

HEALTH WEALTH CAREER

# MERCER'S 2016 COMPENSATION PLANNING SEMINAR

DOING MORE WITH LESS

SEPTEMBER 2015

Saskatoon



MAKE TOMORROW, TODAY  MERCER

# TODAY'S PRESENTERS



**GRANT  
ASHLEY**



**IAN  
CULLWICK**

# TODAY'S DISCUSSION

01

ECONOMIC  
OVERVIEW

02

HIGHLIGHTS  
FROM THE  
SURVEY

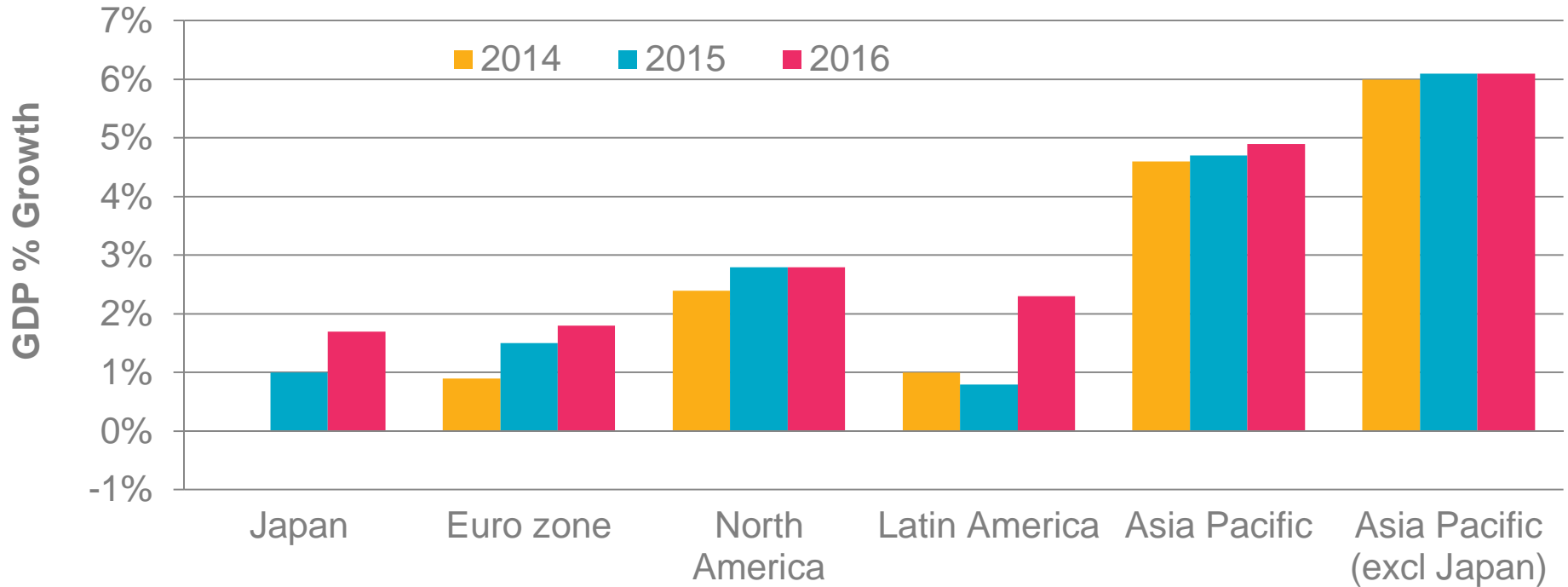
03

INSIDE  
EMPLOYEES'  
MINDS

# ECONOMIC OUTLOOK



# THE GLOBAL ECONOMIC OUTLOOK



Source: Consensus Economics

# CANADIAN ECONOMIC AND MARKET CONTEXT OVERVIEW

There are signs that Canada may bounce back in 2015

## CURRENT ECONOMIC STATE

3.5%



Expected World **GDP**  
growth in 2015

3.1%



Expected increase in  
**consumer spending**

-6.7%



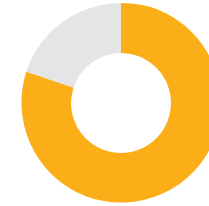
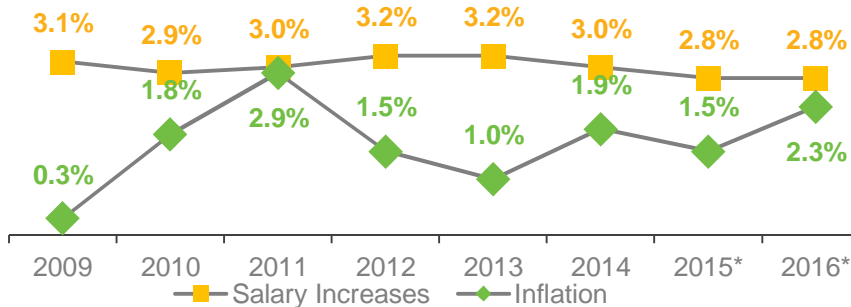
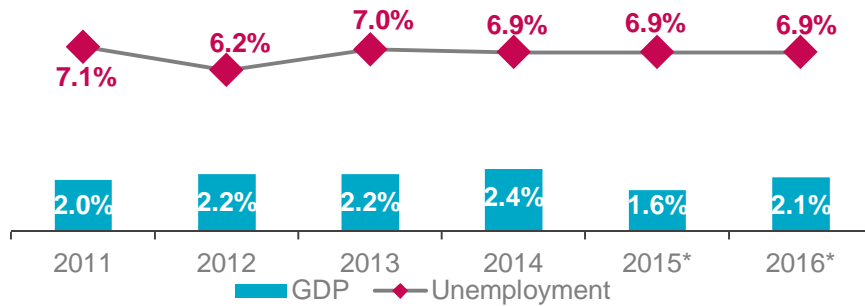
Decrease in Canadian  
**exports** in May 2015

