

***Compensation Planning Outlook 2013***  
**The Conference Board of Canada**

The Conference Board of Canada  
Insights You Can Count On



Report **October 2012**



# Compensation Planning Outlook 2013

HUMAN RESOURCE MANAGEMENT

## The Conference Board of Canada Insights You Can Count On



### Compensation Planning Outlook 2013

by Nicole Stewart

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## Preface

*Compensation Planning Outlook 2013* is the 31st edition of this publication, which summarizes the results of The Conference Board of Canada's annual compensation survey. In June 2012, a questionnaire was sent to 1,510 predominately medium-sized and large Canadian organizations operating in a variety of regions and sectors. A total of 401 respondents participated in the survey, representing a response rate of 27 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 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 2013

### At a Glance

- ◆ Keeping pace with the past of couple of years, organizations are planning moderate base salary increases for 2013, with the average pay increase for non-unionized employees projected to be 3.0 per cent in 2013.
- ◆ Projected increases are highest in the oil and gas sector (4.2 per cent) and lowest in the communications and telecommunications industry (2.4 per cent).
- ◆ Salary increases averaged 3.0 per cent in 2012—keeping ahead of the 2012 forecast inflation rate of 1.9 per cent.
- ◆ Short-term incentive pay plans remain an important part of the total compensation package. In 2012, incentive plans paid out slightly above target.
- ◆ Anticipated wage increases for unionized employees are projected to be 2.0 per cent in 2013—1.8 per cent in the public sector and 2.1 per cent in the private sector.

is projected to be 3.0 per cent<sup>1</sup> in 2013—0.8 percentage points above the 2.2 per cent total inflation rate forecast for the year ahead.<sup>2</sup> The actual overall increase for 2012 was also 3.0 per cent.

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

- ◆ Projected increases are highest in oil and gas at 4.2 per cent, followed by the natural resources (excluding oil and gas) at 3.6 per cent.
- ◆ The lowest average increases are expected in the communications and telecommunications industry, with an average increase of 2.4 per cent.
- ◆ The expected increase in the private sector is 3.1 per cent, while the overall average increase for employees in the public sector<sup>3</sup> is expected to be 2.8 per cent.
- ◆ Regionally, Alberta leads, with an average projected increase of 3.8 per cent; Saskatchewan follows closely at 3.7 per cent.
- ◆ The lowest average base pay increase is expected in Ontario, at 2.7 per cent—a slight increase from its 2012 actual increase of 2.6 per cent.

**I**n a tepid economic recovery, organizations are planning moderate base salary increases for 2013. According to information provided by the 2013 Compensation Planning Outlook's 401 survey respondents, the average pay increase for non-unionized employees

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

2 The consumer price index (CPI) forecast for 2013 is from the *Canadian Outlook Economic Forecast: Autumn 2012* (Ottawa: The Conference Board of Canada, October 2012).

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

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For those who did receive an increase to base salary in 2012, the average adjustment was 3.4 per cent. The percentage of employees receiving an increase was 87 per cent in 2012, similar to the 88 per cent who received increases in 2011. With only 1 per cent of organizations planning a pay freeze across all employee groups in 2013, the average increase among organizations planning salary adjustments is also 3.0 per cent (excluding zeros).

Base salary budgets are expected to increase by 3.2 per cent in 2013, a slight increase from actual increases of 3.1 per cent in 2012. Average increases to salary ranges (or “structure”) are expected to be 1.8 per cent in 2013, slightly higher than the 2012 increase of 1.7 per cent. Fourteen per cent of organizations with salary range structures plan to hold their ranges constant in 2013, down from 23 per cent in 2012.

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**Sixty-nine per cent of organizations report challenges with recruiting and/or retaining personnel. This is especially acute in Western Canada.**

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Short-term incentive pay plans remain an important piece of the compensation package. The majority of respondents (83 per cent) have at least one short-term incentive pay plan in place. On average, organizations spent 11.3 per cent as a percentage of total base pay spending on short-term incentive pay plans in 2012, compared with targets of 10.9 per cent. In 2013, organizations expect to spend 11.1 per cent as a percentage of total base pay spending on short-term incentive pay.

While the strength of Canada’s domestic economy has helped it weather the economic downturn, it is not immune to the economic turmoil in Europe or the United States. The Conference Board forecasts a soft domestic economy, and the turbulent external environment will hold GDP growth in 2012 to 1.8 per cent, and 2.3 per cent in 2013. Despite the slow pace of growth, the federal government should be able to restore fiscal balance, as planned, by 2015.

The current environment suggests that Canada’s economy will generate only 180,000 jobs this year. Recent job growth was dominated by gains among some service

sectors (including health and education) and the resource sector, and a rebound in manufacturing—serving to whittle down the unemployment rate to 7.3 per cent. But labour markets may be even tighter than they appear, with only youth employment having failed to recover since the recession. Moreover, improving economic conditions will drive up employment growth in 2013. Currently, 22 per cent of compensation planners expect that their workforce will increase next year, with only 9 per cent anticipating workforce reductions.

Tightening labour market trends are apparent from the survey responses. Sixty-nine per cent of organizations report challenges with recruiting and/or retaining personnel. This is especially acute in Western Canada as well as in the natural resources and professional, scientific, and technical services industries. The top professions in demand include engineering, specialist information technology, and skilled trades. This past year’s voluntary turnover rate was 7.2 per cent—positioned between the peak of 9.7 per cent we saw in 2008 and the low of 6.1 per cent in 2010.

Assuming no significant hiccups to the global economy, labour supply shortages will re-emerge over the medium term with the unemployment rate expected to dip in 2014. With a shrinking labour force driving wage pressures, Canada needs to improve on its lagging productivity in order to remain competitive. No help will come from the Canadian dollar, which could strengthen to US\$1.05 by mid-2015, assuming the U.S. Federal Reserve sticks to its guns on holding interest rates at zero. In order to compete, Canadian businesses will need to invest heavily in capital, especially machinery—a surefire way to help offset labour pressures and improve productivity.

Canada’s economy remains highly exposed to external pressures, and compensation planners continue to exercise caution. Canadian organizations continue on last year’s path, planning moderate increases. The divide between Eastern and Western Canada persists, with the Western economy benefiting from a strong resource sector. Organizations in both regions face a different set of challenges. As Ontario struggles to recover from the recession and tackle a large deficit, Western Canada faces tightening labour markets, placing upward pressure on wages.

## CHAPTER 1

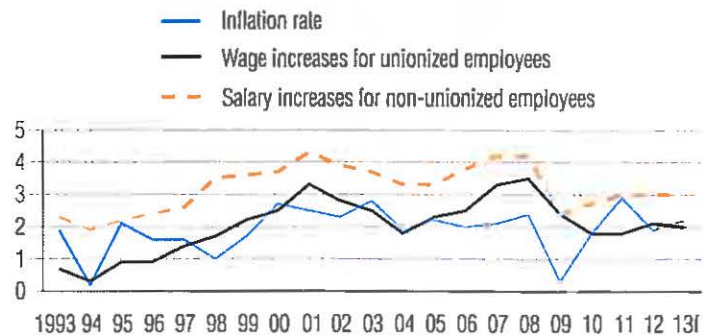
# Compensation Planning and Practices

### Chapter Summary

- ◆ Compensation planners are holding steady as they approach 2013. Average base pay increases of 3.0 per cent for non-unionized employees are expected—the same as actual increases of 3.0 per cent in 2012.
- ◆ Only 1 per cent of organizations expect a base salary increase freeze for all employees in 2013.
- ◆ More than 8 in 10 respondents have short-term incentive pay plans—typically cash bonuses or incentives—with an average cost of 11.3 per cent of total base pay spending in 2012. Average actual payouts in 2012 exceeded targets in nearly half of organizations.

**Chart 1**

Inflation vs. Increases, 1993–2013\*  
(percentage change)



f = forecast

\*Wage increases for unionized employees from 1993–2011 are actuals as reported by Human Resources and Skills Development Canada, Workplace Information Directorate. Wage increases for unionized employees for 2012 (actual) and 2013 (projected) are from the Compensation Outlook 2013 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 3.0 per cent<sup>1</sup> in

