increases given in 2011, which were 3.1 per cent in the private sector and 2.6 per cent in the public sector. (See Exhibit 1; tables 1 to 4; and charts 2, 3, and 4.)

Salary budget increases in 2011 were 3.0 per cent, the same as what was anticipated in last year's survey. Looking ahead to 2012, organizations are anticipating salary budget increases of 3.2 per cent. Fewer than 2 per cent of respondents anticipate an overall freeze on salary budgets.

Average increases to salary ranges (or "structure") are expected to level off at 1.9 per cent in 2012, slightly higher than the 2011 increase of 1.7 per cent. Fourteen per cent of organizations with salary range structures plan to hold their ranges constant in 2012, down from 24 per cent in 2011.

Two per cent of respondents reported a salary freeze for all employees in 2011, slightly less than the 3 per cent who were projecting freezes in last year's survey. Looking ahead to 2012, only 1 per cent of respondents

Exhibit 1
Planned Average Salary Increases, by Region



Source: The Conference Board of Canada.

Table 1
2011 Actual Compensation Increases, by Employee Group
(non-unionized employees)

Employee group*	Policy line (range increase; %)**		Total increase to budget (%)		Employees receiving an increase (%)	Average increase for those receiving one (%)	Average increase among all employees (%)		2011 average base salary (\$)
	zeros included	zeros excluded	zeros included	zeros excluded			zeros included	zeros excluded	
Senior executives	1.6	2.4	3.1	3.4	83.1	4.2	3.4	3.7	272,914
	2.0	2.0	3.0	3.0	100.0	3.5	3.0	3.0	248,186
Executives	1.7	2.5	3.1	3.3	85.7	3.7	3.1	3.3	181,582
	2.0	2.0	3.0	3.0	100.0	3.3	3.0	3.0	174,201
Management	1.7	2.3	3.1	3.2	90.2	3.4	3.0	3.1	111,578
	2.0	2.0	3.0	3.0	98.0	3.0	3.0	3.0	106,043
Professional—technical	1.7	2.3	3.1	3.2	91.0	3.3	3.0	3.1	83,369
	2.0	2.0	3.0	3.0	98.0	3.0	2.9	2.9	81,006
Professional—non-technical	1.6	2.2	3.1	3.2	90.8	3.3	3.0	3.1	75,732
	2.0	2.0	3.0	3.0	98.0	3.0	2.9	3.0	73,420
Technical and skilled trades	1.7	2.4	2.9	3.1	89.3	3.2	2.9	3.0	68,636
	2.0	2.0	3.0	3.0	100.0	3.0	2.9	3.0	66,407
Clerical and support	1.6	2.2	3.0	3.1	89.8	3.0	2.8	2.9	49,313
	2.0	2.0	3.0	3.0	98.0	2.9	2.6	2.7	48,842
Service and production	1.6	2.2	2.8	3.0	89.2	3.0	2.8	2.8	53,652
	2.0	2.0	3.0	3.0	99.0	2.9	2.8	2.8	47,500
Overall	1.7	2.2	3.0	3.1	88.2	3.4	3.0	3.1	n.a.
	2.0	2.0	3.0	3.0	96.4	3.1	3.0	3.0	n.a.

***Employee Group Definitions**

Senior executives: all executives reporting directly to the CEO

Executives: all other executives

Management: senior and middle management who plan, develop, and implement policies and programs

Professional—technical: analysts, engineers, information technology specialists, developers, etc.

Professional—non-technical: all other professionals, such as accountants, lawyers, doctors, excluding sales

Technical and skilled trades: technologists, technicians, millwrights, etc.

Clerical and support: administrative staff, secretaries, clerks, coordinators, assistants, etc.

Service and production: employees providing service, production, maintenance, transportation, etc.

****Definitions**

Policy line: Increase to salary ranges, among organizations with ranges

Total increase to budget: increase to salary budget, including all budgeted components of compensation program (range, merit, economic, progression, promotion, etc.)

Employees receiving an increase: as a percentage of employees in category

Average increase for those receiving one: increase to those receiving an increase (i.e., total increase from all sources—range, merit, economic, progression—rolled into base pay)

Average increase among all employees: based on all employees in category

Average base salary: approximate average annual base salary after the increases have been applied

n.a. = not applicable

Note: For each result, the top number is the average (mean) and the bottom number (in italics) is the median.

Source: The Conference Board of Canada.

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Table 2
2012 Planned Compensation Increases, by Employee Group
(non-unionized employees)

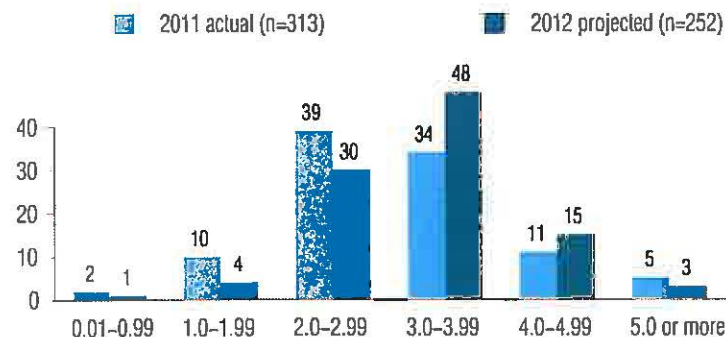
Employee group*	Policy line (range increase; %)		Total increase to budget (%)		Average increase among all employees (%)	
	zeros included	zeros excluded	zeros included	zeros excluded	zeros included	zeros excluded
Senior executives	1.9	2.3	3.2	3.4	3.1	3.2
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Executives	1.9	2.3	3.3	3.4	3.1	3.2
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Management	1.9	2.3	3.3	3.4	3.1	3.2
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Professional—technical	1.9	2.2	3.3	3.4	3.1	3.2
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Professional—non-technical	2.0	2.3	3.3	3.4	3.1	3.2
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Technical and skilled trades	2.0	2.3	3.2	3.3	3.1	3.2
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Clerical and support	1.9	2.2	3.3	3.3	3.1	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Service and production	2.1	2.4	3.2	3.3	3.0	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
Overall	1.9	2.2	3.2	3.3	3.1	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>

* See Table 1 for definitions.

Note: For each result, the top number is the average (mean) and the bottom number (in italics) is the median.

Source: The Conference Board of Canada.

Chart 2
Average Salary Increase Distribution
(percentage of organizations)



Source: The Conference Board of Canada.

are planning to freeze salaries across all employee groups. This figure is driven exclusively by freezes in the public sector; all of the private sector organizations surveyed are planning increases in 2012 for at least one employee group.

For 2011, the average actual salary increase among non-unionized employees across all responding organizations was 3.0 per cent. Eighty-eight per cent of employees received an increase to base salary in 2011. The average salary adjustment was 3.4 per cent for those who received a raise.

DIFFERENTIATING BASE PAY

Over three-quarters (78 per cent) of organizations link base pay to performance. Sixty-seven per cent of organizations provided data on salary increases for “top,” “satisfactory,”

and “poor” performers. “Top” performers received an average salary increase of 4.4 per cent, compared with 2.8 per cent for “satisfactory” performers and 0.7 per cent for “poor” performers. While there is differentiation in base pay increases according to performance, there

Table 3
2011 Actual Compensation Increases by Industry, Sector, and Region
(non-unionized employees)

