

Wrestling With a Tough Economic Equation: 2016 Impacts on Human Capital



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Prepared by: The Wynford Group

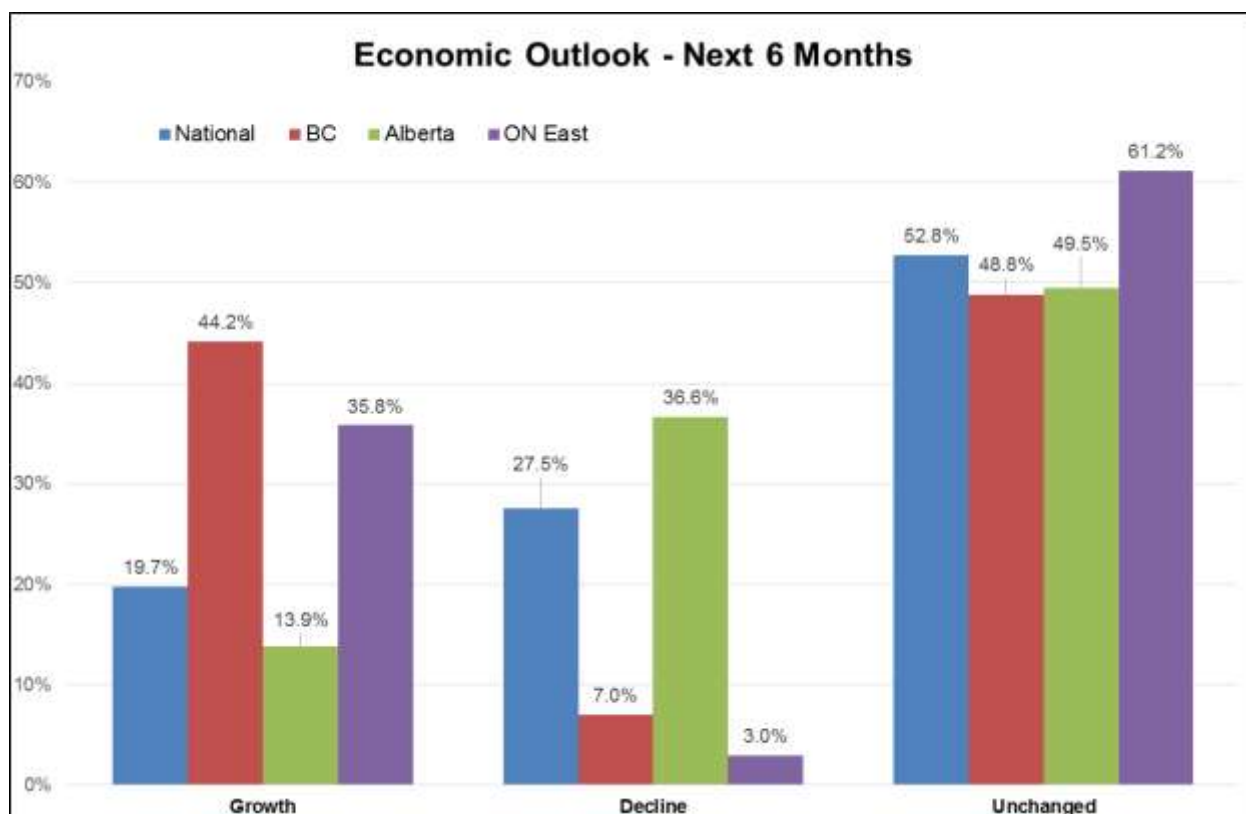
The information presented in this report is a short sampling of results and interpretation of a survey submitted by over 270 participants from across Canada, conducted in May of 2016. The focus of the survey was on actual salary adjustments and impacts to compensation trends in 2016. We would like to thank our association partners: the HRIA, HRMA and HRPAA for their support in promoting and distributing this survey, which helped provide a broader representation of organizations across the country.

We hope you find these results valuable, and encourage you to contact us for more information or to learn how the Wynford Group can work with your organization for any compensation or management consulting requirements. For more detailed insights and in-depth data, please see our annual Canadian Salary Surveys. **Please click [here](#) for more information.**

Economic Outlook

The 'new normal' economy, which analysts posit has been in phase for about the past 18 months, continues to impact human capital across the country; by means of salary changes, staff numbers, job performance and responsibility, and more. We aim to shed some light and provide some insight into what exactly companies are doing to weather the economic storm.

As the sharp retraction in new energy projects in Alberta and Saskatchewan would indicate, salaries in the resource rich provinces are showing lower increases in 2016 than in previous years, and results from this survey are even markedly more modest across Canada than what was projected for 2016 last Fall. We are also seeing significantly more reported zeros, which confirms that many organizations are opting out of or deferring general increases for the time being. So many, in fact, that we have only reported the numbers with zeroes included; as we believe that this is the most reflective of the current marketplace. Over a third of participating organizations in the Spring Flash Survey are not increasing salaries at all in 2016.