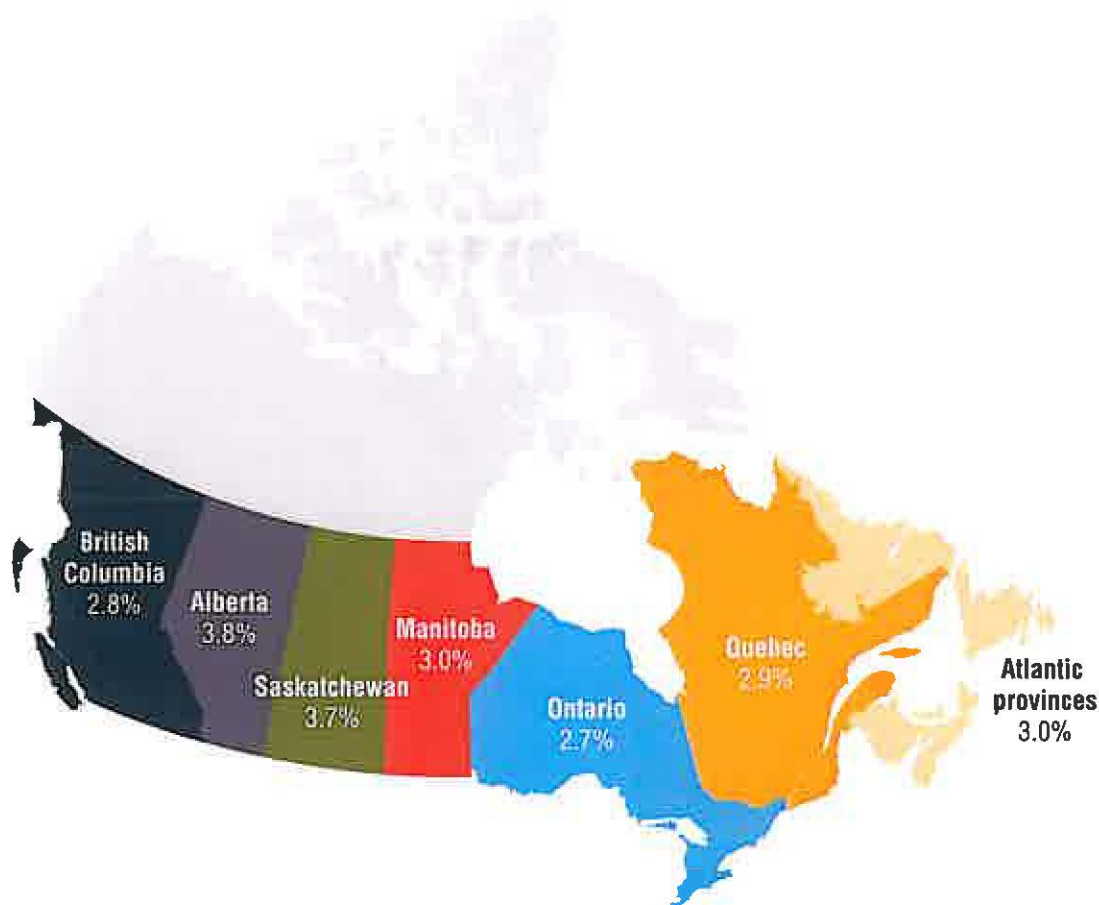
2013—0.8 percentage points above the 2.2 per cent total inflation rate forecast for the year ahead.<sup>2</sup> (See Chart 1.)

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

<sup>2</sup> The consumer price index forecast for 2013 is from the *Canadian Outlook Economic Forecast: Autumn 2012* (Ottawa: The Conference Board of Canada, October 2012).

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**Exhibit 1**  
Planned Average Salary Increases, by Region



Source: The Conference Board of Canada.

The private sector anticipates slightly higher base pay salary increases in 2013 at 3.1 per cent, while the public sector<sup>3</sup> is looking at increases of 2.8 per cent. Only 1 per cent of organizations are projecting a zero increase to average salaries next year. (See Exhibit 1; tables 1 to 4; and charts 2, 3, 4.)

In 2012, the average actual salary increase among non-unionized employees across all responding organizations was 3.0 per cent. Nearly 9 in 10 employees (87 per cent) received an increase to base salary in 2012, similar to

2011 when 88 per cent received an increase. For those employees who did receive a raise, the average increase was 3.4 per cent. Only 1 per cent of organizations reported a salary freeze for all employees in 2012.

Average increases to salary ranges (or “structure”) are expected to be 1.8 per cent in 2013, compared with the 2012 actual increases of 1.7 per cent. Fourteen per cent of organizations with salary range structures plan to hold their ranges constant in 2013, down from 23 per cent in 2012.

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

**Table 1**  
2012 Actual Compensation Increases, by Employee Group  
(non-unionized employees)

Employee group*	Policy line (range increase; %)**		Employees receiving an increase (%)	Average increase for those receiving one (%)	Average increase among all employees (%)		2012 average base salary (\$)
	zeros included	zeros excluded			zeros included	zeros excluded	
Senior executives	1.6	2.5	82.8	3.9	3.0	3.4	260,934
	1.8	2.0	100.0	3.2	3.0	3.0	236,631
Executives	1.7	2.6	85.2	3.6	3.0	3.3	184,223
	1.8	2.0	100.0	3.2	3.0	3.0	177,300
Management	1.8	2.4	90.0	3.4	3.1	3.2	112,380
	2.0	2.0	97.5	3.0	3.0	3.0	108,333
Professional—technical	1.8	2.4	89.7	3.4	3.0	3.2	82,181
	2.0	2.0	98.0	3.0	3.0	3.0	79,728
Professional—non-technical	1.7	2.3	90.1	3.4	3.0	3.1	76,721
	2.0	2.0	97.0	3.0	3.0	3.0	74,123
Technical and skilled trades	1.8	2.4	88.4	3.3	2.9	3.1	66,229
	2.0	2.0	100.0	3.0	3.0	3.0	65,162
Clerical and support	1.7	2.3	87.9	3.2	2.9	3.0	49,182
	2.0	2.0	97.0	3.0	2.9	2.9	48,806
Service and production	1.9	2.5	85.4	3.2	2.8	3.0	53,509
	2.0	2.0	99.0	3.0	3.0	3.0	50,000
Overall	1.7	2.3	87.4	3.4	3.0	3.0	n.a.
	2.0	2.0	96.2	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

**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, but excluding promotions—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**  
2013 Planned Compensation Increases, by Employee Group  
(non-unionized employees)

Employee group*	Policy line (range increase; %)		Average increase among all employees (%)	
	zeros included	zeros excluded	zeros included	zeros excluded
Senior executives	1.7	2.2	2.9	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Executives	1.7	2.1	3.0	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Management	1.9	2.2	3.0	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Professional—technical	1.9	2.2	3.1	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Professional—non-technical	1.9	2.2	3.0	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Technical and skilled trades	2.0	2.2	2.9	3.0
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Clerical and support	1.8	2.2	3.0	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Service and production	1.9	2.2	2.9	3.1
	<i>2.0</i>	<i>2.0</i>	<i>3.0</i>	<i>3.0</i>
Overall	1.8	2.1	3.0	3.0
	<i>2.0</i>	<i>2.0</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.

Actual increases to salary budgets in 2012 were 3.1 per cent. Looking ahead to 2013, organizations are anticipating salary budget increases of 3.2 per cent. At the time of the survey, most organizations (81 per cent) were still working with preliminary budgets.

Less than a quarter of organizations (22 per cent) have a formal budget for promotions for non-unionized employees. The average amount budgeted is 1.1 per cent of base pay. Looking ahead, organizations anticipate promotional budgets of 1.2 per cent of base pay.

## DIFFERENTIATING BASE PAY

Over three-quarters of organizations (76 per cent) link base pay to performance. “Top” performers received an average salary increase of 4.5 per cent, compared with 2.9 per cent for “satisfactory” performers and 0.7 per cent for “poor” performers. Many organizations make an effort to differentiate base pay increases between different levels of performance. Eighty-five per cent reward top performers with increases that are up to twice the average increase given to satisfactory performers. Thirteen per cent reward “outstanding” performance with increases

**Table 3**  
2012 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
<b>Overall (n=392)</b>	<b>1.7</b>	<b>2.3</b>	<b>3.1</b>	<b>3.2</b>	<b>87.4</b>	<b>3.4</b>	<b>3.0</b>	<b>3.0</b>
<b>Industry</b>								
Oil and gas (n=25)	3.5	3.9	4.5	4.7	96.1	4.9	4.6	4.6
Natural resources, excluding oil and gas (n=16)	2.6	2.8	4.0	4.0	93.8	3.9	3.6	3.6
Services—professional, scientific, technical (n=16)	2.1	2.7	3.7	3.7	85.2	4.1	3.5	3.5
Construction (n=5)	3.1	3.1	3.6	3.6	91.6	3.6	3.2	3.2
Chemical, pharmaceutical, and allied products (n=12)	1.9	2.5	3.4	3.4	88.0	3.3	3.0	3.0
Services—accommodation, food, and personal (n=19)	1.4	2.3	3.2	3.2	89.4	3.2	3.0	3.0
Not-for-profit (n=23)	2.2	2.7	2.8	3.1	86.8	3.3	2.7	2.9
Wholesale trade (n=9)	1.6	2.2	2.4	2.7	83.9	3.3	2.9	2.9
Finance, insurance, and real estate (n=67)	1.6	2.1	3.1	3.2	85.0	3.4	3.0	3.0
Food, beverage, and tobacco (n=11)	1.5	2.1	2.8	2.8	94.6	2.9	2.8	2.8
Utilities (n=22)	2.0	2.5	2.9	3.2	83.8	3.4	2.9	3.1
Education and health (n=19)	1.2	1.6	3.2	3.4	82.3	3.4	2.8	2.8
High technology (n=22)	1.7	2.4	3.1	3.3	78.7	3.8	2.5	2.6
Transportation (n=18)	2.1	2.2	3.1	3.1	93.0	2.8	2.8	2.8
Government (n=46)	1.7	2.1	2.6	2.8	89.7	3.0	2.7	2.8
Manufacturing (n=28)	1.4	2.0	2.6	2.7	87.7	2.7	2.5	2.5
Retail trade (n=20)	1.2	1.9	2.8	2.8	84.9	3.1	2.5	2.7
Communications and telecommunications (n=14)	1.0	1.4	2.3	2.3	84.4	3.1	2.5	2.5
<b>Sector</b>								
Private sector (n=288)	1.8	2.4	3.2	3.3	87.8	3.5	3.0	3.1
Public sector (n=104)	1.6	2.0	2.8	3.0	86.0	3.2	2.8	2.8

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

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.

(continued . . .)

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**Table 3 cont'd**

2012 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=13)	1.5	2.6	3.0	3.3	79.2	3.1	2.5	2.7
Quebec (n=50)	1.7	1.9	2.9	3.0	90.0	3.1	2.8	2.8
Ontario (n=181)	1.5	2.1	2.8	2.9	85.1	3.0	2.6	2.7
Manitoba (n=16)	2.0	2.0	3.2	3.5	83.8	4.4	3.0	3.0
Saskatchewan (n=23)	2.6	2.6	3.5	4.1	92.2	4.2	3.9	3.9
Alberta (n=71)	2.6	3.0	3.9	4.0	93.4	4.3	3.9	3.9
British Columbia (n=33)	1.3	2.1	3.0	3.2	86.2	3.4	2.9	2.9
North (n=5)	1.3	1.8	2.2	2.2	82.4	3.6	3.3	3.3

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.