	Policy line (range increase; %)		Total increase to budget (%)		Employees receiving an increase (%)	Average increase for those receiving one (%)	Average increase among all employees (%)	
	zeros included	zeros excluded	zeros included	zeros excluded			zeros included	zeros excluded
Overall (n=371)	1.7	2.2	3.0	3.1	88.2	3.4	3.0	3.1
Industry								
Oil and gas (n=24)	2.6	2.9	4.4	4.4	93.3	4.8	4.4	4.4
Natural resources, excluding oil and gas (n=15)	2.0	2.2	3.8	3.8	98.9	4.1	4.1	4.1
Chemical, pharmaceutical, and allied products (n=13)	1.8	2.3	3.2	3.2	92.4	3.3	3.1	3.1
Construction (n=6)	2.4	2.4	3.2	3.2	96.8	3.3	3.2	3.2
Services—professional, scientific, technical (n=20)	1.5	2.4	3.4	3.4	90.1	3.8	3.4	3.4
High technology (n=24)	1.6	2.1	2.6	2.7	81.6	3.9	2.6	2.6
Education and health (n=17)	1.4	3.4	2.6	3.1	70.3	3.1	2.4	2.6
Not-for-profit (n=21)	1.1	1.8	2.8	2.9	91.4	3.2	2.9	3.1
Services—accommodation, food, personal (n=19)	1.6	2.2	3.0	3.0	88.3	3.2	2.8	2.8
Finance, insurance, and real estate (n=68)	1.9	2.1	3.0	3.1	86.9	3.4	2.9	3.0
Food, beverage, and tobacco (n=10)	0.9	1.5	3.2	3.2	96.0	3.1	3.1	3.1
Wholesale trade (n=9)	2.5	2.5	3.3	3.3	91.2	3.1	2.8	2.8
Transportation and utilities (n=35)	1.8	2.2	2.9	3.0	91.0	3.2	3.0	3.0
Government (n=35)	1.6	2.3	2.7	3.5	79.9	3.5	2.8	3.3
Manufacturing (n=27)	1.3	1.8	2.6	2.6	94.9	2.6	2.5	2.5
Communications and telecommunications (n=13)	1.2	1.6	2.3	2.3	86.4	2.8	2.4	2.4
Retail trade (n=15)	1.6	2.2	2.5	2.5	78.1	3.0	2.4	2.4
Sector								
Private sector (n=279)	1.7	2.2	3.1	3.1	91.3	3.5	3.1	3.1
Public sector (n=92)	1.5	2.3	2.7	3.2	77.9	3.2	2.6	2.9

(continued . . .)

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Table 3 (cont'd)

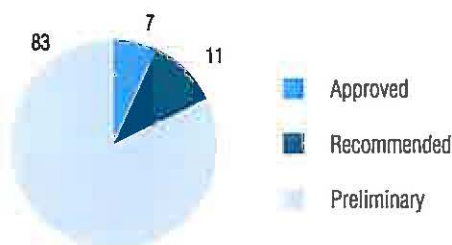
2011 Actual Compensation Increases by Industry, Sector, and Region
(non-unionized employees)

Region	Policy line (range increase; %)		Total increase to budget (%)		Employees receiving an increase (%)	Average increase for those receiving one (%)	Average increase among all employees (%)	
	zeros included	zeros excluded	zeros included	zeros excluded			zeros included	zeros excluded
Atlantic provinces (n=9)	1.6	2.0	2.6	2.6	89.2	2.7	2.4	2.4
Quebec (n=40)	1.7	1.9	3.0	3.0	94.0	3.0	2.8	2.8
Ontario (n=179)	1.4	2.1	2.6	2.8	83.9	3.1	2.5	2.6
Manitoba (n=11)	1.8	2.0	3.0	3.0	91.5	3.3	3.0	3.0
Saskatchewan (n=20)	2.2	2.2	4.2	4.2	96.4	4.5	4.1	4.1
Alberta (n=78)	2.3	2.7	3.5	3.7	90.3	4.0	3.6	3.7
British Columbia (n=31)	1.6	2.2	3.1	3.2	91.0	3.7	3.5	3.5

Note: Sample sizes above indicate the number of organizations providing a response for at least one actual or projected increase.
Source: The Conference Board of Canada.

Chart 3

Current Status of Salary Budget Recommendations
for 2012
(n=381; percentage of organizations)

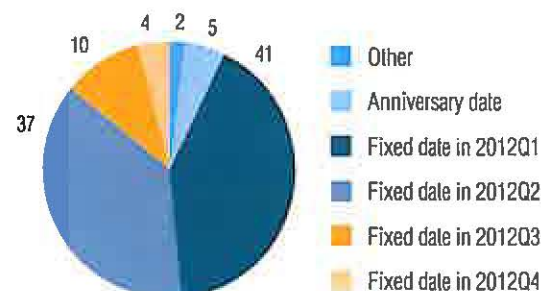


Note: Total does not add to 100 due to rounding.
Source: The Conference Board of Canada.

is still room for further differentiation if organizations truly want to link base pay to performance. Seventy-eight per cent reward top performers with increases that are less than twice the average increase given to solid performers. Two in 10 reward outstanding performance with increases that are two to three times the average increase for satisfactory performance. Two per cent reported that the average increases for outstanding performers are more than three times those given to solid performers.

Chart 4

Planned Implementation of Salary Increases
for 2012
(n=374; percentage of organizations)



Note: Total does not add to 100 due to rounding.
Source: The Conference Board of Canada.

SHORT-TERM INCENTIVE PAY

The majority of survey respondents (86 per cent) have at least one short-term incentive pay plan in place. (See tables 5 and 6.) These plans are common in the private sector, where 94 per cent of organizations reported having at least one plan. By comparison, 60 per cent of public sector organizations have one or more short-term incentive

Table 4
2012 Planned Compensation Increases by Industry, Sector, and Region
(non-unionized employees)

	Policy line (range increase; %)		Total increase to budget (%)		Average increase among all employees (%)	
	zeros included	zeros excluded	zeros included	zeros excluded	zeros included	zeros excluded
Overall (n=371)	1.9	2.2	3.2	3.3	3.1	3.1
Industry						
Oil and gas (n=24)	2.4	2.8	4.5	4.5	4.3	4.3
Natural resources, excluding oil and gas (n=15)	2.4	2.4	4.2	4.2	4.1	4.1
Chemical, pharmaceutical, and allied products (n=13)	2.1	2.3	3.8	3.8	3.5	3.5
Construction (n=6)	2.4	2.4	3.4	3.4	3.4	3.4
Services—professional, scientific, technical (n=20)	2.0	2.3	3.7	3.7	3.4	3.4
High technology (n=24)	2.1	2.6	3.0	3.2	3.2	3.2
Education and health (n=17)	2.0	2.5	3.4	3.4	3.0	3.0
Not-for-profit (n=21)	1.6	2.0	3.2	3.2	3.0	3.0
Services—accommodation, food, personal (n=19)	1.8	2.4	3.0	3.0	3.0	3.0
Finance, insurance, and real estate (n=68)	1.7	2.1	3.1	3.1	2.9	2.9
Food, beverage, and tobacco (n=10)	2.0	2.0	3.3	3.3	2.9	2.9
Wholesale trade (n=9)	2.3	2.3	3.2	3.2	2.9	2.9
Transportation and utilities (n=35)	1.9	2.1	3.0	3.3	2.8	3.0
Government (n=35)	2.1	2.4	2.9	3.3	2.7	2.9
Manufacturing (n=27)	1.6	1.9	2.7	2.7	2.6	2.6
Communications and telecommunications (n=13)	1.8	2.0	2.6	2.6	2.6	2.6
Retail trade (n=15)	1.5	1.8	2.9	2.9	2.4	2.4
Sector						
Private sector (n=279)	1.9	2.2	3.3	3.3	3.2	3.2
Public sector (n=92)	1.9	2.3	2.9	3.1	2.6	2.8
Region						
Atlantic provinces (n=9)	2.3	2.3	2.7	2.7	2.7	2.7
Quebec (n=40)	2.2	2.2	3.1	3.1	3.0	3.0
Ontario (n=179)	1.6	2.1	2.9	3.1	2.7	2.8
Manitoba (n=11)	2.0	2.0	3.0	3.0	3.3	3.3
Saskatchewan (n=20)	2.2	2.2	4.2	4.2	3.9	3.9
Alberta (n=78)	2.4	2.5	3.8	3.8	3.6	3.6
British Columbia (n=31)	1.7	2.2	3.3	3.3	3.2	3.2

Note: Sample sizes indicate the number of organizations providing a response for at least one actual or projected increase.
Source: The Conference Board of Canada.

