



A. Michael Hiles & Associates Inc.

Human Capital Management

Salary Increase Projections for 2013

An important element in budgeting involves estimating where salaries are headed in the external market. Getting pay right can mean a competitive edge since compensation is most company's largest expense. In an environment where confidence is at a premium, companies are watching their costs very carefully – and getting pay right is important.

Each year, we provide our clients with a preview of salary increase intentions in the Canadian market. We use surveys that are the largest and most reliable available. The first survey includes information from 417 organizations, and represents approximately 4.1 million Canadian employees. The second survey includes data from 763 companies, and covers more than 5 million Canadian employees.

We show the median projected changes in Base Salary – sometimes call budgeted increases. We also show the projected change in Salary Structure – the change in a company's pay policy. Base Salary changes are greater than Salary Structure because Base Salary changes include increases for individual merit or performance, promotions, service, organizational changes, general productivity increases, etc.

<i>Salary Structure Changes</i>		
	2012	2013 (proj)
Non-Management	2.00%	2.00%
Management	2.00%	2.00%
Officer/Executive	2.00%	2.00%
Inflation (July 2011)	1.95%	2.00%

Inflation from Bank of Canada

<i>Salary Budget Increases</i>		
	2012	2013 (proj)
Non-Management	3.00%	3.00%
Management	3.00%	3.00%
Officer/Executive	3.00%	3.00%
Inflation (July 2011)	1.95%	2.00%

These projections are consistent with last year's actual figures, and they show very little variation from past trends for many years now. Inflation is Total Consumer Price Index. Core inflation is 1.97% (which eliminates volatile items, e.g. gasoline). We have more detailed information that can be filtered by city, region or industry. Additionally we have extensive information for the United States, plus some information for other countries.

This information is useful when preparing high-level budgets. Developing a comprehensive pay policy is more complex. An effective and durable policy considers the external market (the competition), the company pay structure, the relative size and level of jobs, and individuals' performance.



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With total salary increases budgeted at 3%, paying for performance is a challenge. Many organizations consider a separate budget item for special situations such as promotions and “fast track” individuals who also may be targets for competitors. If leaving is the way for an employee to receive competitive pay relative to the external market – the company has an expensive problem. While pay in most cases is not a top motivational tool, getting it wrong is a strong demotivator and substandard pay is reported as an important reason to consider outside offers.

We can help with any of our clients’ compensation and benefits needs, as well as a wide range of other human resource management issues. We would be pleased to discuss any of your human resource related concerns.