Wynford Flash Survey - Spring 2016

Over the last year or so we have seen a continuing change in the economic leaders in Canada. Stabilization of the current global turmoil will be key to boosting economic confidence which will, as always, lead to an increase in workforce numbers across the country. As policies shift and the country (and world) learns to adapt to low oil prices, diversification of our economy continues to be key, especially in sectors like advanced technology, software development, and Information Technology, which are poised to have a stronger short-term future.

Actual 2016 Salary Increases

Average Regional 2016 Base Salary Increases:

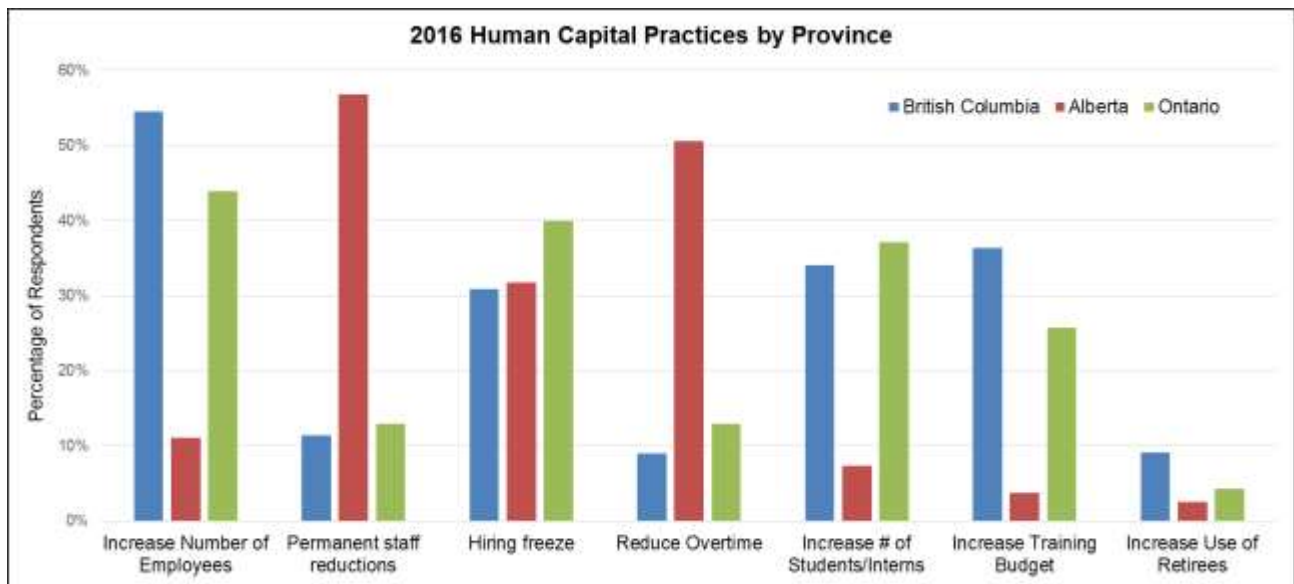
Canada	1.39	Manitoba	1.31
Ontario	1.78	Saskatchewan	0.76
British Columbia	1.64	Atlantic Canada	0.67
Quebec	1.62	Alberta	0.50

Average 2016 Base Salary Increases by Industry:

Software Development	2.48	Hospitality	0.91
Financial Services	2.19	EPC / EPCM	0.29
Public Sector	2.13	Energy	0.06
Advanced Technology	2.06	Energy Services	-3.31

The above indicates that there is a significant divergence in salary increases by industry for 2016. The data collected from the Energy and related industries are once again showing salary freezes and decreases, even more dramatically than when we polled in the Fall of 2015. However, this may be the result of decisions made last year which have taken some months to come to fruition. Ontario and British Columbia are leading the country in salary increases, as they are in economic growth, although the averages are still significantly lower than any time in the past six years.