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Table 5

Overall Prevalence of Incentive Plans,* by Sector and Employee Group
(per cent, based on all organizations)

	Short-term incentive plans			Long-term incentive plans		
	Public sector (n=95)	Private sector (n=286)	Overall (n=381)	Public sector (n=95)	Private sector (n=286)	Overall (n=381)
Overall	60	94	86	5	62	48
Senior executives	58	88	80	5	59	45
Executives	55	88	80	3	54	41
Management	51	93	82	4	35	27
Professional—technical	38	83	71	0	15	12
Professional—non-technical	40	82	71	1	14	11
Technical and skilled trades	23	64	53	0	7	5
Clerical and support	37	74	65	0	7	5
Service and production	16	56	46	0	7	5

*Refers only to ongoing plans. For the purposes of this question, any ad hoc rewards of stock options or grants are excluded.
Source: The Conference Board of Canada.

Table 6

Short-Term Incentive Pay, by Sector and Employee Group
(per cent, based on organizations that reported having short-term incentive pay for at least one employee category, non-unionized employees)

	Public sector (n=57)	Private sector (n=269)	All sectors combined (n=326)
Senior executives	97	94	94
Executives	94	94	94
Management	84	99	96
Professional—technical	65	88	84
Professional—non-technical	69	87	84
Technical and skilled trades	49	69	66
Clerical and support	64	79	77
Service and production	37	61	58

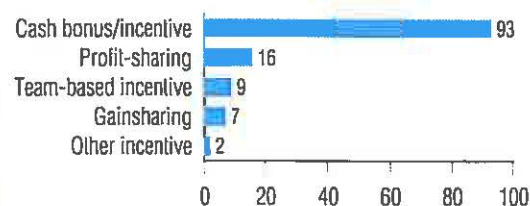
Source: The Conference Board of Canada.

pay plans. Plans for the management level and above are in place most commonly, but are still fairly prevalent among other employee groups. Cash bonus or incentive plans are, by far, the most common form of plan, used by 93 per cent of organizations that provide short-term incentives. (See Chart 5).

Chart 5

Short-Term Incentive Pay—Plan Types

(n=302; per cent, based on organizations that reported having short-term incentive pay plans for at least one employee category)



Note: Figures do not add to 100 because some respondents have more than one plan.

Source: The Conference Board of Canada.

Average actual payouts exceeded targets in close to half of organizations in 2011, across all employee groups. (See Table 7.) The actual cost of annual, short-term incentive pay plans averaged 11.8 per cent of total base pay spending in 2011—higher than the 11.3 per cent target that was projected last year. More than 89 per cent of eligible employees received a payout. Plan targets for 2012 are expected to average 11.4 per cent of base pay spending.

Table 7
Annual Short-Term Incentive Pay Plan Payouts, by Employee Group
(percentage of base salary, non-unionized employees)

2011 Payouts*	Average payout					Percentage of organizations			
	(n=)	Target payout	Actual payout	Eligible for payouts	Receiving payouts***	(n=)	Exceeded target	Met target	Fell short of target
Employee group									
Senior executives	231	41.8	47.1	99	93	213	45	20	35
Executives	224	29.5	33.7	99	94	205	51	17	32
Management	246	16.9	18.2	97	92	225	48	16	36
Professional—technical	201	10.8	11.6	96	92	185	49	15	36
Professional—non-technical	196	10.4	10.7	96	91	181	48	16	36
Technical and skilled trades	101	7.7	7.7	96	94	89	48	21	30
Clerical and support	185	6.6	6.7	98	90	168	46	20	34
Service and production	84	5.9	5.7	97	89	73	44	27	29
2012 Projected Payouts**		Target payout	Plan maximum						
Employee group									
Senior executives (n=211)		42.6	72.8						
Executives (n=205)		30.4	53.3						
Management (n=228)		17.6	31.8						
Professional—technical (n=183)		11.5	21.7						
Professional—non-technical (n=181)		11.2	19.0						
Technical and skilled trades (n=97)		8.7	17.7						
Clerical and support (n=167)		6.6	14.0						
Service and production (n=77)		5.7	13.6						

*2011 payouts refer to payouts based on 2010 results, paid in 2011. Sample size indicates the number of organizations providing a response for at least one of target or actual payout.

**2012 payouts refer to payouts based on 2011 results, to be paid in 2012. Sample size indicates the number of organizations providing a response for at least one of target payout or plan maximum.

***Based on percentage eligible.

Source: The Conference Board of Canada.

Short-term incentive pay targets vary widely across employee groups and industries. (See tables 8 and 9.) Organizations in the oil and gas industry have some of the highest targets overall, across almost all employee groups. Government targets remain the most conservative, particularly at the management and executive levels.

Nearly 4 in 10 organizations are tweaking their short-term incentive plans, having either made recent changes (23 per cent) or planning to make changes (16 per cent) in the next 12 months. (See Chart 6.) The most prevalent

changes include adjusting targets, changing eligibility, modifying the plan measures, and revamping the overall total compensation structure. Approximately one-quarter of organizations mentioned adjusting targets—the majority of these are increasing them. Of the 1 in 10 organizations that specified they were changing eligibility, most are expanding it to include more employee groups. Some examples of structural changes include simplifying the program or changing the components (e.g., adding a corporate or individual component if one did not previously exist).

Table 8
2012 Short-Term Incentive Pay Plan Targets for Selected Industries, by Employee Group
(percentage of base salary)

Employee group*	Oil and gas (n=14)	Natural resources (n=11)	Chemical, pharmaceutical, and allied products (n=13)	Manufacturing (n=20)	Transportation and utilities (n=25)	Finance, insurance, and real estate (n=47)	Communications/telecommunications (n=9)	High tech (n=16)	Food, beverage, and tobacco products (n=10)	Services—accommodation, food, personal (n=14)	Government (n=9)
Senior executives	57.0	52.3	40.3	43.2	41.9	40.7	53.2	47.2	38.9	42.1	16.1
Executives	34.7	39.0	31.0	30.5	29.9	30.2	31.0	35.7	28.3	24.7	13.0
Management	22.3	26.1	18.8	14.2	17.2	16.9	13.7	19.4	14.5	15.4	10.5
Professional—technical	15.0	19.8	11.0	9.1	11.2	10.0	11.0	11.1	10.2	8.4	8.8
Professional—non-technical	13.5	19.6	10.1	7.5	10.4	10.8	10.8	10.6	10.8	9.2	9.8
Technical and skilled trades	9.9	10.2	6.6	6.2	7.7	7.2	**	8.2	**	6.2	**
Clerical and support	10.0	7.7	5.1	6.4	7.0	6.2	7.4	6.0	5.0	4.8	6.6
Service and production	8.6	**	4.4	4.5	6.6	5.6	**	7.0	**	4.7	**

*Sample size indicates the number of organizations providing a target for at least one employee group.

**Not shown due to small sample size.

Source: The Conference Board of Canada.

Table 9
Short-Term Incentive Pay Plan Target Adjustments, by Employee Group
(per cent, based on organizations providing 2011 and 2012 targets)

Employee group	Adjusting target	Increasing	Average target increase	Decreasing	Average target decrease	Overall average target movement*
Senior executives	9.7	6.3	9.2	3.4	-3.4	4.8
Executives	13.5	9.0	6.2	4.5	-6.8	1.9
Management	14.0	9.5	5.7	4.5	-3.2	2.8
Professional—technical	12.3	9.5	6.0	2.8	-1.4	4.3
Professional—non-technical	12.5	8.5	6.1	4.0	-1.7	3.6
Technical and skilled trades	13.0	7.6	2.7	5.4	-0.7	1.3
Clerical and support	11.7	6.8	2.0	4.9	-1.1	0.7
Service and production	8.1	2.7	1.8	5.4	-1.0	-0.1

*Average target movements based upon data provided by those organizations adjusting targets

Source: The Conference Board of Canada.

More than half of organizations (56 per cent) link their performance management system to short-term incentive pay. Over one-third of organizations (38 per cent) provided data on how they differentiate between “top,” “satisfactory,” and “poor” performers. Eight out of 10 (81 per cent) reward “top” performers with short-term incentives up to twice the amount (as a percentage of base pay) given to satisfactory performers. Fourteen per cent provide “top” performers with short-term incentives that are two to three times the average amount given for satisfactory performance, and 5 per cent offer more than three times the typical short-term incentive payout.

