

YEARS COME AND GO, AND AVERAGE SALARY INCREASE CONTINUES TO HOVER AT 2.4%

The 173 participating organizations in PCI – Perrault Consulting Inc.'s survey foresee an average salary increase budget of 2.4 % in 2017. Since 2009, average salary increases have ranged from 2.5% to 2.9%. According to Marc Chartrand, shareholder of PCI – Perrault Consulting Inc., 2017 will not be much different from the past 7-8 years, but reflects the moderate economic growth caused by business uncertainty in a fragile environment. Surprisingly, only one organization plans to freeze salaries in 2017.

Unlike past years, no sector stands out markedly from the others, apart from the traditionally more generous financial sector and sectors like IT where demand for talent is high, that anticipate a salary increase budget of 2.6%. On the other hand, the consumer goods sector remains the least generous with a budget of 2.2%.

Despite the companies' limited budgets, we have noticed a higher degree of differentiation among employees as shown by the significant variances in salary increases. Employers do not hesitate to withhold increases to underperforming employees, while the average of the highest increases in 2016 was 8.4 %. This trend has been observed widely, regardless of size or revenue.

We must not overlook the fact that nearly half of the companies plan for additional salary increase budget of 1.2% in 2017 to recognize special cases (high-potential employees, fast-track employees, jobs with a skill shortage, etc.).

The overall salary increase budget, obtained by combining the value of the additional budget of each company to the annual salary increase budget, is on average 2.9% in 2017.

Bonus plans continue to be quite popular, confirms our survey

89% of the organizations in our survey have a variable compensation plan, commonly referred to as a bonus plan. In two-thirds of the organizations, executive and professional levels are eligible to these bonuses, and in over a third of the organizations, eligibility extends to non-unionized employees. Bonuses are a good vehicle to motivate employees by rewarding individual and organizational results annually subject to the company's capacity to pay.

In 2016, approximately 15% of the organizations did not pay any bonus based on their financial performance, while one out of five organizations paid a bonus above target. The 2017 forecasts are somewhat attenuated at the end of the spectrum since 12% of organizations indicate no bonus payments and 13% expect bonuses above target. For the rest, 51% anticipate results at target, while 24% should pay bonuses below target.

Long Term Incentive Plan

A long term incentive plan (LTIP) allows compensation to be linked with an organization's medium to long-term performance cycle (3 years or more), through a cash or equity-based payment. This practice, observed more and more frequently, helps to balance short-term compensation with longer term objectives.

Half of the private and publicly-listed companies in our survey have a long-term incentive plan. This proportion is higher among publicly-listed companies (83%), but long-term incentives are nonetheless present in a third of private companies. This type of compensation is primarily offered to senior executives (97% of organizations) and sometimes to middle managers (28%), high-performers (22%) and employees with high potential or identified as potential successors (21%) as well.