185,000



Potential loss of direct  
and indirect jobs in oil  
and gas industry from  
\$31B reduction in  
expenditures

# CANADIAN ECONOMIC AND MARKET CONTEXT INDICATORS



**80%** of companies reported challenges in recruiting candidates with critical skills



Unemployment is expected to fall below 6% by 2018.



Labour force participation is currently at 66% and expected to remain flat for the next few years.

# HIGHLIGHTS FROM THE SURVEY



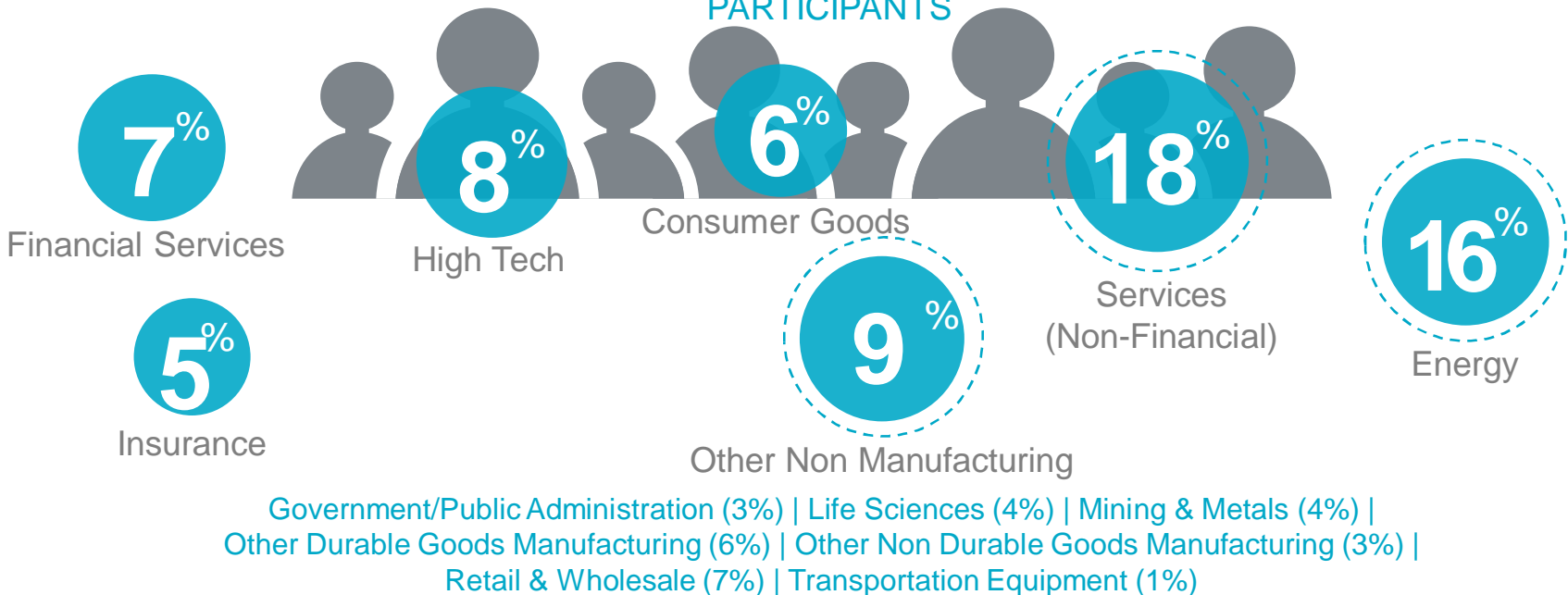




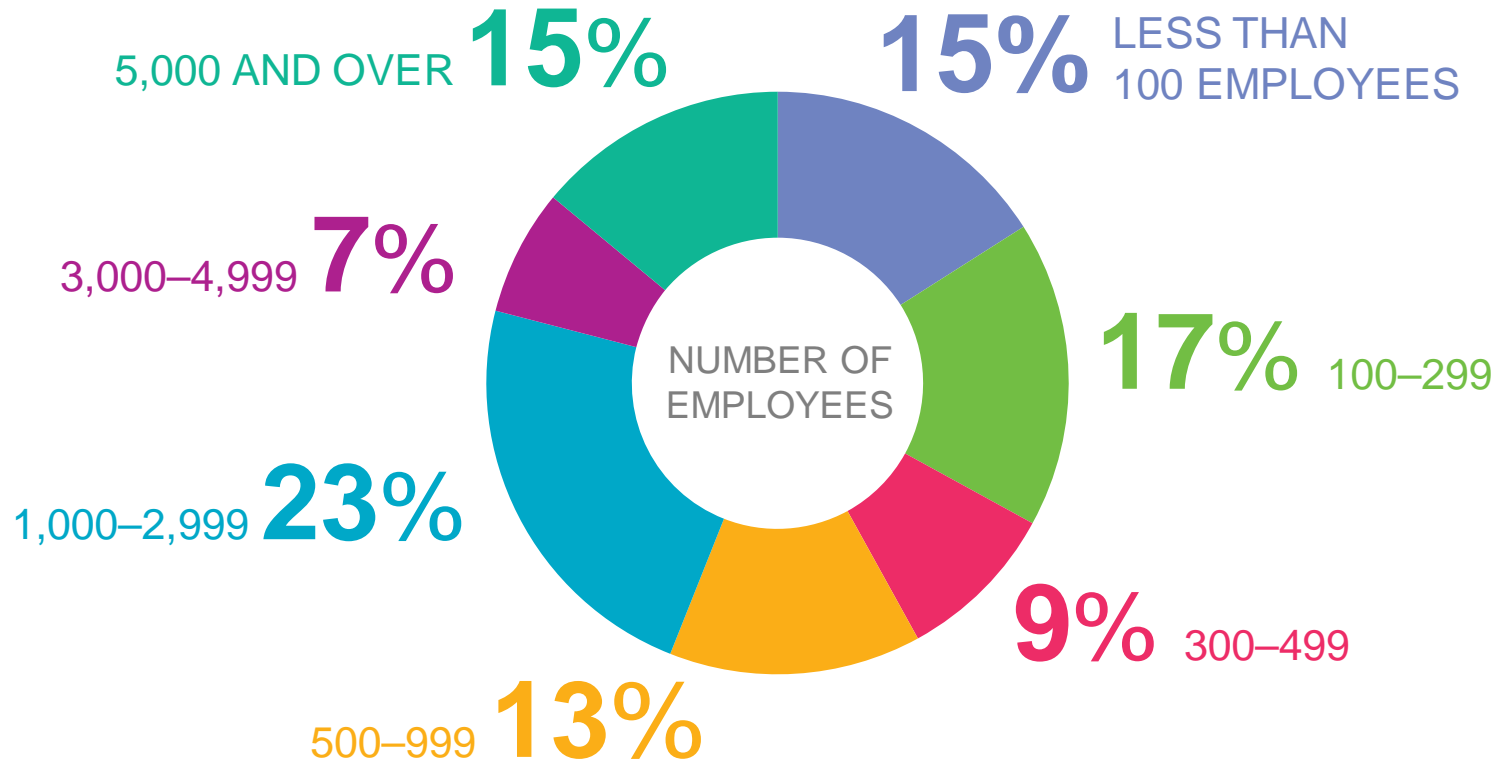
# PARTICIPANT PROFILE

590

PARTICIPANTS



# PARTICIPANT PROFILE



# EMPLOYERS REMAIN CAUTIOUS – SALARY BUDGETS REMAIN STEADY

CANADA (ALL INDUSTRIES, ALL LOCATIONS, EXCLUDING ZEROS)