In 2011, 16 per cent of organizations had medium-term or “mid-term” variable pay plans that pay out after two or three years. Medium-term incentive plans are more prevalent in the private sector (20 per cent) than in the public sector (2 per cent).

LONG-TERM INCENTIVE PLANS

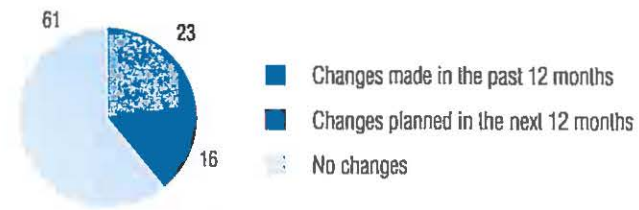
Nearly half of the survey respondents (48 per cent) have long-term incentive plans (LTIPs) in place. This is driven mostly by the private sector, with 62 per cent of organ-

izations reporting LTIP use. By comparison, LTIPs are not common in the public sector—only 5 per cent have such plans. The vast majority of firms that are publicly traded (88 per cent) continue to offer LTIPs, as do most firms that are controlled by a publicly traded company.

Traditional stock option plans remain the most prevalent form of LTIP. More than half (52 per cent) of organizations with an LTIP currently have this type of plan. (See Chart 7.) Eligibility for long-term incentives remains highest among the senior ranks in most organizations. (See Table 10.)

Chart 6

Changes to Short-Term Incentive Plans
(n=311; percentage of organizations)

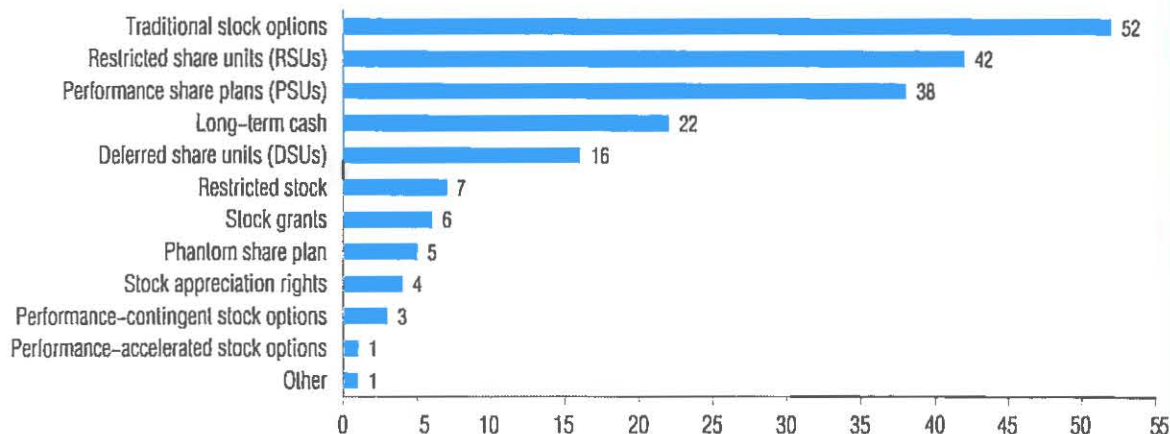


Source: The Conference Board of Canada.

Chart 7

Long-Term Incentive Plans*—Plan Types

(n=155; per cent, based on organizations that reported having LTIPs for at least one employee category)



*Refers only to ongoing plans. For the purposes of this question, any ad hoc rewards of stock options or grants are excluded.

Note: Figures do not add to 100 because some respondents have more than one plan.

Source: The Conference Board of Canada.

Table 10

Long-Term Incentive Plans—Eligibility, by Employee Group

(per cent, based on organizations that reported having LTIPs for at least one employee category, non-unionized employees)

	Organizations with LTIP for this category (n=181)	Employees eligible for LTIP(s)	Employees receiving LTIs in 2011*
Senior executives	97	98	91
Executives	88	98	89
Management	57	82	81
Professional—technical	25	83	79
Professional—non-technical	24	84	77
Other non-management	12	90	78

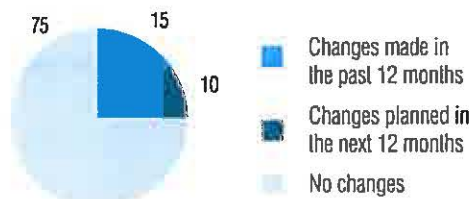
*Based on percentage eligible.

Source: The Conference Board of Canada.

Fifteen per cent of organizations with LTIPs made changes to their plan(s) in the last 12 months, while 10 per cent expect to make changes in the next 12 months. (See Chart 8.) The most common changes that are being made involve eligibility for LTIPs. Many organizations are expanding eligibility, both within employee groups as well as to new groups. Another common change is the addition of restricted share units (RSUs).

Chart 8

Changes to Long-Term Incentive Plans
(n=226; percentage of organizations)



Source: The Conference Board of Canada

Table 11

Top Rewards Activities and Priorities*
(n=379; percentage of organizations)

1.	Maintaining competitive position	54
2.	Retaining talent	47
3.	Reviewing strategy and ensuring alignment with business objectives	46
4.	Attracting talent	39
5.	Connecting pay and performance	38
6.	Communicating rewards to employees	20
7.	Containing benefit costs	16
8.	Managing rewards on a total rewards basis	14
9.	Maximizing effectiveness of variable pay	13
10.	Containing pension costs	7
11.	Managing executive compensation	6

*Respondents were asked to select (from a list) their top three rewards activities/priorities over the next 12 to 18 months.

Source: The Conference Board of Canada.

REWARDS STRATEGY AND PRIORITIES

Similar to last year, the top three rewards priorities—looking ahead—are maintaining the organization's competitive position, retaining talent, and reviewing the rewards strategy to ensure alignment with the organization's business objectives. (See Table 11.) More than

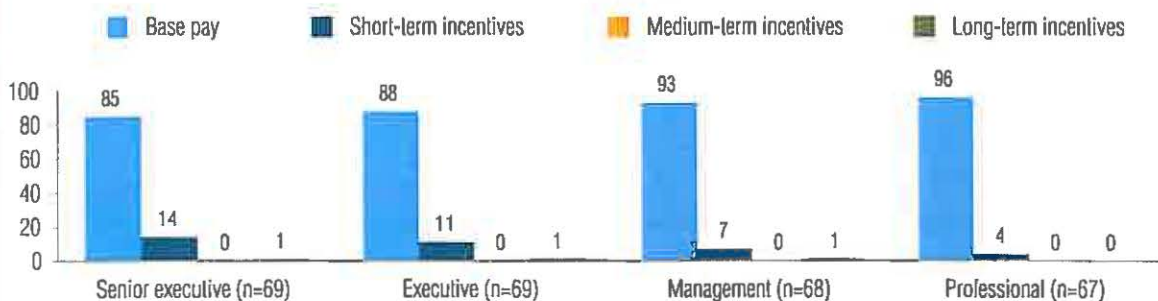
half of the organizations identified that maintaining their competitive position is a top priority. Attracting talent—which was listed as a priority by 50 per cent of organizations in 2008—is slowly making its way back onto the agenda for human resource professionals.

Thirty-nine per cent of organizations listed talent attraction as a “top 3” priority in 2011, compared with 34 per cent last year.

Base pay remains the most significant component of total cash compensation—ranging from 64 per cent of total cash compensation for senior executives, to 91 per cent for the professional employee group. This is especially true of the public sector. For the public sector/private sector breakdown, see Chart 9.

Chart 9
Distribution of Total Cash Compensation, by Sector*
(percentage of total cash)

Public Sector



Private Sector



*Refers to the desired distribution of total cash components based on the design of the total cash compensation strategy.

Note: Totals may not add to 100 per cent due to rounding.

Source: The Conference Board of Canada.