**Table 4**

2013 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
<b>Overall (n=392)</b>	<b>1.8</b>	<b>2.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>
<b>Industry</b>						
Oil and gas (n=25)	3.2	3.2	4.5	4.5	4.2	4.2
Natural resources, excluding oil and gas (n=16)	2.0	2.0	3.5	3.8	3.6	3.6
Services—professional, scientific, technical (n=16)	1.7	2.0	3.6	3.6	3.5	3.5
Construction (n=5)	2.4	2.4	3.8	3.8	3.3	3.3
Chemical, pharmaceutical, and allied products (n=12)	2.4	2.4	3.5	3.5	3.2	3.2
Services—accommodation, food, and personal (n=19)	1.9	2.2	3.2	3.2	3.0	3.0
Not-for-profit (n=23)	1.2	2.1	3.2	3.2	3.0	3.0
Wholesale trade (n=9)	2.1	2.1	2.8	2.8	3.0	3.0
Finance, insurance, and real estate (n=67)	1.8	2.0	3.0	3.1	2.9	2.9
Food, beverage, and tobacco (n=11)	2.2	2.2	3.1	3.1	2.9	2.9
Utilities (n=22)	1.9	2.3	3.0	3.1	2.9	3.1

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.

(continued ...)

**Table 4 cont'd**  
2013 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
<b>Industry</b>						
Education and health (n=19)	1.3	1.8	3.3	3.6	2.8	3.0
High technology (n=22)	1.9	2.4	3.4	3.4	2.8	2.8
Transportation (n=18)	2.1	2.3	2.8	3.1	2.8	2.8
Government (n=46)	1.9	2.1	2.6	2.9	2.7	2.8
Manufacturing (n=28)	2.0	2.3	3.1	3.1	2.7	2.7
Retail trade (n=20)	1.2	1.7	2.8	2.8	2.6	2.6
Communications and telecommunications (n=14)	1.3	1.6	2.1	2.3	2.4	2.4
<b>Sector</b>						
Private sector (n=288)	1.9	2.2	3.2	3.3	3.1	3.1
Public sector (n=104)	1.8	2.1	2.9	3.1	2.8	2.8
<b>Region</b>						
Atlantic provinces (n=13)	2.3	2.3	3.7	3.7	3.0	3.0
Quebec (n=50)	2.1	2.1	3.1	3.1	2.9	2.9
Ontario (n=181)	1.5	2.0	2.9	3.0	2.7	2.7
Manitoba (n=16)	2.3	2.3	3.0	3.2	3.0	3.0
Saskatchewan (n=23)	2.4	2.4	3.7	3.9	3.7	3.7
Alberta (n=71)	2.3	2.5	3.9	4.0	3.8	3.8
British Columbia (n=33)	1.7	2.1	2.8	2.9	2.8	2.8
North* (n=5)	*	*	*	*	*	*

\*Not shown due to small sample size.

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

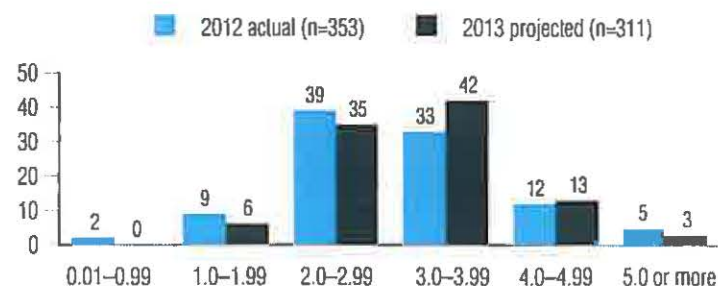
Source: The Conference Board of Canada.

that are two to three times the average increase for satisfactory performance. Two per cent of organizations reported that the average increases for outstanding performers are more than three times those given to satisfactory performers.

## SHORT-TERM INCENTIVE PLANS

The majority of survey respondents (83 per cent) have at least one short-term incentive pay plan (STIP) in place. These plans are especially popular in the private sector, where 92 per cent of organizations reported having at

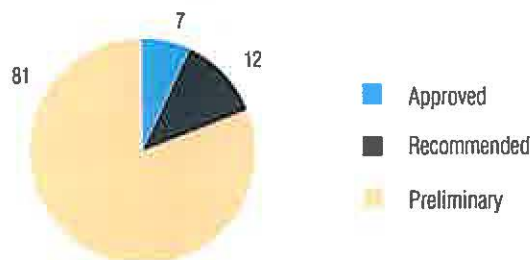
**Chart 2**  
Average Salary Increase Distribution  
(percentage of organizations)



Source: The Conference Board of Canada.

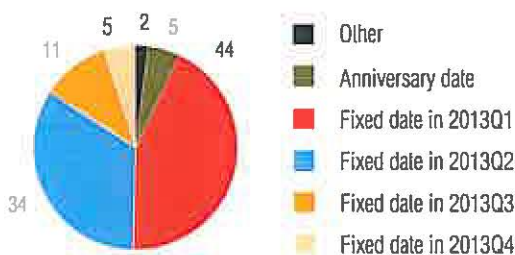
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**Chart 3**  
Current Status of Salary Budget Recommendations for 2013  
(n=398; percentage of organizations)



Source: The Conference Board of Canada.

**Chart 4**  
Planned Implementation of Salary Increases for 2013  
(n=391; percentage of organizations)

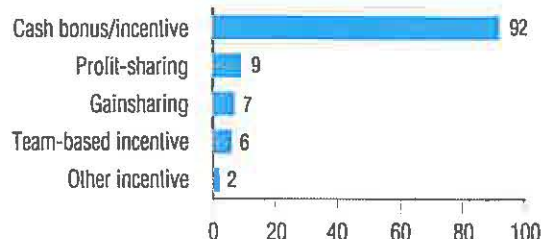


Note: Total does not add to 100 due to rounding.  
Source: The Conference Board of Canada.

least one plan. By comparison, 58 per cent of public sector organizations have one (or more) short-term incentive pay plan. Cash bonuses or incentive plans are, by far, the most common form—used by 92 per cent of organizations that have at least one of these types of short-term incentive pay plans in effect. Profit-sharing is a distant second, in use by only 9 per cent of organizations. (See Chart 5 and tables 5 and 6.)

Average actual payouts exceeded targets in 2012 in close to half of organizations. In 2012, the actual cost of short-term incentive pay plans averaged 11.3 per cent of total base pay spending, slightly higher than the 10.9 per

**Chart 5**  
Short-Term Incentive Pay—Plan Types  
(n=310; per cent, based on organizations that reported having STIPs 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.

cent that was planned for that year. More than 9 in 10 eligible employees received a payout. In 2013, organizations expect to spend 11.1 per cent as a percentage of total base pay spending on short-term incentive pay. (See Table 7.)

When comparing short-term incentive pay targets as a percentage of base pay, targets vary widely across employee groups and industries. Organizations in the oil and gas industry have the highest targets overall and across most employee groups. Government<sup>4</sup> targets remain the most conservative. (See tables 8 and 9.)

Close to two-thirds of organizations (65 per cent) with short-term incentive pay plans link their performance management system to their plans. Eight out of ten (79 per cent) provide outstanding or top performers with short-term incentives up to twice the amount given to satisfactory performers. Eighteen per cent provide short-term incentives payouts that are two to three times the average payout for satisfactory performance, and 3 per cent offer more than three times the typical short-term incentive payout to their top performers. The average short-term incentive payout made to top performers was 19.5 per cent, compared with 14.1 per cent to satisfactory performers and 6.2 per cent to poor performers.

<sup>4</sup> Note: The government sector includes federal governments, provincial governments, and municipalities, but excludes Crown corporations.

**Table 5**  
Overall Prevalence of Incentive Plans,\* by Sector and Employee Group  
(per cent, based on all organizations, non-unionized employees)

	Short-term incentive plans			Long-term incentive plans		
	Public sector (n=106)	Private sector (n=295)	Overall (n=401)	Public sector (n=106)	Private sector (n=295)	Overall (n=401)
Overall	58	92	83	7	59	45
Senior executives	58	85	78	7	56	43
Executives	47	83	73	4	54	40
Management	45	90	78	1	33	25
Professional—technical	36	78	67	1	14	11
Professional—non-technical	37	78	67	1	13	9
Technical and skilled trades	20	55	45	0	6	4
Clerical and support	32	72	62	0	6	4
Service and production	14	53	42	0	6	4

\*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.

Some organizations (14 per cent) have “medium-term” or “mid-term” plans that pay out after two or three years. They are more common in the private sector where 17 per cent of private sector organizations use these types of plans, as compared with 3 per cent of public sector organizations.

## LONG-TERM INCENTIVE PLANS

The prevalence of long-term incentive plans (LTIPs) remains stable. Four in ten survey respondents (45 per cent) have LTIPs, and an additional 1 per cent is considering putting them in place for the upcoming year. This figure is influenced mostly by LTIP use in the private sector, where 59 per cent of organizations reported LTIP use. By comparison, LTIPs are not common in the public sector—only 7 per cent have such plans. Most publicly traded firms offer LTIPs (86 per cent), as do most of the firms controlled by a publicly traded company (77 per cent).