YEAR	ALL EMPLOYEES	EXEC	MGMT	PROFESSIONAL	CLERICAL	OPERATIONAL
2016	2.8%	2.8%	2.8%	2.8%	2.7%	2.7%
2015 (ACTUAL)	2.8%	2.8%	2.8%	2.8%	2.7%	2.7%
2014 (ACTUAL)	3.0%	3.2%	3.1%	3.0%	3.0%	2.9%
2013 (ACTUAL)	3.2%	3.4%	3.3%	3.1%	3.2%	3.0%
2012 (ACTUAL)	3.2%	3.2%	3.3%	3.2%	3.2%	3.1%

# 2016 SALARY INCREASE PROJECTIONS CONSISTENT WITH PRIOR YEARS

SASKATCHEWAN (ALL INDUSTRIES, EXCLUDING ZEROS)

YEAR	ALL EMPLOYEES	EXEC	MGMT	PROFESSIONAL	CLERICAL	OPERATIONAL
2016	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
2015 (ACTUAL)	2.6%	2.7%	2.6%	2.7%	2.6%	2.7%
2014 (ACTUAL)	3.0%	3.1%	3.1%	3.0%	2.9%	3.0%
2013 (ACTUAL)	3.1%	3.1%	3.1%	3.2%	3.1%	3.1%
2012 (ACTUAL)	3.3%	3.3%	3.4%	3.3%	3.2%	3.1%

# EMPLOYERS REMAIN CAUTIOUS – RESULTS INCLUDING FREEZES

CANADA (ALL INDUSTRIES, ALL LOCATIONS)