CHAPTER 2

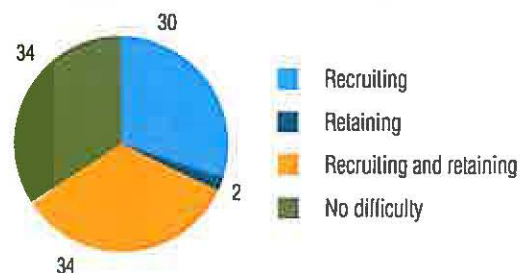
Human Resource Management

Chapter Summary

- ◆ Pressure to attract and retain talent is starting to increase compared with the past couple of years. All organizations in the professional, scientific, and technical services and construction industries indicated they were having difficulty retaining and/or recruiting talent.
- ◆ After reaching a 10-year low of 6.1 per cent last year, voluntary turnover is on the rise, with an average rate of 6.9 per cent in 2011.
- ◆ Performance management systems are common within organizations. However, only 46 per cent of organizations find these systems effective or very effective.

Chart 10

Difficulty Recruiting and Retaining Particular Skills
(n=372; percentage of organizations)



Source: The Conference Board of Canada.

By region, employers in Quebec (80 per cent) and Alberta (76 per cent) are having the most difficulty recruiting and retaining talent. By industry, the situation is particularly acute in the professional, scientific, and technical services and construction sectors, where 100 per cent of respondents reported difficulties. At least three in four employers in the following industries are facing recruitment and retention challenges: wholesale trade; communications and telecommunications; education and health; and chemical, pharmaceutical, and allied products.

Voluntary employee turnover has increased this year, but is still not up to the rate of years past (9.7 per cent for 2007–08). (See Chart 12.) Organizations are reporting an average voluntary turnover rate of 6.9 per cent—up from 6.1 per cent last year. (See tables 12 to 16.) The

RECRUITMENT AND RETENTION

Almost two-thirds of organizations (66 per cent) are experiencing difficulty recruiting and retaining particular skills. (See Chart 10.) This is up significantly from last year, when 53 per cent reported having problems, but not back to the levels seen in 2008 (74 per cent). (See Chart 11.) In public sector organizations, 63 per cent are struggling to meet the challenge, as compared with 67 per cent in the private sector.

private sector has a higher rate with an overall average of 7.8 per cent, compared with the public sector at 3.9 per cent.

Very few industries are escaping the pressures of employee turnover. The retail trade sector, which traditionally has high rates of turnover, is experiencing the greatest challenge with an average rate of 17.5 per cent. Organizations in the chemical, pharmaceutical, and allied products sector have the lowest voluntary turnover rate at 3.4 per cent.

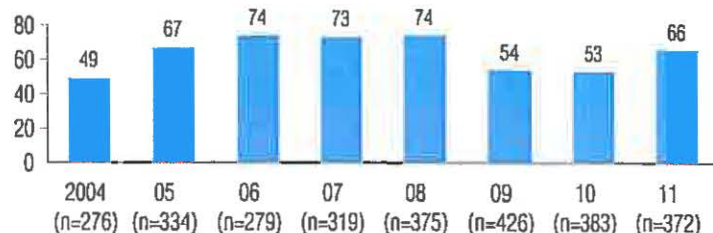
Talent is hardest to recruit and retain in Quebec and Alberta and, by industry, in the professional, scientific, and technical services and construction sectors.

Employers were also asked about their involuntary turnover rates—defined as exits from the organization that are initiated by the employers (severances, dismissals, etc.). The overall involuntary turnover rate for 2010–11 was 4.2 per cent. Similar to last year, the highest rate was reported in the construction industry, at 10.4 per cent. The private sector reported a higher involuntary turnover rate (4.9 per cent) than the public sector (2.1 per cent).

For the first time, the Conference Board collected information on organizations' retirement rates. The overall retirement rate for 2010–11 was 1.5 per cent—2.0 in the public sector and 1.4 in the private sector.

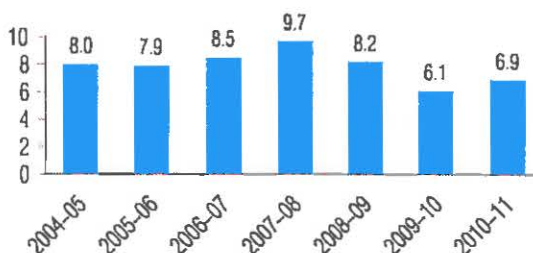
The overall absenteeism rate for 2010–11 was 6.1 days per employee. (See Chart 13.) The rate was higher in the public sector (8.2 days per employee) than in the private sector (5.1 days per employee). (See Table 17.) By industry, government continues to have the highest absenteeism rate at 8.5 days per employee, followed closely by transportation and utilities at 8.4 days per employee. Reminiscent of last year, the professional, scientific, and technical services industry reported the lowest absenteeism rate at 4.2 days per employee.

Chart 11
Difficulty With Recruiting and Retaining—Trend Over Time
(percentage of organizations reporting difficulties with recruitment and/or retention)



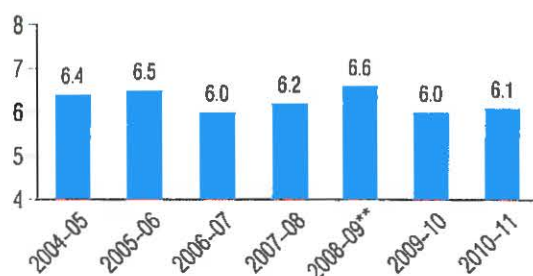
Source: The Conference Board of Canada.

Chart 12
Voluntary Turnover Rates*
(average percentage of employees)



*Please refer to Table 12 for definitions.
Source: The Conference Board of Canada.

Chart 13
Absenteeism Rates*
(days per employee)



*Please refer to Table 17 for definitions.
**Data from 2008–09 are from *Beyond Benefits II: Absenteeism and Disability Management*.
Source: The Conference Board of Canada

Table 12
Voluntary and Involuntary Turnover Rates, by Sector and Industry

	Voluntary turnover rates		Involuntary turnover rates	
	(n=)	(%)	(n=)	(%)
Overall	312	6.9	291	4.2
By sector				
Private sector	239	7.8	224	4.9
Public sector	73	3.9	67	2.1
By industry				
Natural resources, excluding oil and gas	12	6.8	10	3.6
Oil and gas	23	5.8	23	6.7
Manufacturing	21	4.6	20	2.4
Food, beverage, and tobacco products	8	4.9	6	4.8
Chemical, pharmaceutical, and allied products	9	3.4	8	2.5
Construction	5	11.3	5	10.4
High technology	20	6.0	19	5.4
Communications and telecommunications	9	8.8	10	6.0
Transportation and utilities	30	4.2	27	2.8
Finance, insurance, and real estate	61	7.1	56	3.8
Wholesale trade	9	6.8	9	5.7
Retail trade	12	17.5	11	6.3
Education and health	14	6.6	12	2.2
Government	29	3.9	29	2.1
Not-for-profit	22	7.4	22	4.5
Services—accommodation, food, personal	12	13.2	10	7.1
Services—professional, scientific, technical	16	9.0	14	5.0

Definitions

Voluntary turnover: Turnover that is due to an employee-initiated departure. Sometimes referred to as avoidable or regrettable turnover. Excludes: retirements, dismissals, severances, redundancies, transfers, deaths, and leaves (disability, parental, sabbatical, and other leaves of absence).

Involuntary turnover: An employee departure that is initiated by the employer (e.g., severances, dismissals, redundancies, contract terminations).

Employee turnover is calculated by first calculating the average number of employees during a one-year period (add headcount for each month in the year/12), excluding casual, contract, temporary, or seasonal workers. Second, calculate the annual turnover rate (total number of exits/average number of employees during a one-year period) x 100.

Source: The Conference Board of Canada.

Table 13
Voluntary Turnover Rates Among Specific
Employee Groups
(average percentage)

	n	%
Senior executives	167	2.4
Executives	159	2.9
Management	174	4.7
Professional—technical	151	6.5
Professional—non-technical	156	6.8
Technical and skilled trades	92	5.3
Clerical and support	170	6.4
Service and production	85	8.6

Source: The Conference Board of Canada.

Table 14
Voluntary Turnover Rates Among Performance
Employee Groups
(average percentage)

	n	%
Top performers	115	2.7
Satisfactory performers	104	6.0
Poor performers	106	8.9

Source: The Conference Board of Canada.