Traditional stock option plans remain the most prevalent form of LTIP. Nearly half (48 per cent) of organizations with an LTIP currently have this type of plan—down

**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=61)	Private sector (n=271)	All sectors combined (n=332)
Senior executives	100	94	95
Executives	84	92	90
Management	78	98	95
Professional—technical	64	86	82
Professional—non-technical	67	86	83
Technical and skilled trades	39	63	58
Clerical and support	57	79	75
Service and production	28	60	54

Source: The Conference Board of Canada.

from a high of 73 per cent in 1998 when the Conference Board first collected this information. In most organizations, eligibility for long-term incentives still resides mostly among the senior executive ranks. (See Table 10 and Chart 6.)

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

2012 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
<b>Employee group</b>									
Senior executives	234	41.8	46.2	99	95	203	46	15	39
Executives	224	30.5	34.2	99	95	208	50	13	37
Management	263	16.7	17.3	97	94	235	49	9	42
Professional—technical	209	11.2	11.2	94	92	186	44	15	41
Professional—non-technical	204	10.3	10.3	95	91	182	47	16	37
Technical and skilled trades	97	8.0	8.5	99	93	84	60	13	27
Clerical and support	191	6.5	6.5	97	90	172	48	16	36
Service and production	86	7.0	7.1	97	94	78	45	17	39

2013 Projected Payouts**	Target payout	Plan maximum
<b>Employee group</b>		
Senior executives (n=216)	41.6	71.3
Executives (n=206)	30.2	54.7
Management (n=241)	16.4	30.7
Professional—technical (n=192)	11.0	21.8
Professional—non-technical (n=184)	10.0	19.5
Technical and skilled trades (n=86)	7.9	17.3
Clerical and support (n=175)	6.4	13.8
Service and production (n=76)	6.7	15.0

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

\*\*2013 projected payouts refer to payouts based on 2012 results, to be paid in 2013. 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.

## PENSIONS

Almost all respondents (97 per cent) have an employee pension plan in place, with an average cost (including administration costs and employer contributions) of 7.8 per cent of annual payroll. For non-unionized employees, the public sector spends an average of 9.5 per cent of annual payroll, and the private sector spends an average of 7.2 per cent.

More than half (56 per cent) of respondents have a defined benefit (DB) plan; 50 per cent have a defined contribution (DC) plan; 37 per cent have a group registered retirement savings plan (RRSP); and 3 per cent have a hybrid plan—a single plan that combines features of both a DB and DC plan.<sup>5</sup> DB pension plans are far more

5 Note: Respondents were asked to identify all pension plan types in place at their organization.

**Table 8**

2013 Short-Term Incentive Pay Plan Targets for Selected Industries, by Employee Group  
(percentage of base salary, non-unionized employees)

Employee group*	Oil and gas (n=20)	Natural resources (n=11)	Services—Professional, scientific, technical (n=15)	Manufacturing (n=19)	Transportation (n=14)	Finance, insurance, and real estate (n=52)	Communications/telecommunications (n=11)	High tech (n=18)	Food, beverage, and tobacco products (n=8)	Services—accommodation, food, personal (n=13)	Government (n=12)	Retail trade (n=15)	Utilities (n=19)
Senior executives	59.3	48.7	50.1	41.8	46.1	44.8	53.1	48.6	41.1	36.7	14.3	51.1	28.3
Executives	40.3	34.9	28.7	26.8	30.5	32.8	29.5	33.1	28.2	23.7	11.9	33.2	24.6
Management	25.3	21.7	15.0	14.6	13.9	16.7	13.2	15.8	14.5	14.7	6.6	18.1	15.8
Professional—technical	17.1	15.0	11.9	10.2	9.8	10.3	9.0	9.9	8.3	9.2	5.9	10.2	10.8
Professional—non-technical	14.7	13.1	8.9	8.8	10.3	9.7	8.1	9.0	10.2	8.8	5.9	10.3	11.4
Technical and skilled trades	11.4	10.4	**	6.6	**	7.4	**	6.7	**	**	**	**	7.0
Clerical and support	9.8	7.4	7.3	5.9	6.4	6.0	**	5.6	5.7	4.6	5.5	5.0	7.6
Service and production	8.8	8.4	**	5.5	7.4	6.3	**	7.1	**	**	**	**	**

\*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 2012 and 2013 targets, non-unionized employees)

Employee group	Adjusting target	Increasing	Average target increase	Decreasing	Average target decrease	Overall average target movement*
Senior executives	13.1	6.3	6.9	6.8	-3.7	1.4
Executives	13.5	8.5	4.2	5.0	-5.4	0.6
Management	13.0	6.5	2.3	6.5	-2.7	-0.2
Professional—technical	13.0	7.6	2.0	5.4	-2.8	0.0
Professional—non-technical	13.6	8.5	1.7	5.1	-2.6	0.1
Technical and skilled trades	10.7	7.1	1.9	3.6	-0.7	1.0
Clerical and support	8.4	5.4	1.2	3.0	-2.4	-0.1
Service and production	13.5	8.1	1.2	5.4	-3.0	-0.1

\*Average target movements based upon data provided by those organizations adjusting targets  
Source: The Conference Board of Canada.

**Table 10**  
Long-Term Incentive Plans—Eligibility, by Employee Group  
(n=180, per cent, based on organizations that reported having LTIPs for at least one employee category, non-unionized employees)

	Organizations with LTIP for this category	Employees eligible for LTIP(s)	Employees receiving LTIs in 2012*
Senior executives	96	99	96
Executives	88	98	95
Management	55	68	90
Professional—technical	24	65	80
Professional—non-technical	21	66	79
Other non-management	9	83	89

\*Based on percentage eligible.  
Source: The Conference Board of Canada.

common in the public sector, with 85 per cent of organizations offering this type of plan versus 45 per cent in the private sector. The most common type of plan in the private sector is the DC plan, offered by 59 per cent of organizations. (See Chart 7.)

For those organizations requiring an employee contribution to the DB plan, the average employee contribution is 7.1 per cent of salary. The average employer contribution for those with DB plans is 9.3 per cent of salary. (See Table 11.)

The base employer contribution for those with DC plans averages 5.1 per cent of salary, while the total average employer contribution (including both base and any additional contributions made by organizations that match employee contributions) for those with a DC plan is 6.5 per cent of salary. For those with a group RRSP pension plan, the base employer contribution is 4.2 per cent of salary, and the average total employer contribution (including base contribution and any additional matching of employee contributions) is 5.8 per cent of salary. Those organizations with a hybrid plan make an average base contribution of 6.4 per cent of salary, and an overall contribution of 7.8 per cent of salary.

## REWARDS STRATEGY AND PRIORITIES

The top three rewards priorities for organizations over the next 12 to 18 months are to retain talent, maintain a competitive market position, and attract talent. Nearly half of the responding organizations (49 per cent) identified retaining talent as a top priority. The priority of attracting talent continues a slow climb up the list after falling to the fifth spot in 2009. Forty per cent of organizations list attracting talent as a priority—not up to the 50 per cent level that was reported prior to the recession, but a steady increase from 26 per cent in 2009. (See Table 12.)

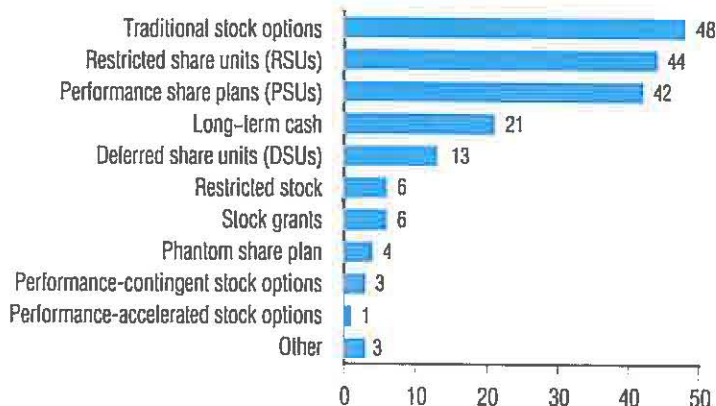
Base pay represents the most significant component of total cash compensation, particularly in the public sector. The proportion of compensation represented by short-term, medium-term, and long-term incentives remains steady in both sectors as compared to a year ago. (See Chart 8.)

One in five organizations (20 per cent) use regional rates of pay. The highest rates of pay are in Yellowknife, Whitehorse, and Fort McMurray. (See Chart 9.)

**Chart 6**

### Long-Term Incentive Plans\*—Plan Types

(n=162; per cent, based on organizations that reported having LTIPs for at least one employee category)



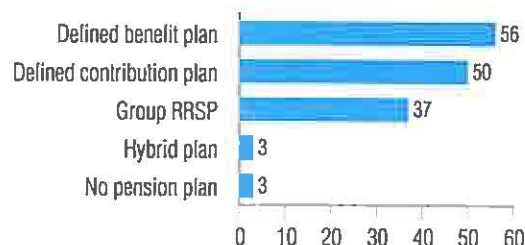
\*Refers only to ongoing plans. For purposes of this question, any ad hoc rewards of stock options or grants are excluded.

Note: Figures do not add to 100 because some respondents have more than one plan.  
Source: The Conference Board of Canada.

**Chart 7**

### Type of Pension Plan in Place

(n=397; percentage of organizations, non-unionized employees)



Note: Organizations may have more than one plan in place.  
Source: The Conference Board of Canada.