YEAR	ALL EMPLOYEES	EXEC	MGMT	PROFESSIONAL	CLERICAL	OPERATIONAL
2016 EXCL. 0'S	2.8%	2.8%	2.8%	2.8%	2.7%	2.7%
2016 INCL. 0'S	2.6%	2.6%	2.6%	2.6%	2.6%	2.4%
2016 % OF FREEZES	3%	6%	4%	4%	3%	5%

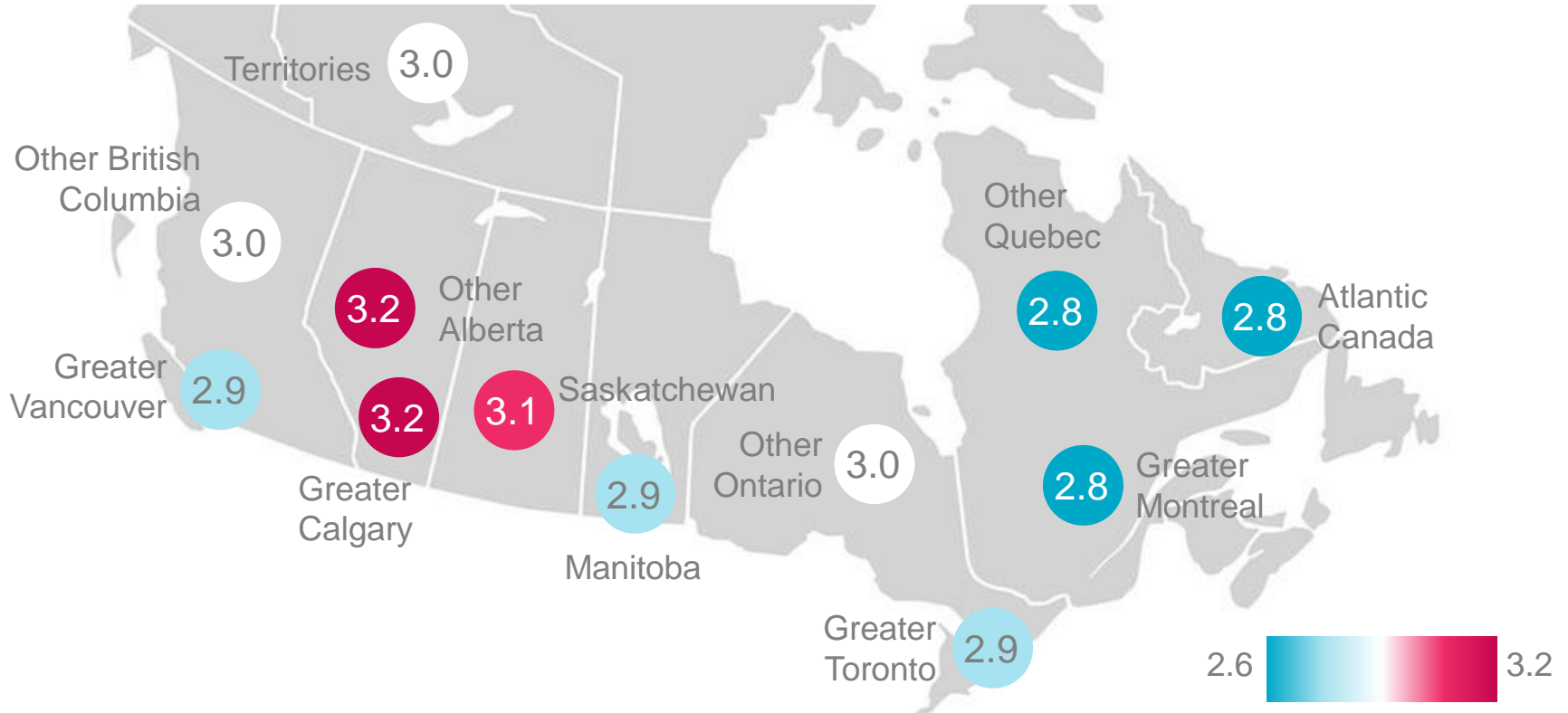
# EMPLOYERS REMAIN CAUTIOUS – PUBLIC SECTOR

CANADA (ALL INDUSTRIES, ALL LOCATIONS, EXCLUDING ZEROS)

	2015 Actual		2016 Projected	
	Salary Increase	Structure Increase	Salary Increase	Structure Increase
<b>Education &amp; Healthcare Services</b>	<b>2.5%</b>	<b>1.8%</b>	<b>2.2%</b>	<b>1.6%</b>
<b>Public Sector</b>	<b>2.3%</b>	<b>2.0%</b>	<b>2.7%</b>	<b>2.3%</b>