Table 15
Voluntary Turnover Rates for Employees With
"Critical" and "Hot" Skills
(average percentage)

	n	%
Employees with "critical skills" in jobs designated as key	98	3.1
Employees with "hot skills" in jobs that are in short supply and high demand in the labour market	90	3.1

Source: The Conference Board of Canada.

Table 16
Voluntary Turnover Rates, by Years of Service
(average percentage)

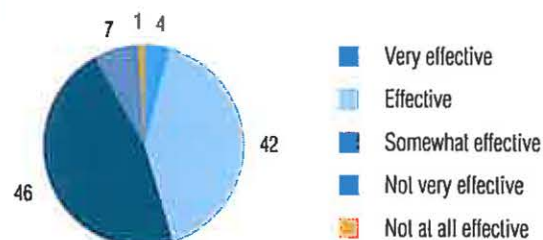
	n	%
Employees with less than one year of service with the organization	176	8.3
Employees with less than two years of service with the organization	166	8.2

Source: The Conference Board of Canada.

PERFORMANCE MANAGEMENT

Almost all responding organizations (96 per cent) have a performance management system in place, but not all are pleased with the effectiveness of their systems. (See Chart 14.) Less than half of the organizations find their performance management system to be effective or very effective (46 per cent).

Chart 14
Effectiveness of Performance Management System
(n=356; percentage of organizations)



Note: Totals do not add to 100 per cent due to rounding.
Source: The Conference Board of Canada.

Table 17
Absenteeism Rates, by Sector and Industry
(days per employee)

	n	Days per employee
Overall	195	6.1
By sector		
Private sector	132	5.1
Public sector	63	8.2
By industry		
Natural resources, excluding oil and gas	5	5.7
Oil and gas	9	4.4
Manufacturing	15	4.7
Chemical, pharmaceutical, and allied products	6	5.6
High technology	10	5.3
Communications and telecommunications	5	5.7
Transportation and utilities	17	8.4
Finance, insurance, and real estate	41	5.6
Wholesale trade	6	6.0
Retail trade	6	6.2
Education and health	11	7.2
Government	27	8.5
Not-for-profit	17	6.2
Services—accommodation, food, personal	5	4.4
Services—professional, scientific, technical	12	4.2

Note: Construction and food, beverage, and tobacco products not shown due to small sample size.

Definition:

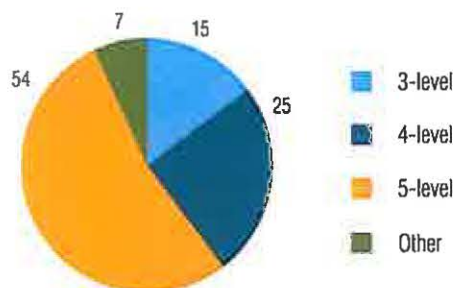
Absenteeism: Absenteeism is defined as absences (with or without pay) of an employee from work due to his or her own illness, disability, or personal or family responsibility for a period of at least half a day but less than 52 consecutive weeks. Excludes maternity, adoption, paternity and parental leaves, vacation and holidays, bereavement leave, and jury duty.

Source: The Conference Board of Canada.

In terms of characteristics, over half (54 per cent) of respondents use a five-level rating system and one-quarter use a four-level approach. (See charts 15 and 16.) Very few organizations (15 per cent) use a forced distribution. However, 44 per cent of organizations have guidelines or provide recommendations to

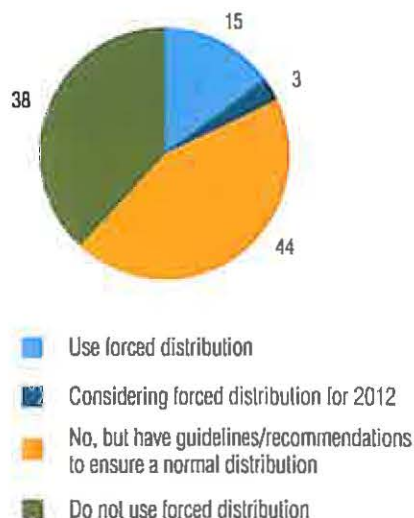
managers to ensure a normal distribution. (See Chart 17.) Forty per cent of organizations use only automated/electronic systems for performance appraisals, while 35 per cent use a paper-based system. A quarter of organizations use a combination of both paper-based and automated/electronic systems.

Chart 15
Number of Performance Levels
(n=339; percentage of organizations)



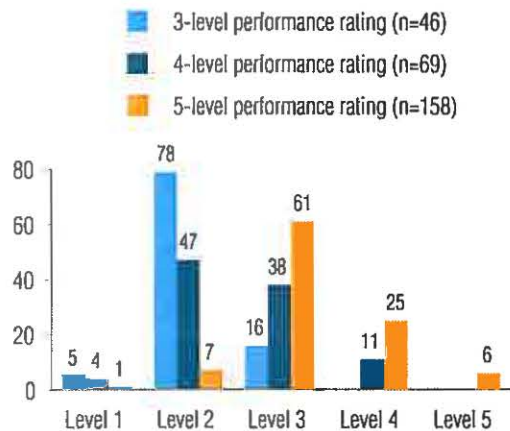
Note: Totals do not add to 100 per cent due to rounding.
Source: The Conference Board of Canada.

Chart 17
Forced Performance Distribution and Guidelines
(n=336; percentage of organizations)



Source: The Conference Board of Canada.

Chart 16
Performance Distribution
(average percentage of employees)



Note: The high degree of variability in performance appraisal systems does not allow for labels to be assigned to each level presented in the chart. For each of the three rating systems, "Level 1" represents unsatisfactory performers.
Source: The Conference Board of Canada.

CHAPTER 3

Collective Bargaining

Chapter Summary

- ♦ For 2012, the projected average wage increase among unionized employees is 2.0 per cent. The average increase for 2011 was also 2.0 per cent.
- ♦ Thirty-one per cent of respondents have annual short-term incentive pay plans for their unionized employees, with cash bonuses or incentives being the most common. Unionized workers in these organizations received payouts averaging 4.6 per cent of base pay in 2011.
- ♦ The key bargaining issue ahead for management and unions is expected to be wages.

BASE PAY INCREASES

For unionized employees, projected wage increases for 2012 are 2.0 per cent: 1.5 per cent in the public sector and 2.3 per cent in the private sector. (See Table 18 and Chart 18.)

The expected wage increases are similar to the negotiated increases in 2011 of 2.0 per cent overall: 1.6 per cent in the public sector and 2.2 per cent in the private sector.

For the first time, organizations were also asked to provide overall salary increases for unionized employees (in-range adjustments, merit, step progression, etc.). The overall average increase for unionized employees in 2011 was 2.5 per cent, and is projected to be 2.4 per cent in 2012. By sector, both the public and private sectors reported the same increase for 2011 (2.5 per cent). However, for 2012, the private sector is projecting a higher average salary increase of 2.5 per cent, compared with the public sector at 2.2 per cent.

SHORT-TERM INCENTIVE PAY

Almost one-third (31 per cent) of unionized organizations have short-term incentive pay for unionized employees. (See Chart 19.) These plans are more common in the private sector where 40 per cent have short-term incentive pay plans for their unionized employees, compared with 16 per cent of employers in the public sector. Nearly three-quarters of the pay plans achieved or exceeded payout targets in 2011. (See Table 19.) Overall, almost 90 per cent of eligible employees received a payout, averaging 4.6 per cent of base pay.

Table 18
Base Pay Increases*
(per cent, except for years in contract)

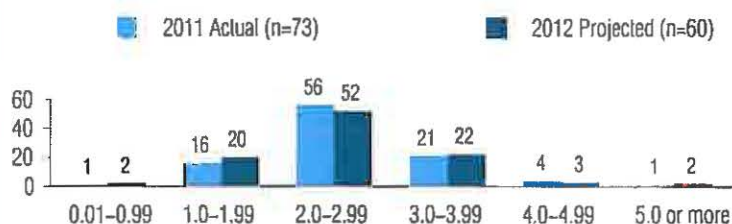
		Average no. of years in contract (n=87)	Year 1 2011 (n=86)	Year 2 2012 (n=84)	Year 3 2013 (n=64)
Contracts negotiated since Jan. 1, 2011	(mean)	3.3	2.0	2.0	2.3
	(median)	3.0	2.0	2.0	2.3
		Average no. of years in contract (n=76)	Year 1 2012 (n=70)	Year 2 2013 (n=69)	Year 3 2014 (n=53)
Contracts to be negotiated before Dec. 31, 2012	(mean)	3.1	2.0	2.2	2.5
	(median)	3.0	2.0	2.3	2.3

*A base pay increase is the rate for the year specified (includes any cost of living allowance increases).
Source: The Conference Board of Canada.