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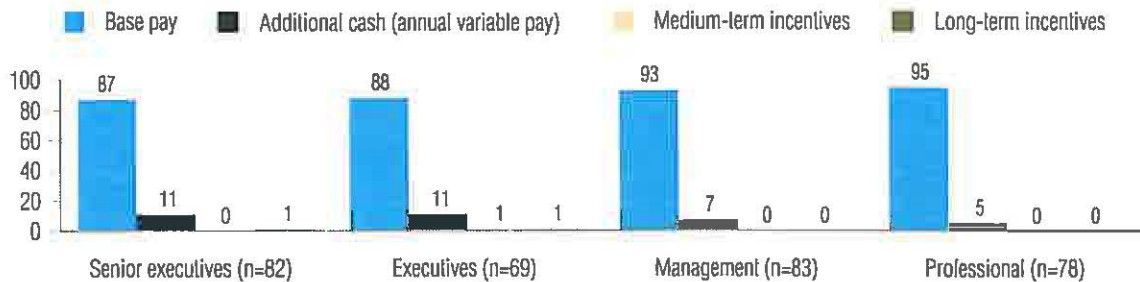
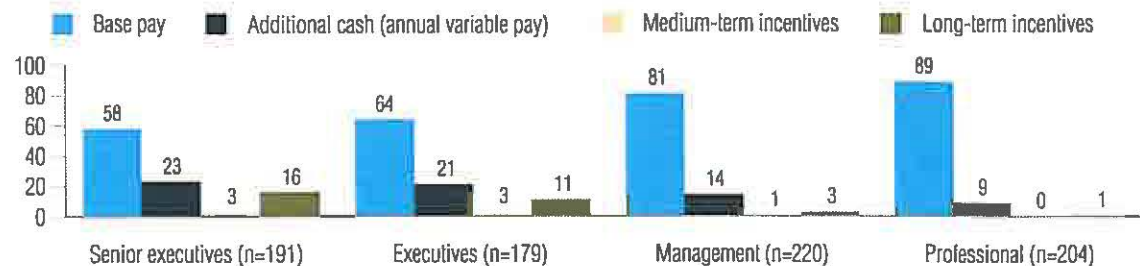
**Table 11**  
Pension Contributions  
(percentage of salary, non-unionized employees)

	Employee contribution	Employer contribution	Total employer contribution
Defined benefit plan (n=162)	7.1	9.3	9.3
	Base Employer contribution	Additional employer matching of employee contribution	Total employer contribution
Defined contribution plan (n=180)	5.1	3.4	6.5
Group RRSP (n=83)	4.2	3.6	5.8
Hybrid plan (n=7)	6.4	3.1	7.8

Source: The Conference Board of Canada.

**Table 12**  
Top Rewards Activities and Priorities\*  
(n=396; percentage of organizations)

1.	Retaining talent	49
2.	Maintaining competitive position	47
3.	Attracting talent	40
4.	Reviewing strategy and ensuring alignment with business objectives	38
5.	Connecting pay and performance	36
6.	Containing benefit costs	17
7.	Communicating rewards to employees	17
8.	Containing pension costs	14
9.	Managing rewards on a total rewards basis	13
10.	Maximizing effectiveness of variable pay	13
11.	Managing executive compensation	5

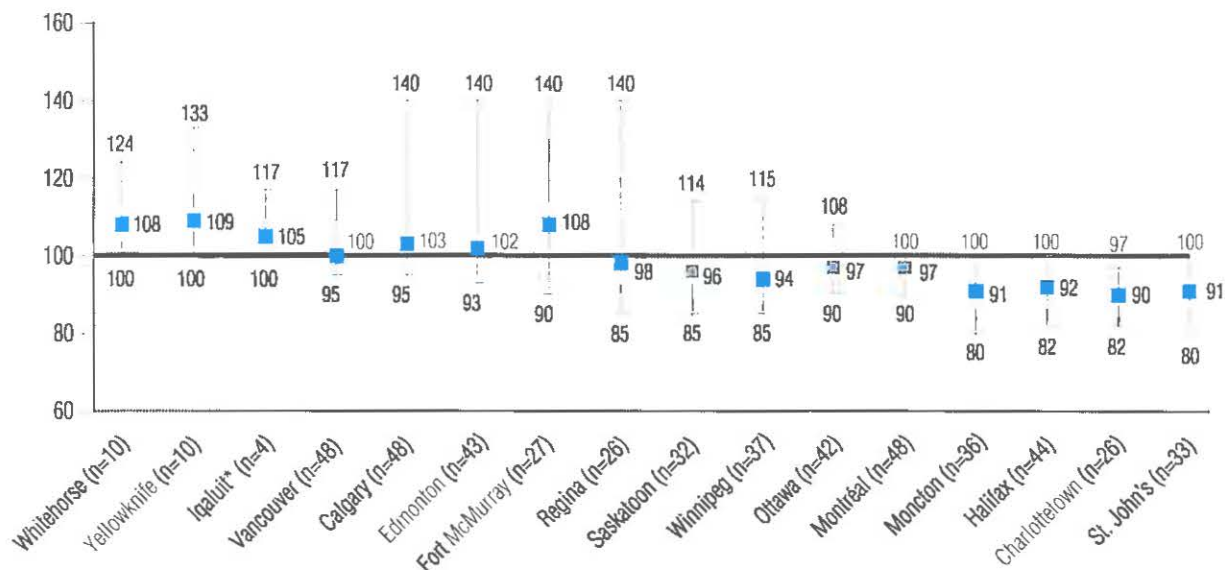
\* Respondents were asked to select (from a list) their top three rewards activities/priorities over the next 12 to 18 months.  
Source: The Conference Board of Canada.**Chart 8**  
Distribution of Total Cash Compensation, by Sector\*  
(percentage of total cash)**Public Sector****Private Sector**

\* 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.

**Chart 9**  
**Regional Compensation Levels**  
(Toronto Index = 100)



\*Caution must be used when interpreting data from this region due to small sample size.  
Source: The Conference Board of Canada.

## CHAPTER 2

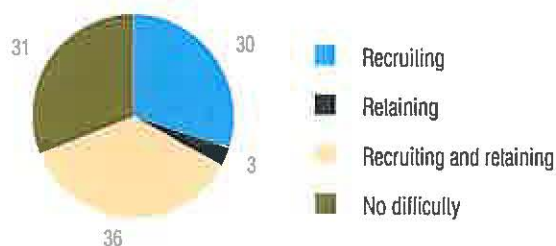
# Human Resource Management

### Chapter Summary

- ◆ Pressure to attract and retain talent continues to grow, with 69 per cent of respondents reporting difficulty in these areas in 2012. Saskatchewan and Alberta face the most pressure.
- ◆ Voluntary turnover continues to creep upwards. The 2011–2012 rate was 7.2 per cent, over 1 per cent above the rates seen during the economic downturn (6.1 per cent).
- ◆ The overall average absenteeism rate for 2011–2012 was 6.7 days per full-time equivalent position. Similar to last year, the highest rate is in the government at 9.2 days.

**Chart 10**

Difficulty Recruiting and Retaining Particular Skills  
(n=396; percentage of organizations)



Source: The Conference Board of Canada.

### RECRUITMENT AND RETENTION

After reaching 74 per cent in 2008 and falling to 54 per cent in 2009, currently 7 in 10 organizations (69 per cent) experience difficulty recruiting and/or retaining particular skills. There was little variance between the public (70 per cent) and private (68 per cent) sectors in terms of difficulty recruiting and/or retaining talent. (See charts 10 and 11.)

By region, labour market pressure in Saskatchewan and Alberta is high, where 83 and 82 per cent of employers face challenges recruiting and retaining employees. By comparison, 59 per cent of organizations in Ontario face this pressure. By industry, pressure is high in the natural resources sector where all but one organization reported facing challenges recruiting and retaining employees—a very different situation from two years ago when only 42 per cent reported challenges. Recruiting and retention continues to be a challenge in the professional, scientific, and technical services (89 per cent); and oil and gas industries (80 per cent).

Although the order varies slightly from year to year, the top five specializations in highest demand (engineering, specialist information technology, skilled trades, management, and accounting and finance) have not changed since the Conference Board began collecting this information more than a decade ago. (See Table 13.)

Over half of organizations (56 per cent) have adopted specific strategies or compensation mechanisms to attract or retain individuals who are considered essential to their business. The most common strategies reported were adjustments to base pay and signing bonuses. (See Table 14.)

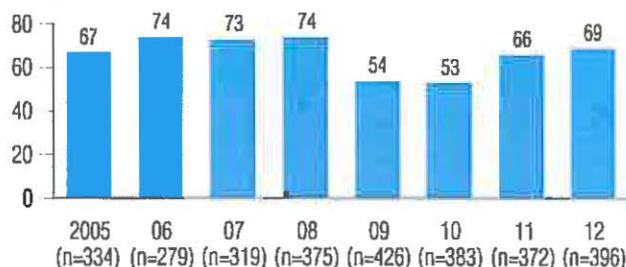
Voluntary turnover rates have risen slightly, with organizations reporting an average of 7.2 per cent, but remain down from 8.2 per cent in 2009 and 9.7 per cent in 2008. The private sector still faces higher rates of voluntary turnover, with an overall average rate of 8.2 per cent compared with 4.6 per cent in the public sector. (See Chart 12 and tables 15–19.)

Employee turnover remains high in selected sectors. The retail industry faced the highest turnover rates in 2012 at 14.0 per cent. The service industries—scientific, professional, and technical; and accommodation, food, and personal—also have voluntary turnover rates higher than those of many other sectors at 11.4 per cent and 10.8 per cent, respectively. The lowest turnover rate—3.7 per cent—is in the chemical, pharmaceutical, and allied products industry.

For the fourth year in a row, employers were also surveyed on their involuntary turnover rates—defined as exits from the organization that are initiated by the employer (severances, dismissals, etc.). The overall involuntary turnover rate for 2012 was 3.4 per cent, with the highest rates reported in the accommodation, food, and personal services industry (6.6 per cent). In 2012, the private sector again reported a higher rate of involuntary turnover (3.8 per cent) than the public sector (2.1 per cent). (See Chart 13.)