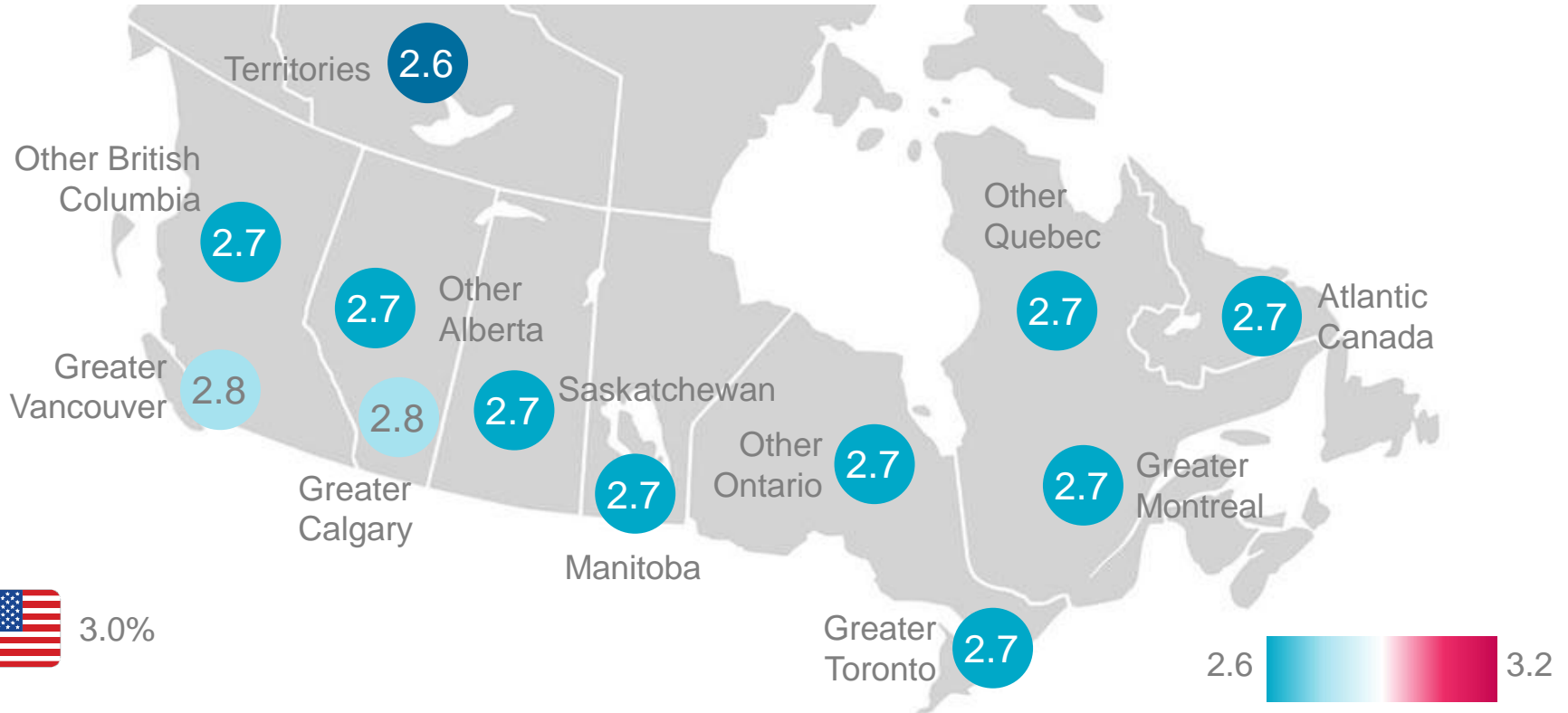
# PROVINCES FOLLOW HISTORICAL TRENDS

## 2015 PROJECTIONS

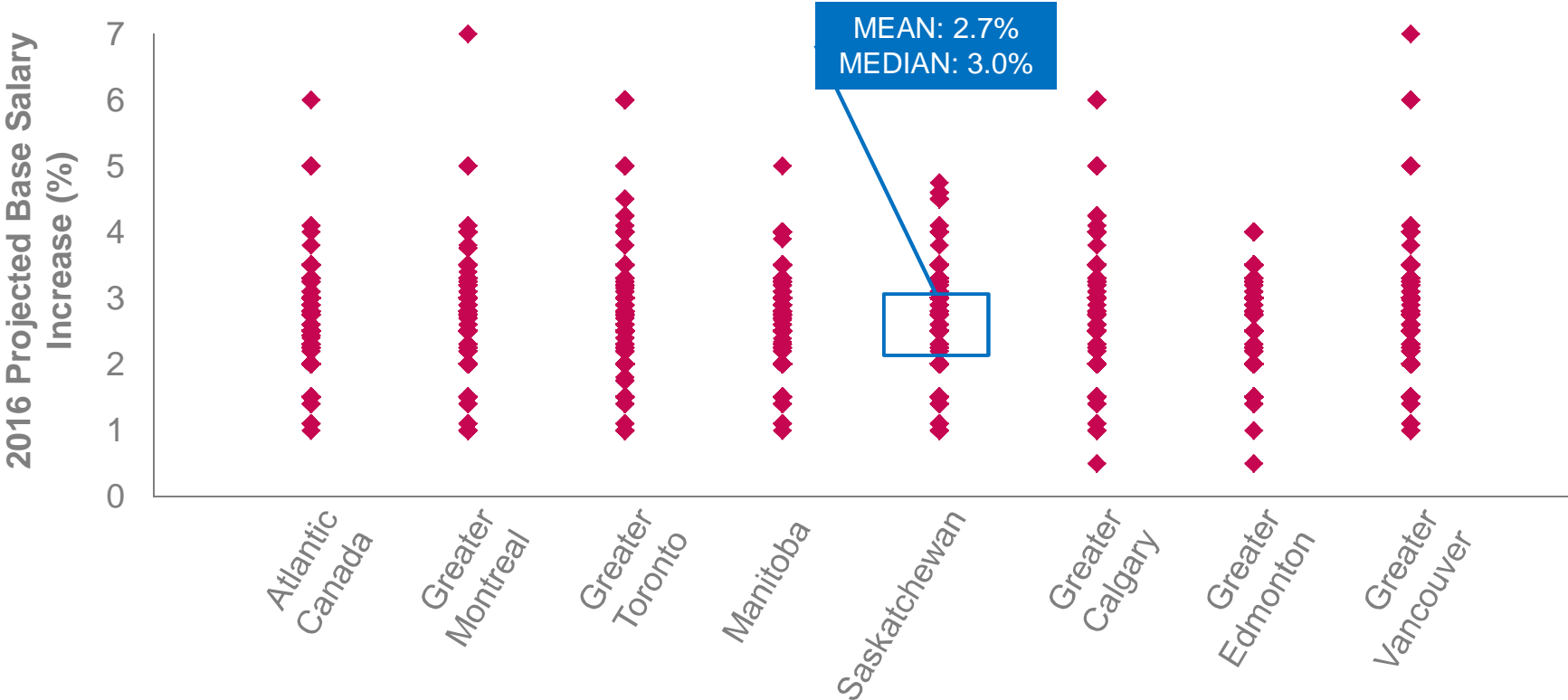




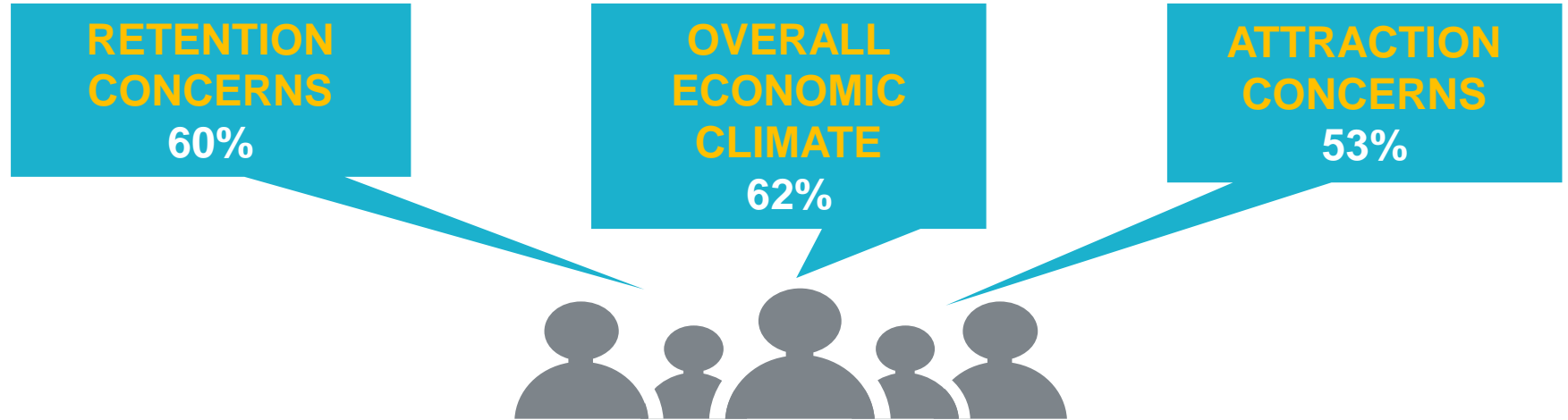