NEGOTIATION ISSUES

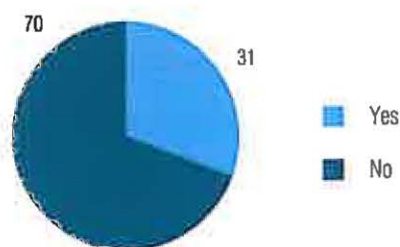
Despite some early tensions in negotiations in 2011, the majority of organizations view the overall labour-management climate as cooperative (56 per cent). Only 5 per cent found it uncooperative. Almost three-quarters of organizations (71 per cent) anticipate that their relationship with unions will remain the same in 2012. The remainder was equally split between those who feel it will become less cooperative and those who feel it will become more cooperative. When asked about their expectations of a work stoppage in 2012, no organizations reported that a stoppage “definitely will occur.” However, 3 per cent indicated that there was a strong possibility of a work stoppage, and 15 per cent reported one may or may not occur. The remaining 82 per cent are fairly confident there will be no work stoppages.

Chart 18
Distribution of Base Pay Increases*
(percentage of organizations)



*A base pay increase refers to the average increase applied to the base wage rate for the year specified (includes any cost of living allowance increases).
Source: The Conference Board of Canada.

Chart 19
**Prevalence of Short-Term Incentive Pay for
Unionized Employees**
(n=203; percentage of unionized organizations)



Note: Totals do not add to 100 per cent due to rounding.
Source: The Conference Board of Canada.

Table 19
Short-Term Incentive Pay Plan Payouts
(percentage of base pay)

2011 Payouts
(actual, based on 2010 performance)

Target payout (n=41)	4.5
Actual payout (n=41)	4.6
% of eligible employees receiving (n=45)	89
% of organizations falling short of target (n=40)	28
% of organizations meeting target (n=40)	38
% of organizations surpassing target (n=40)	35

2012 Payouts
(projections, based on 2011 performance)

Target payout (n=39)	4.6
Plan maximum (n=38)	9.0

Source: The Conference Board of Canada.

The leading issue for the year ahead, on both sides of the negotiation table, is expected to be wages. (See Table 20.) Productivity and business competitiveness are also top of mind for management, while management expects employment security and health benefits to be the key issues for unions.

Profile of Unionized Employers

- ♦ 53 per cent of responding organizations have unionized employees.
- ♦ 1,780 agreements are currently in place.
- ♦ 371 agreements expire in 2012, covering 151,330 employees.

Source: The Conference Board of Canada.

Table 20
Current Negotiation Issues
(n=158; percentage of unionized organizations)

Management issues

1. Wages	58
2. Productivity	42
3. Business competitiveness	38
4. Flexible work practices	38
5. Organizational change	26
6. Health benefits	24
7. Pensions	15
8. Outsourcing and contracting out	11
9. Employment and pay equity	10
10. Technological change	10
11. Training and skills development	10
12. Employment security	8
13. Variable pay	6

Union issues

1. Wages	82
2. Employment security	57
3. Health benefits	41
4. Pensions	28
5. Outsourcing and contracting out	24
6. Organizational change	13
7. Employment and pay equity	12
8. Training and skills development	12
9. Flexible work practices	11
10. Variable pay	7
11. Productivity	5
12. Technological change	5
13. Business competitiveness	2

Note: Respondents were provided with a list of 13 possible choices and asked to indicate the top three negotiation issues for both management and union.

Source: The Conference Board of Canada.

APPENDIX A

Respondent Profile

(Total number of responding organizations = 381)

	Percentage of organizations		Percentage of organizations
Industrial Classification		Ownership	
Natural resources, excluding oil and gas	4	Publicly traded shares	28
Oil and gas	6	Controlled by Canadian publicly traded company	3
Manufacturing	7	Controlled by foreign publicly traded company	13
Food, beverage, and tobacco products	3	Privately held	21
Chemical, pharmaceutical, and allied products	3	Not applicable	35
Construction	2		
High technology	7	Assets (Canadian operations)	
Communications and telecommunications	3	\$0–\$99 million	16
Transportation and utilities	10	\$100–\$999 million	20
Finance, insurance, and real estate	18	\$1 billion and over	39
Wholesale trade	2	Not reported	26
Retail trade	4		
Education and health	5	Annual sales/service revenue (Canadian operations)	
Government	9	\$0–\$99 million	21
Not-for-profit	6	\$100–\$999 million	34
Services—accommodation, food, personal	5	\$1 billion and over	36
Services—professional, scientific, technical	5	Not reported	9
Characteristics of Responding Organizations			
Sector		Number of employees	
Private sector corporation	75	Fewer than 500	30
Public sector organization	25	500–1,499	23
		1,500–5,000	26
		Over 5,000	21
Operations			
Canadian only	60	Total number of employees	1,978,078
North American	11	Total non-unionized employees	992,467
Global	30		

APPENDIX B

Participating Organizations

A total of 381 organizations participated in the Compensation Planning Outlook 2012 survey.
The following participants have authorized the publication of their names.

3M Canada Company	ATB Financial
A&W Food Services of Canada Inc.	ATCO Electric Ltd.
AB SCIEX	Atomic Energy of Canada Limited
ABB Inc.	Automodular Corporation
Acklands-Grainger Inc.	Babcock & Wilcox Canada Ltd.
Aeroplan	Ballard Power Systems Inc.
Affinity Credit Union	Bank of Canada
AGF Management Limited	Bank of Montreal
Agriculture Financial Services Corporation	Bayer Inc.
Agrium Inc.	BC Cancer Foundation
Air Canada	BC Children's Hospital Foundation
Alberta Electric System Operator	BC Public Service Agency
Alberta Envirofuels Inc.	Bell Aliant
Alberta Health Services	Bell Canada
Alberta Innovates Technology Futures	Blue Mountain Resorts, Ltd.
Alberta Medical Association	BNP Paribas (Canada)
Alberta-Pacific Forest Industries Inc.	Bombardier Aerospace
Allstate Insurance Company of Canada	Bombardier Inc.
AltaGas Ltd.	Bombardier Recreational Products
AMEC Earth & Environmental Ltd.	BP Canada Energy Company
Apotex Inc.	Britco Structures
Aquatera Utilities Inc.	British Columbia Automobile Association
ARC Resources Ltd.	British Columbia Lottery Corporation
ArcelorMittal Dofasco	Brookfield Residential Property Services
AREVA Resources Canada Inc.	Business Development Bank of Canada
Association of Professional Engineers, Geologists, and Geophysicists of Alberta	Calgary Co-operative Association Limited
Association of Universities and Colleges of Canada	Calgary Laboratory Services
	Cameco Corporation