Human Capital Practices



Wynford Flash Survey - Spring 2016

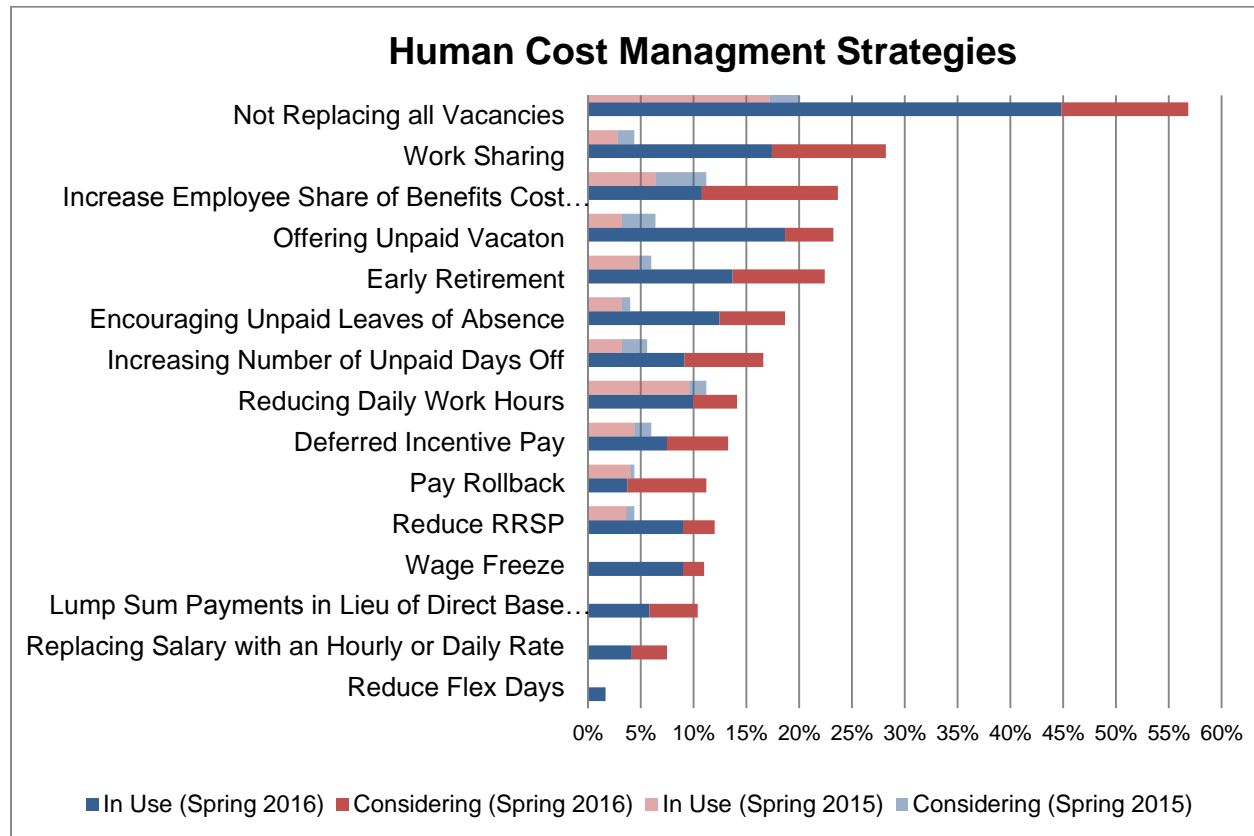
Periods of economic slowdown almost always lead to cost constraints. While the above strategies are used to provide flexibility, the significant increases in layoffs or permanent staff reductions are a more serious potential indicator of major structural change in some industries and regions. Alberta is clearly adopting more drastic strategies than other provinces as seen in the above chart. Of particular concern are the severe changes in Alberta regarding the use of Interns and Training Budgets, as these are both indicators of longer-term challenges.

Human Capital Cost Management Strategies

As indicated above a number of organizations have experienced a dramatic change in their outlook for the economic environment. We therefore surveyed what alternative strategies they were using to cut costs beyond simply reducing staff numbers. We compared these strategies to responses collected in our Spring version of the survey from May 2015.

Over two thirds of all respondents indicated that they had implemented one or more of these strategies in the past year.

Beginning in our last Spring Flash Survey in 2015, we've seen a trend of sharp cuts to hiring, with many companies opting for a leaner workforce either by means of layoffs, permanent reductions, or not replacing voluntary vacancies. Now, over the last year, we see more and more organizations being forced to find 'creative' ways to cut human capital costs while still maintaining a core workforce, such as work sharing, reducing hours worked, reducing RRSP contribution matching, etc. The chart below outlines some of these recently adopted strategies.



Wynford Flash Survey - Spring 2016

Nearly 60% of all responding organizations are not replacing vacancies to reduce their workforce. Other common strategies to reduce human capital expenses were:

- Offering unpaid vacation
- Job/work sharing (often supported by EI)
- Increasing the number of unpaid days off
- Reducing hours of work
- Moving employees from annual salaries to hourly or daily rates
- Offering additional unpaid vacation or leave
- Incentivizing early retirement
- Increasing employee share of benefits costs or reducing RRSP contribution matching

The Wynford Group offers a complete range of services that vary from single-position market pricing to complete rebuilding of compensation programs. Organizations of all sizes and industries choose Wynford to help successfully harness the full talents of their people. Our services include:

National Compensation Surveys

- Technical
- Professional & Administrative
- Contact Centre
- Executive
- Supply Chain & Manufacturing
- Construction
- Mining
- Architecture
- Geomatics
- Small Business

Compensation & Total Rewards Consulting

- Individual and job family market pricing
- Custom surveys to market price against specific comparators
- Market review and development of salary ranges
- Review and redesign of incentive programs
- Executive Compensation
- Outsourced Compensation Management

HR Infrastructure

- *HR Konnectz* - Online role profile builder and web-based accountability banding
- Human capital benchmarking and analysis
- Performance management system review redesign
- Integrated HR program development
- Communication to employees

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