# MORE BALANCED INCREASES AMONGST PROVINCES 2016 PROJECTIONS



# DISTRIBUTION OF 2016 BASE SALARY INCREASES



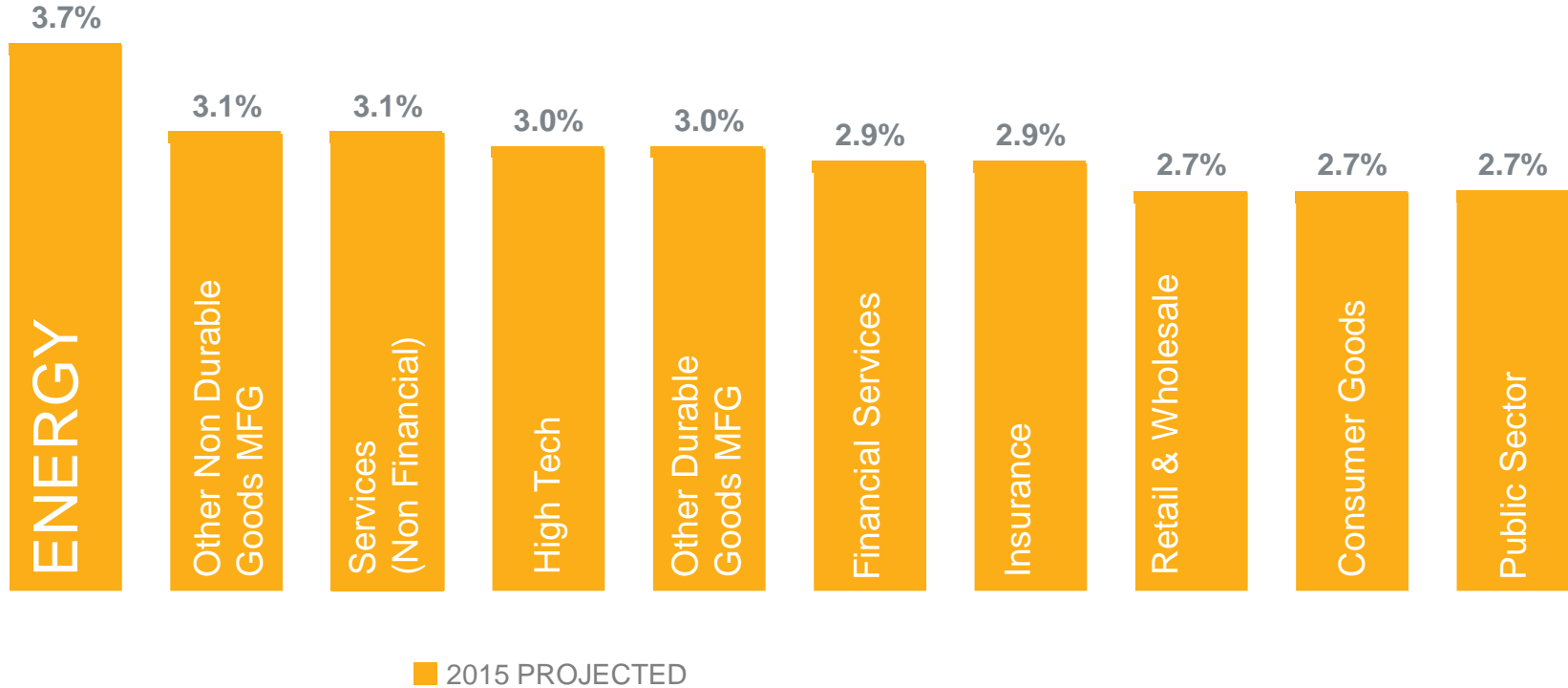
# FACTORS INFLUENCING COMPENSATION DECISIONS



NEED TO STRENGTHEN THE PERFORMANCE-BASED CULTURE AND DELIVER  
“PAY FOR PERFORMANCE” (49%)  
CONCERNS REGARDING EMPLOYEE ENGAGEMENT LEVELS (44%)  
DESIRE TO PROVIDE CAREER MOBILITY AND ADVANCEMENT  
OPPORTUNITIES (37%)  
OTHER (6%)