Canada Forgings Inc.	CSA Group
Canada Lands Company Limited	Dalhousie University
Canada Mortgage and Housing Corporation	Deloitte
Canadelle Limited Partnership	Delta Hotels Limited
Canadian Agency for Drugs and Technologies in Health	Dessau
Canadian Air Transport Security Authority	Direct Energy
Canadian Bankers Association	Domtar Corporation
Canadian Blood Services	E. I. du Pont Company Canada
Canadian Broadcasting Corporation	Edward Jones
Canadian Centre on Substance Abuse	eHealth Ontario
Canadian Electricity Association	Enbridge Inc.
Canadian Institutes of Health Research	Encana Corporation
Canadian Medical Association	Enerflex Ltd.
Canadian National Railway Company	Energy Resources Conservation Board
Canadian Nuclear Safety Commission	Enerplus Corporation
Canadian Pacific Railway Company	ENMAX Corporation
Canadian Payments Association	EPCOR Utilities Inc.
Canadian Tire Corporation, Limited	Equitable Life of Canada
Canlan Ice Sports Corporation	Ericsson Canada Inc.
Canon Canada Inc.	Escalator Handrail Company Canada Inc.
Capital Power Corporation	EVRAZ Inc. NA
Cara Operations Limited	Export Development Canada
Carleton University	Farm Credit Canada
Catholic Children's Aid Society of Toronto	Federated Co-operatives Limited
Celero Solutions	FedEx Express Canada
Centerra Gold Inc.	Fidelity Investments Canada ULC
Chubb Insurance Company of Canada	First Calgary Financial Credit Union Limited
CI Investments	Fluor Canada Ltd.
City of Grande Prairie	Fortis Properties Corporation
City of Lethbridge	Franklin Templeton Investments
City of Medicine Hat	Gaz Métro
City of Ottawa	General Dynamics Land Systems Canada
City of Regina	General Electric Canada
City of Richmond	Gibson Energy
City of Toronto	Government of Alberta
CMC Microsystems	Government of Saskatchewan
Coast Capital Savings Credit Union	Government of the Northwest Territories
College of Physicians and Surgeons of Ontario	Government of Yukon
COM DEV Ltd.	Graham Group Ltd.
Combined Insurance	Great Canadian Gaming Corporation
Compass Group Canada	Greater Edmonton Foundation
Concentra Financial	Greater Toronto Airports Authority
ConocoPhillips Canada	Hadrian Manufacturing Inc.
Co-operators Life Insurance Company	Halifax Port Authority
Corus Entertainment Inc.	Halifax Regional Municipality
Credit Union Central Alberta Limited	Henry Schein Canada, Inc.
Credit Union Central of Manitoba	Heritage Park Society

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Hewitt Equipment Limited	Mattel Canada Inc.
Hewlett Packard (Canada) Co.	MCAP
Hoffmann-La Roche Limited	McCormick Canada
Holcim (Canada) Inc.	MCF Housing for Seniors
Holland Bloorview Kids Rehabilitation Hospital	McGill University
Home Depot Canada	McMaster University
Hudson Bay Credit Union	MEG Energy
Husky Energy Inc.	Mercer
Hydro-Québec	Meridian Credit Union
IAMGOLD Corporation	Methanex Corporation
IBM Canada Ltd.	Metro Toronto Convention Centre Corporation
Imperial Oil Ltd.	Metro Vancouver
Imperial Tobacco Canada Limited	Molson Coors Canada
IMS Health	Morneau Shepell
Independent Electricity System Operator	Mosaic Group Inc.
Industrial Alliance, Insurance and Financial Services Inc.	MTS Allstream Inc.
Information Services Corporation of Saskatchewan	Mylan Pharmaceuticals ULC
Innovapost	NAL Resources Management Ltd.
Insurance Corporation of British Columbia	National Bank Financial Group
Intact Financial Corporation	NAV CANADA
Inter Pipeline Fund	New Brunswick Office of Human Resources
Interior Savings Credit Union	New Brunswick Power Holding Corporation
International Development Research Centre	Newalta Corporation
Investors Group Inc.	Nexen Inc.
Island Savings Credit Union	Nordion Inc.
Kellogg Canada Inc.	North American Construction Group
Kinder Morgan Canada Inc.	NOVA Chemicals
Kinectrics Inc.	Nova Scotia Liquor Corporation
Kinross Gold Corporation	NovaGold Resources Inc.
L-3 Communications—Wescam Inc.	Novatel Inc.
Ledcor Group of Companies	Ontario Energy Board
Lifelabs Inc.	Ontario Pension Board
Lilydale Inc., a Sofina Foods Inc. company	Ontario Power Authority
Liquor Control Board of Ontario	Ontario Power Generation
Loblaw Companies Ltd.	Ontario Securities Commission
Lockheed Martin Canada Inc.	Ontario Teachers' Pension Plan
London Health Sciences Centre	OPSEU Pension Trust
Loto-Québec	Pacific Northern Gas
MacDonald, Dettwiler and Associates Ltd.	Panasonic Canada Inc.
Manitoba Liquor Control Commission	Parmalat Canada
Manitoba Lotteries Corporation	PCL Constructors Inc.
Manitoba Public Insurance	Pelmorex Media Inc.
Manulife Financial	Pengrowth Energy Corporation
Maple Leaf Foods Inc.	Penn West Exploration
Marine Atlantic Inc.	People First HR Services
Marsh Canada Limited	PepsiCo Canada
	Pitney Bowes Inc.

Plexo Inc.	Société des alcools du Québec
Polytainers Inc.	Sony of Canada
Port Metro Vancouver	Standard Life Canada
Pratt & Whitney Canada	Staples Inc.
Price Industries Ltd.	Stewart & Stevenson Canada
PricewaterhouseCoopers LLP	Strathcona Paper
Prince Rupert Port Authority	Sudbury Credit Union Limited
Psion Inc.	Suncor Energy Inc.
PSP Investments	Symcor Inc.
PTI Group, Inc.	Syncrude Canada Ltd.
Purolator Inc.	Tarion Warranty Corporation
QLT Inc.	TD Bank Financial Group
Quebecor Media Inc.	Teck Resources Limited
RBC Financial Group	Teknion Corporation
Regional Municipality of Durham	Telesat Canada
Regional Municipality of Halton	Teranet Inc.
Regional Municipality of Niagara	Teva Canada
Regional Municipality of Peel	The Beer Store
Reitmans Canada Ltd.	The Brick Ltd.
Research In Motion	The Calgary Airport Authority
Revera Inc.	The Canadian Depository for Securities Limited
RIDLEY Inc.	The Churchill Corporation
Rio Tinto	The City of Calgary
Rogers Communications Inc.	The DATA Group of Companies
Rothmans, Benson & Hedges Inc.	The Dominion of Canada General Insurance Company
Russel Metals Inc.	The Great-West Life Assurance Company
Ryerson University	The Minto Group
Saint Elizabeth Health Care	The University of British Columbia
SAIT Polytechnic	The Wawanesa Mutual Insurance Company
Sanofi Canada Inc.	The Wendy's Company
Saputo Inc.	Thermo Fisher Scientific
Saskatchewan Government Insurance	Tim Hortons Inc.
SaskEnergy Incorporated	TimberWest Forest Corp.
SaskTel	TMX Group Inc.
Schneider Electric	Toronto Central Community Care Access Centre
Scotiabank	Toronto Hydro-Electric System Limited
Sears Canada Inc.	Toronto Transit Commission
Servus Credit Union	Total E&P Canada
Shell Canada Ltd.	Town of Oakville
Sherritt International	Town of Okotoks
Shoppers Drug Mart/Pharmaprix	Town of Richmond Hill
Shore Gold Inc.	Toyota Motor Manufacturing Canada Inc.
SickKids Foundation	TransAlta Corporation
Siemens Canada Ltd.	Transat A.T. Inc.
SMART Technologies ULC	TransCanada Corporation
SNC-Lavalin	Treasury Board of Canada Secretariat
Société de transport de Montréal	Troy Life & Fire Safety Ltd.

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University Health Network	Viterra
University of Ontario Institute of Technology	Walmart Canada Corp.
University of Regina	Westminster Savings Credit Union
University of Saskatchewan	Weyerhaeuser Company Limited
University of Toronto	Workers' Compensation Board—Alberta
UPS Canada	Workplace Safety and Insurance Board
VAE Nortrak Ltd.	Xerox Canada
Vancity	YMCA of Greater Toronto
VIA Rail Canada	Zarlink Semiconductor
Vicwest Building Products, a division of Vicwest Corporation	Zurich Canada

APPENDIX C

Related Products and Services

Making It Meaningful: Recognizing and Rewarding Employees in Canadian Organizations

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Council on Workplace Health and Wellness

Interact with senior leaders committed to improving organizational performance and productivity through enhanced workplace health, wellness, and safety.

Human Resources Trends and Metrics: Valuing Your Talent

This report presents survey findings on talent management practices as well as the human resources function. It also explores the economic and demographic trends driving human resources planning.

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