**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.

**Table 13**

**Top Professions/Specializations/Position Types in Demand\***

(n=247; per cent; based on organizations reporting difficulty recruiting and/or retaining particular skills)

1. Engineering—electrical, mechanical, etc.	41
2. Specialist IT	34
3. Skilled trades	28
4. Management	26
5. Accounting/finance	22
6. Sales and marketing	19
7. General IT	11
8. Physical sciences	9
9. Human resources	7
10. Executives	6
11. Senior executives	3

\*A wide variety of other responses were provided, representing a broad range of industries and occupations. The most common were project managers, health care professionals (including nurses and technicians), and specialists for a variety of professions.

Note: Respondents were asked to select their top three professions/specializations/position type.

Source: The Conference Board of Canada.

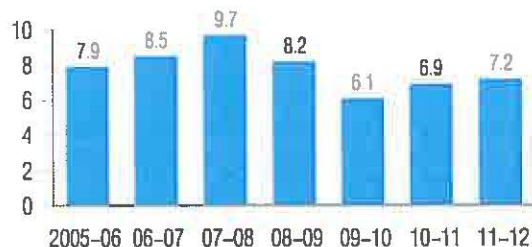
**Table 14**  
Compensation Strategies to Attract and Retain Employees  
(n=221; per cent; based on organizations that reported having at least one strategy)

	Formal	Case-by-case	Both	Total*
Adjustments to base pay	6	52	6	64
Signing bonuses	4	47	1	52
Retention bonuses	7	36	2	45
Referral bonuses	32	8	1	40
Milestone or project bonuses	6	18	1	24
Enhanced relocation support	4	14	2	20
Stock options or grants	5	11	2	18
*Hot skills* bonuses	5	10	1	16
Enhanced variable pay programs	5	6	1	11
Stay bonuses	1	10	0	10
Other	5	3	0	8

**Other compensation strategies include:**  
Market/location premiums  
Creation of subset of salary ranges  
Enhanced benefits (vacation, wellness account)  
Training and educational assistance

\*Overall per cent of organizations with strategy in place.  
Note: Total may not be the exact sum due to rounding.  
Source: The Conference Board of Canada.

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



\*Please refer to Table 15 for definitions.  
Source: The Conference Board of Canada.

The overall absenteeism rate for 2012 was 6.7 days per full-time equivalent employee. This rate was higher in the public sector (8.7 days) than in the private sector

(5.5 days). By industry, government had the highest absenteeism rate at 9.2 days while the lowest (4.7 days) was found in the professional, scientific, and technical services industry. (See Chart 14 and Table 20.)

Organizations estimate that the direct cost of absenteeism for 2011–2012 averaged 2.4 per cent of gross annual payroll.

The overall retirement rate for 2011–2012 was 1.8 per cent—2.3 in the public sector and 1.5 in the private sector. Projecting forward, organizations are anticipating 2.3 per cent of employees to retire next year. With the youngest baby boomers just 48 years of age, the retirement tsunami has not yet hit. When looking even further ahead, the percentage of employees expected to retire within five years is 9.0 per cent.

**Table 15**  
Voluntary and Involuntary Turnover Rates, by Sector and Industry

	Voluntary turnover rates		Involuntary turnover rates	
	(n=)	(%)	(n=)	(%)
<b>Overall</b>	<b>344</b>	<b>7.2</b>	<b>311</b>	<b>3.4</b>
<b>By sector</b>				
Private sector	253	8.2	232	3.8
Public sector	91	4.6	79	2.1
<b>By industry</b>				
Natural resources, excluding oil and gas	10	6.4	9	4.8
Oil and gas	24	7.4	24	3.1
Manufacturing	22	4.4	19	2.6
Food, beverage, and tobacco products	10	5.9	8	3.5
Chemical, pharmaceutical, and allied products	10	3.7	9	3.4
Construction*	4	11.0	4	5.8
High technology	18	7.7	15	3.9
Communications and telecommunications	13	6.8	13	4.1
Transportation	17	4.8	16	1.8
Finance, insurance, and real estate	60	8.0	54	3.7
Wholesale trade	9	8.4	9	4.6
Retail trade	14	14.0	12	4.6
Education and health	17	7.3	14	2.4
Government	37	4.5	32	1.5
Not-for-profit	26	7.9	24	3.8
Services—accommodation, food, personal	19	10.8	16	6.6
Services—professional, scientific, technical	13	11.4	13	4.4
Utilities	21	4.5	20	1.6

**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.

\*Caution must be exercised in interpreting data from this industry due to small sample size.

Source: The Conference Board of Canada.

**Table 16**  
Voluntary Turnover Rates Among Specific  
Employee Groups  
(average percentage)

	n	%
Senior executives	184	3.9
Executives	162	3.8
Management	211	4.6
Professional—technical	180	6.6
Professional—non-technical	182	6.7
Technical and skilled trades	116	4.6
Clerical and support	194	7.4
Service and production	109	7.4

Source: The Conference Board of Canada.

**Table 17**  
Voluntary Turnover Rates Among Performance  
Employee Groups  
(average percentage)

	n	%
Top performers	125	4.1
Satisfactory performers	124	6.5
Poor performers	121	9.2

Source: The Conference Board of Canada.

**Table 18**  
Voluntary Turnover Rates for Corporate  
Functional Areas  
(average percentage)

	n	%
Finance/accounting	163	5.2
Human resources	159	5.9
Information technology	162	5.3
Marketing	136	5.3

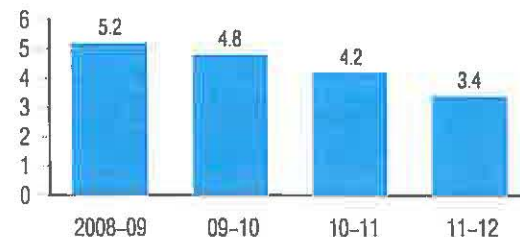
Source: The Conference Board of Canada.

**Table 19**  
Voluntary Turnover Rates Among Regions  
(average percentage)

	n	%
Newfoundland and Labrador	30	8.0
Prince Edward Island	19	2.8
Nova Scotia	44	8.1
New Brunswick	35	6.8
Quebec	68	7.7
Ontario	148	6.2
Manitoba	55	10.5
Saskatchewan	59	11.7
Alberta	102	12.1
British Columbia	98	7.1
Northern Territories	17	15.7

Source: The Conference Board of Canada.

**Chart 13**  
Involuntary Turnover Rates\*  
(average percentage of employees)



\*Please refer to Table 15 for definitions.  
Source: The Conference Board of Canada.

**Table 20**  
Absenteeism Rates, by Sector and Industry  
(days per FTE)

	n	Days per FTE
<b>Overall</b>	158	6.7
<b>By sector</b>		
Private sector	98	5.5
Public sector	60	8.7
<b>By industry*</b>		
Oil and gas	7	5.2
Manufacturing	10	4.9
Communications and telecommunications	5	5.5
Transportation	8	8.6
Finance, insurance, and real estate	30	5.7
Retail trade	6	6.3
Education and health	11	9.1
Government	27	9.2
Not-for-profit	17	4.8
Services—accommodation, food, personal	7	6.6
Services—professional, scientific, technical	5	4.7
Utilities	10	6.4

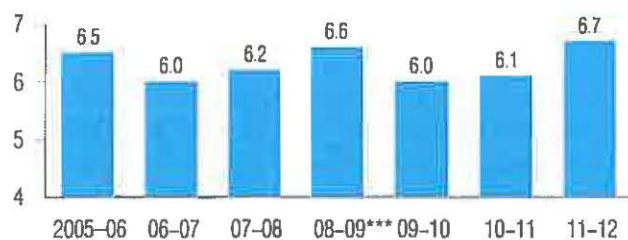
\*Not all industries are shown due to small sample sizes.

**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. Excluded: maternity, adoption, paternity, and parental leaves, vacation and holidays, bereavement leave, and jury duty.

Source: The Conference Board of Canada.

**Chart 14**  
Absenteeism Rates\*  
(days per FTE)\*\*



\*Please refer to Table 20 for definitions.

\*\*Absenteeism rates previous to 2011-2012 are in days per employee.

\*\*\*Data from 2008-09 are from *Beyond Benefits II: Absenteeism and Disability Management*.

Source: The Conference Board of Canada

## CHAPTER 3

# Collective Bargaining

### Chapter Summary

- ♦ For 2013, the projected average wage increase among unionized employees is 2.0 per cent. The average wage increase for 2012 was 2.1 per cent.
- ♦ Nearly a quarter of respondents have 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 5.0 per cent of base pay in 2012.
- ♦ For the fifth year in a row, wages are the key bargaining issue for both management and unions.

### Profile of Unionized Employers

- ♦ 55 per cent of responding organizations have unionized employees.
- ♦ 2,105 agreements are currently in place.
- ♦ 503 agreements expire in 2013, covering 225,553 employees.

Organizations were also asked to provide overall salary increases (as a percentage of base) for unionized employees (including in-range adjustments, merit, step progression, etc.). The overall average increase for unionized employees in 2012 averaged 2.6 per cent and is projected to be 2.5 per cent in 2013. The public sector reported the same increase for 2012 (2.5 per cent) as it anticipates for 2013. Similarly, the private sector's 2012 increase is the same as its 2013 projected increase—2.6 per cent.

### BASE PAY INCREASES

**F**or unionized employees, projected wage increases for 2013 are 2.0 per cent—1.8 per cent in the public sector and 2.1 per cent in the private sector. (See Table 21 and Chart 15.)

The average actual negotiated increase in 2012 was 2.1 per cent. Negotiated increases in the public sector were 1.7 per cent compared with 2.4 per cent in the private sector.

### SHORT-TERM INCENTIVE PAY

Almost a quarter of unionized organizations (23 per cent) have short-term incentive pay plans for unionized employees. These plans are more common in the private sector where 30 per cent have short-term incentive pay plans for their unionized employees, as compared with 12 per cent of employers in the public sector. Over half of the plans (58 per cent) exceeded payout targets

**Table 21**

**Base Wage Increases\***

(per cent, except for years in contract, unionized employees)

		Average no. of years in contract (n=86)	Year 1 2012 (n=84)	Year 2 2013 (n=82)	Year 3 2014 (n=72)
Contracts negotiated since Jan. 1, 2012	(mean)	3.4	2.1	2.1	2.2
	(median)	3.0	2.0	2.0	2.0
		Average no. of years in contract (n=100)	Year 1 2013 (n=90)	Year 2 2014 (n=91)	Year 3 2015 (n=75)
Contracts to be negotiated before Dec. 31, 2013	(mean)	3.2	2.0	2.0	2.1
	(median)	3.0	2.0	2.0	2.0

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

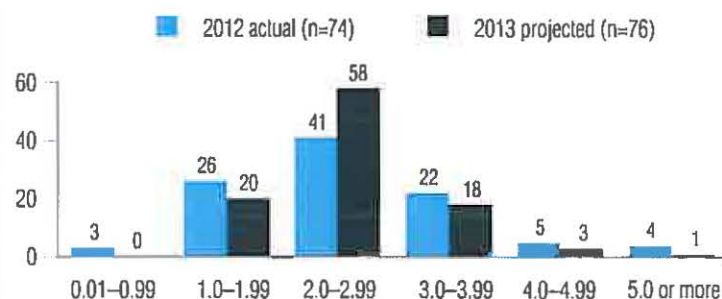
in 2012. Most eligible employees received a payout (92 per cent), averaging 5.0 per cent, compared with targets of 4.8 per cent. (See Chart 16 and Table 22.)

## PENSIONS

Almost all unionized employers (98 per cent) have an employee pension plan in place for their unionized employees, with an average cost (including administration costs and employer contributions) of 9.2 per cent of annual payroll. For unionized employees, the public sector spends an average of 9.4 per cent of annual payroll and the private sector spends an average of 9.1 per cent. (See Chart 17.)

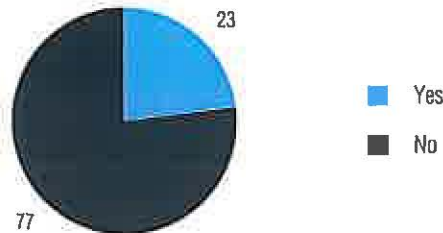
**Chart 15**

**Distribution of Base Wage Increases\***  
(per cent, unionized employees)



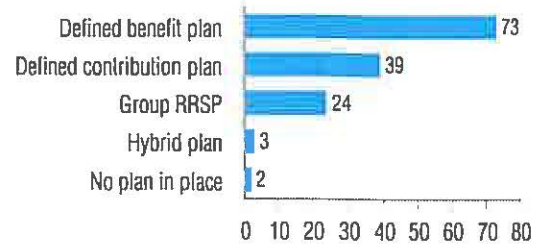
\*A base wage increase refers to the average increase applied to the base wage rate for the year specified (includes any cost of living allowance increases).  
Source: The Conference Board of Canada.

**Chart 16**  
Prevalence of Short-Term Incentive Pay for Unionized Employees  
(n=219; percentage of unionized organizations)



Source: The Conference Board of Canada.

**Chart 17**  
Type of Pension Plan in Place  
(n=193; percentage of organizations, unionized employees)



Source: The Conference Board of Canada.

**Table 22**  
Short-Term Incentive Pay Plan Payouts  
(percentage of base pay, unionized employees)

**2012 Payouts**

(actual, based on 2011 performance)

Target payout (n=37)	4.8
Actual payout (n=37)	5.0
% of eligible employees receiving (n=38)	92
% of organizations falling short of target (n=38)	33
% of organizations meeting target (n=38)	8
% of organizations surpassing target (n=38)	58

**2013 Payouts**

(projections, based on 2012 performance)

Target payout (n=35)	4.5
Plan maximum (n=34)	6.8

Source: The Conference Board of Canada.

Nearly three-quarters (73 per cent) of respondents have a defined benefit plan for unionized employees, 39 per cent have a defined contribution plan, 24 per cent have a group registered retirement savings plan, and 3 per cent

have a hybrid plan—a single plan that combines features of both a DB and DC plan.<sup>1</sup> DB pension plans are more common in the public sector, with 87 per cent of organizations offering this type of plan versus 63 per cent in the private sector.

For those organizations requiring an employee contribution to the DB plan, the average employee contribution is 7.5 per cent of salary. The average employer contribution to DB plans is 9.4 per cent of salary. (See Table 23.)

The base employer contribution for those with DC plans for unionized employees averages 5.4 per cent of salary. The total average employer contribution (including both base and any additional contributions made by organizations that match employee contributions) for those with a DC plan is 7.2 per cent of salary. For those with a group RRSP pension plan, the base employer contribution is 4.8 per cent of salary, and the average total employer contribution (including base contribution and any additional matching of employee contributions) is 5.6 per cent of salary.

<sup>1</sup> Note: Respondents were asked to identify all pension plan types in place at their organization.

## NEGOTIATION ISSUES

The majority (86 per cent) of unionized organizations do not expect any work stoppages in 2013. Not one respondent reported that a stoppage “will definitely occur.” Over half of organizations (52 per cent) rated the overall union–management climate in their organization as cooperative. Three out of four organizations (75 per cent) anticipate that the relationship with their union counterparts will remain the same in 2013.

The leading issue for the year ahead—on both sides of the negotiation table—continues to be wages. Productivity and organizational change are also top of mind for management. Management expects employment security and health benefits to be key issues for unions. (See Table 24.)

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**Table 23**  
Pension Contributions  
(percentage of salary, unionized employees)

	Employee contribution	Employer contribution	Total employer contribution
Defined benefit plan (n=103)	7.5	9.4	9.4
	Base employer contribution	Additional employer matching of employee contribution	Total employer contribution
Defined contribution plan (n=67)	5.4	3.9	7.2
Group RRSP (n=23)	4.8	2.9	5.6

Source: The Conference Board of Canada.

**Table 24**  
Current Negotiation Issues  
(n=172; percentage of unionized organizations)

Management issues		Union issues	
1. Wages	55	1. Wages	85
2. Productivity	36	2. Employment security	49
3. Organizational change	36	3. Health benefits	36
4. Flexible work practices	34	4. Pensions	29
5. Business competitiveness	32	5. Outsourcing and contracting out	26
6. Pensions	24	6. Flexible work practices	19
7. Health benefits	22	7. Employment and pay equity	14
8. Outsourcing and contracting out	15	8. Organizational change	12
9. Training and skills development	12	9. Training and skills development	8
10. Employment and pay equity	10	10. Variable pay	6
11. Employment security	8	11. Technological change	5
12. Variable pay	7	12. Productivity	4
13. Technological change	5	13. Business competitiveness	3

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 = 401)

	Percentage of organizations		Percentage of organizations
<b>Industrial Classification</b>		<b>Ownership</b>	
Natural resources, excluding oil and gas	4	Publicly traded shares	24
Oil and gas	6	Controlled by Canadian publicly traded company	4
Manufacturing	7	Controlled by foreign publicly traded company	13
Food, beverage, and tobacco products	3	Privately held	23
Chemical, pharmaceutical, and allied products	3	Not applicable	36
Construction	1		
High technology	6	<b>Assets (Canadian operations)</b>	
Communications and telecommunications	4	\$0–\$99 million	19
Transportation and utilities	5	\$100–\$999 million	19
Finance, insurance, and real estate	17	\$1 billion and over	40
Wholesale trade	2	Not reported	23
Retail trade	5		
Education and health	5	<b>Annual sales/service revenue (Canadian operations)</b>	
Government	12	\$0–\$99 million	20
Not-for-profit	7	\$100–\$999 million	31
Services—accommodation, food, personal	5	\$1 billion and over	36
Services—professional, scientific, technical	5	Not reported	13
Utilities	6		
<b>Characteristics of Responding Organizations</b>		<b>Number of employees</b>	
<b>Sector</b>		Fewer than 500	31
Private sector corporation	74	500–1,499	22
Public sector organization	26	1,500–5,000	26
		Over 5,000	21
<b>Operations</b>			
Canadian only	62	Total number of employees	2,097,105
North American	10	Total non-unionized employees	1,096,125
Global	28		

## APPENDIX B

# Participating Organizations

A total of 401 organizations participated in the Compensation Planning Outlook 2013 survey. The following participants have authorized the publication of their names.

3M Canada Company	Bank of Canada
A&W Food Services of Canada Inc.	Bank of Montreal
AB SCIEX	Banque Nationale du Canada
ABB Inc.	Baxter Corporation
Accreditation Canada	Bayer Inc.
Acklands-Grainger Inc.	Baylis Medical Company
Atomic Energy of Canada Limited	BC Cancer Foundation
AGF Management Limited	British Columbia Institute of Technology
Agropur cooperative	British Columbia Automobile Association
Alberta Health Services	Business Development Bank of Canada
Alberta Innovates Technology Futures	Bell Aliant
Alberta Medical Association	Bell Canada
Alberta Motor Association	BHP Billiton
Alberta Pacific Forest Industries Inc.	BNP Paribas (Canada)
Allstate Insurance Company of Canada	Bombardier Aerospace
AltaGas Ltd.	Bonavista Energy Corporation
AMEC Earth & Environmental Ltd.	BP Canada Energy Company
Amway Canada	Britco
Apotex Inc.	British Columbia Lottery Corporation
ARC Resources Ltd.	CAE Inc.
ArcelorMittal Dofasco	Caisse de dépôt et placement du Québec
AREVA Resources Canada Inc.	Calgary Co-operative Association Limited
Assiniboine Credit Union	Cameco Corporation
Association of Universities and Colleges of Canada	Canada Forgings Inc.
Assumption Life	Canada Lands Company Limited
ATB Financial	Canada Mortgage and Housing Corporation
ATCO Electric Ltd.	Canadelle Inc.
Aviva Canada	Canadian Agency for Drugs and Technologies in Health
Babcock & Wilcox Canada Ltd.	Canadian Air Transport Security Authority

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Canadian Bankers Association	Deloitte
Canadian Foodgrains Bank Association Inc.	Delta Hotels and Resorts
Canadian Institutes of Health Research	Desjardins Group
Canadian Medical Association	Detour Gold Corporation
Canadian Pacific Railway Company	Domtar Corporation
Canadian Payments Association	E. I. du Pont Canada Company
Canadian Tire Corporation, Limited	Eastern Health
Canlan Ice Sports Corporation	Economical Insurance
Capital Power Corporation	Edmonton International Airport
Cara Operations Limited	eHealth Ontario
Carleton University	Enbridge Inc.
CBC/Radio-Canada	Encana Corporation
Celero Solutions	Energy Resources Conservation Board
Cenovus Energy Inc.	Enerplus Corporation
Ceridian Canada	ENMAX Corporation
CH2M HILL	EPCOR Utilities Inc.
Chubb Insurance Company of Canada	Ericsson Canada Inc.
CI Investments Inc.	Ernst & Young LLP
City of Brampton	EVRAZ Inc. NA
City of Brandon	Export Development Canada
City of Burlington	Farm Credit Canada
City of Edmonton	Farmers Dairy
City of Guelph	Federal Express Canada Ltd.
City of Lethbridge	Ferus Inc.
City of Medicine Hat	Finning (Canada)
City of Mississauga	First Calgary Financial Credit Union Limited
City of Ottawa	First West Credit Union
City of Regina	Flint Energy Services Ltd.
City of Saskatoon	Fluor Canada Ltd.
City of Toronto	Ford Motor Company of Canada, Limited
Canadian National Railway Company	Foresters
Coast Capital Savings Credit Union	FortisAlberta Inc.
College of Physicians & Surgeons of Alberta	FT Services
College of Physicians and Surgeons of Ontario	Gaz Métro
Columbia Power Corporation	General Electric Canada
Compass Group Canada	General Dynamics Land Systems Canada
Concentra Financial	Gibson Energy
Concordia University	Goldcorp Inc.
Conexus Credit Union	Government of Alberta
ConocoPhillips Canada	Government of British Columbia
Co-operators Life Insurance Company	Government of Saskatchewan
Corus Entertainment Inc.	Government of Yukon
Credit Union Central Alberta Limited	Graham Group Ltd.
Credit Union Central of Manitoba	Great Canadian Gaming Corporation
CSA Group	Greater Edmonton Foundation
Dalhousie University	Greater Toronto Airports Authority
David Suzuki Foundation	Great-West Life/London Life/Canada Life

Groupe Deschênes	Lockheed Martin Canada Inc.
Halifax Regional Municipality	London Health Sciences Centre
Harlequin Enterprises Ltd.	Loto-Québec
Healthcare Benefit Trust	BC Land Title and Survey Authority
Henry Schein Canada, Inc.	Mackenzie Financial Corporation
Heritage Park Society	Manitoba Lotteries Corporation
Hewitt Equipment Limited	Manitoba Public Insurance
Hoffmann-La Roche Canada Limited	Manulife Financial
Holcim (Canada) Inc.	Maple Leaf Foods Inc.
Hudbay Minerals Inc.	Marsh Canada Limited
Husky Energy Inc.	Mattel Canada
Hydro Quebec	Mazda Canada Inc.
IAMGOLD Corporation	MC Commercial Inc.
IBM Canada Ltd.	MCAP
Imperial Oil Limited	McCormick Canada
Imperial Tobacco Canada Limited	McDowall Associates
IMS Health	McGill University
Independent Electricity System Operator	McMaster University
Industrial Alliance, Insurance and Financial Services Inc.	Methanex Corporation
Industries Lassonde Inc.	Metro Toronto Convention Centre
Information Services Corporation	Molson Coors Canada
Innovapost	Morneau Shepell
Insurance Corporation of British Columbia (ICBC)	Mountain Equipment Coop
Intact Financial Corporation	MTS Allstream Inc.
Inter Pipeline Fund	NAL Resources Management Ltd.
International Development Research Centre (IDRC)	Nalcor Energy
Investors Group Inc.	National Capital Commission
Ivanhoé Cambridge	National Film Board of Canada
J.D. Irving, Limited	NAV CANADA
John Deere Canada ULC	New Brunswick Power Holding Corporation
Jones Packaging Inc.	Newalta Corporation
K+S Potash Canada	Nexen Inc.
Kellogg Canada Inc.	Nordion Inc.
Keyera Corp.	North Atlantic
Kinder Morgan Canada Inc.	North Shore Credit Union
Kinectrics Inc.	Northbridge Financial Corporation
Kinross Gold Corporation	Northwestel Inc.
L-3 Communications—Wescam Inc.	NOVA Chemicals
La Coop fédérée	Nova Scotia Power
Lafarge	NovAtel Inc.
LANXESS Inc.	New Brunswick Office of Human Resources
Laurentian Bank of Canada	OMERS
Liquor Control Board of Ontario	Ontario Energy Board
Ledcor Group of Companies	Ontario Power Authority
Lifelabs Inc.	Ontario Power Generation
Loblaw Companies Limited	Ontario Teachers' Pension Plan
	Ontario Trillium Foundation

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OPTrust	SaskTel
Ottawa International Airport Authority	SaskWater
Ottawa Police Service	Science North & Dynamic Earth
Overwaitea Food Group	Scotiabank
Pacific & Western Bank of Canada	Sears Canada Inc.
Pacific Northern Gas	Secrétariat du Conseil du trésor du Québec
Panasonic Canada Inc.	Servus Credit Union
Paradigm Quest Inc.	Shell Canada Ltd.
Parmalat Canada	Shoppers Drug Mart/Pharmaprix
PCL Constructors Inc.	SickKids Foundation
People First HR Services	Siemens Canada Limited
PepsiCo Canada	Silvera for Seniors
Pharmascience	SMART Technologies ULC
Pitney Bowes Inc.	SNC-Lavalin
Polytainers Inc.	Société des Alcools du Québec
Port Metro Vancouver	Spectra Energy
PowerStream Inc.	Standard Life Canada
Prairie Centre Credit Union	StandardAero
Pratt & Whitney Canada	Staples Inc.
PricewaterhouseCoopers LLP	Société de transport de Montréal
Prince Rupert Port Authority	Strathcona Paper
Psion Inc.	Suncor Energy Inc.
PSP Investments	Sustainable Development Technology Canada
PTI Group Inc.	Symcor Inc.
Purolator Inc.	Syncrude Canada Ltd.
Quebecor Media Inc	Synergy Credit Union Ltd.
Qulliq Energy Corporation	TAQA North Ltd.
RBC Financial Group	Tarion Warranty Corporation
Rothmans, Benson & Hedges Inc.	Teck Resources Limited
Regional Municipality of Halton	Teknion Corporation
Regional Municipality of Peel	Telefilm Canada
Regional Municipality of Durham	Telesat Canada
Regional Municipality of Niagara	TELUS Corporation
Reitmans Canada Ltd.	Teranet Inc.
Revera Inc.	Teva Canada Limited
RIDLEY Inc.	The Beer Store
Rio Tinto	The Calgary Airport Authority
Ritchie Brothers Auctioneers	The Canadian Depository for Securities Limited
Rogers Communications	The City of Kingston
Ryerson University	The DATA Group of Companies
Safety Codes Council	The Dominion of Canada General Insurance Company
Saint Elizabeth Health Care	The Law Society of British Columbia
Sanofi Canada Inc.	The Minto Group
Saskatchewan Blue Cross	The North West Company
Saskatchewan Government Insurance (SGI)	The Puratone Corporation
Saskatchewan Workers' Compensation Board	The Wawanesa Mutual Insurance Company
SaskEnergy Incorporated	The Brick Ltd.

Tim Hortons Inc.	University of Ontario Institute of Technology (UOIT)
TimberWest Forest Corp.	University of Regina
TMX Group Inc.	University of Saskatchewan
Toronto Central Community Care Access Centre	University of Toronto
Toronto Police Service	UPS Canada
Toronto Transit Commission	VIA Rail Canada
Town of Banff	Ville de Montreal
Town of Richmond Hill	Viterra
Toyota Motor Manufacturing Canada Inc.	VON Canada
Toys R Us	Wal-Mart Canada Corp.
Transat A.T. inc.	Weatherford Canada
TransCanada Corporation	Wescast Industries Inc.
Translink	WesternOne Equipment Rentals & Sales
Travel Alberta	WestJet
Treasury Board of Canada Secretariat	Westminster Savings Credit Union
Troy Life & Fire Safety Ltd.	Weyerhaeuser
Ubisoft	Workers' Compensation Board of Alberta
Ultramar Ltd.	Workplace Safety and Insurance Board of Ontario
University Health Network	Xerox Canada
University of Calgary	YMCA of Greater Toronto

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