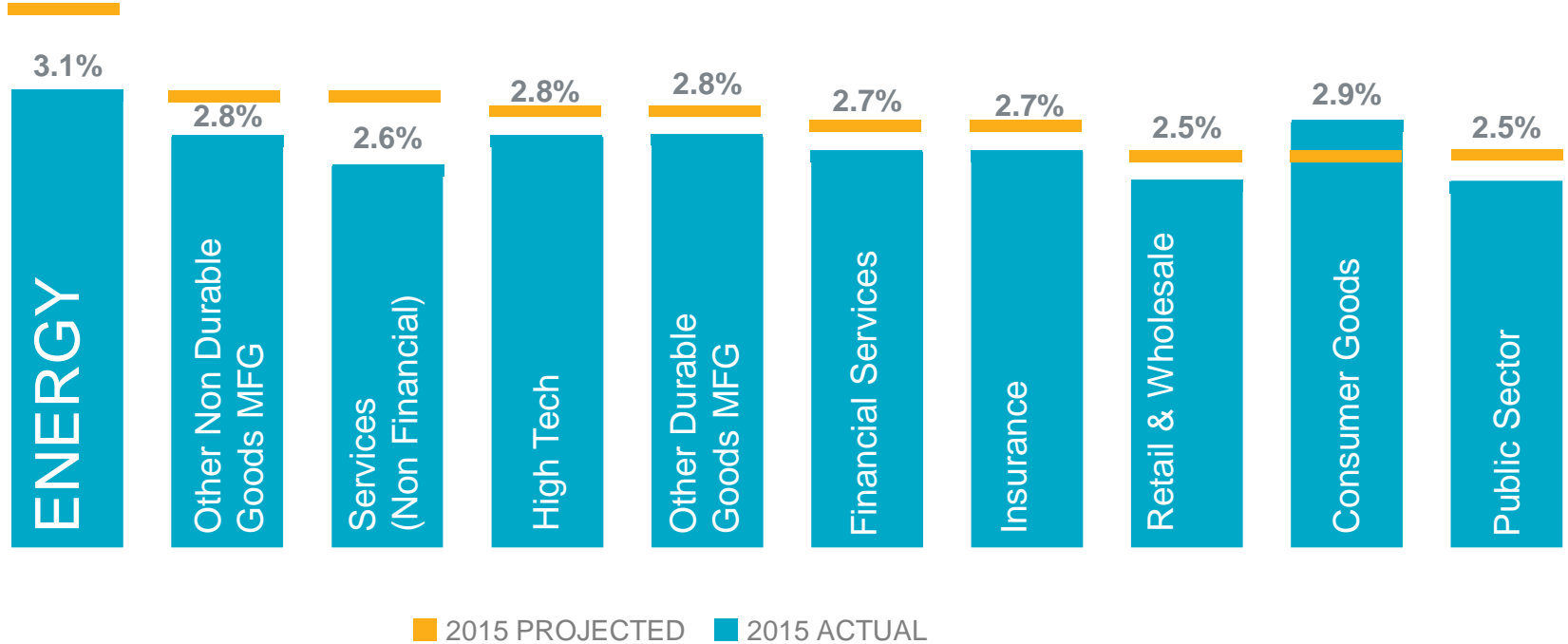
# LOOKING AT HISTORICAL TRENDS

## 2015 PROJECTIONS

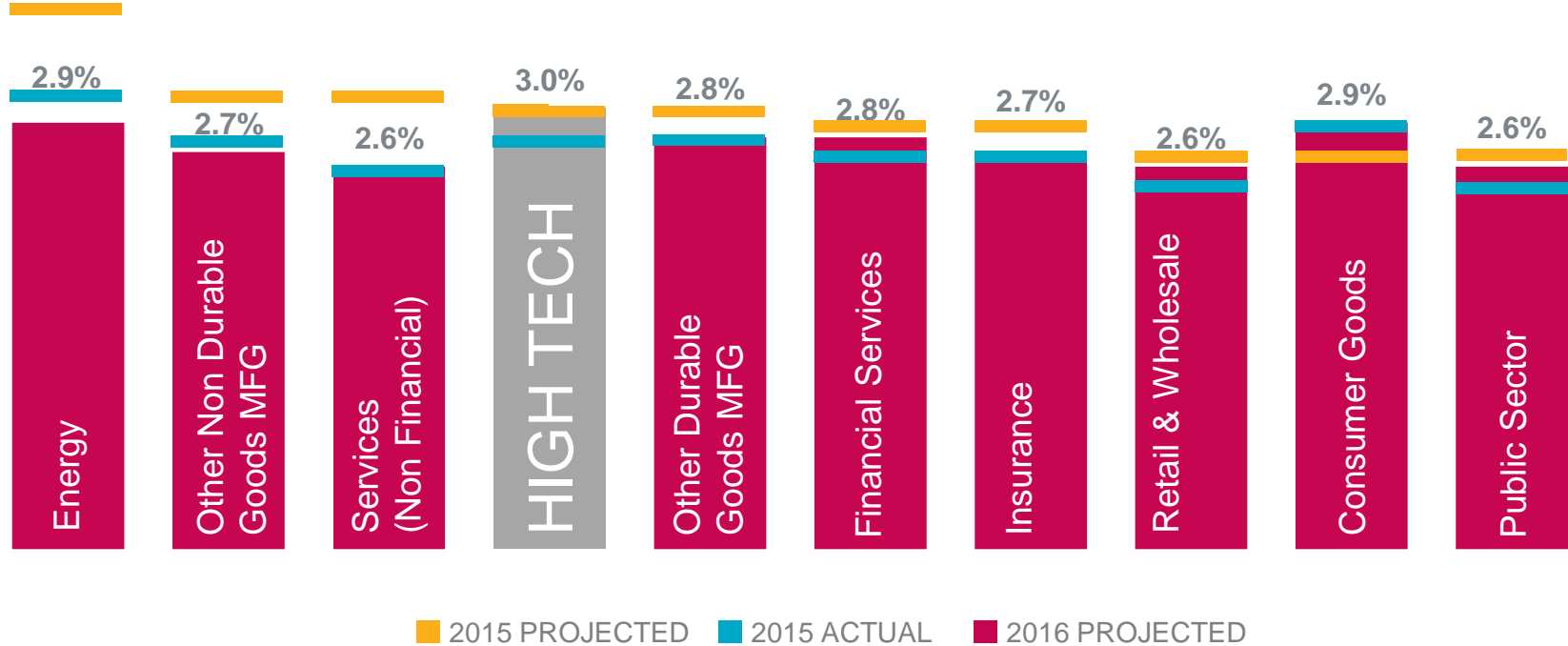


# LOOKING AT HISTORICAL TRENDS

## 2015 ACTUALS



# ARE WE PESSIMISTS OR IS THIS THE NEW REALITY? 2016 PROJECTIONS



# HOW EMPLOYEES MOVE THROUGH THE RANGE

**42%**

of organizations  
use a merit matrix

Base Salary

**#1**

way to differentiate

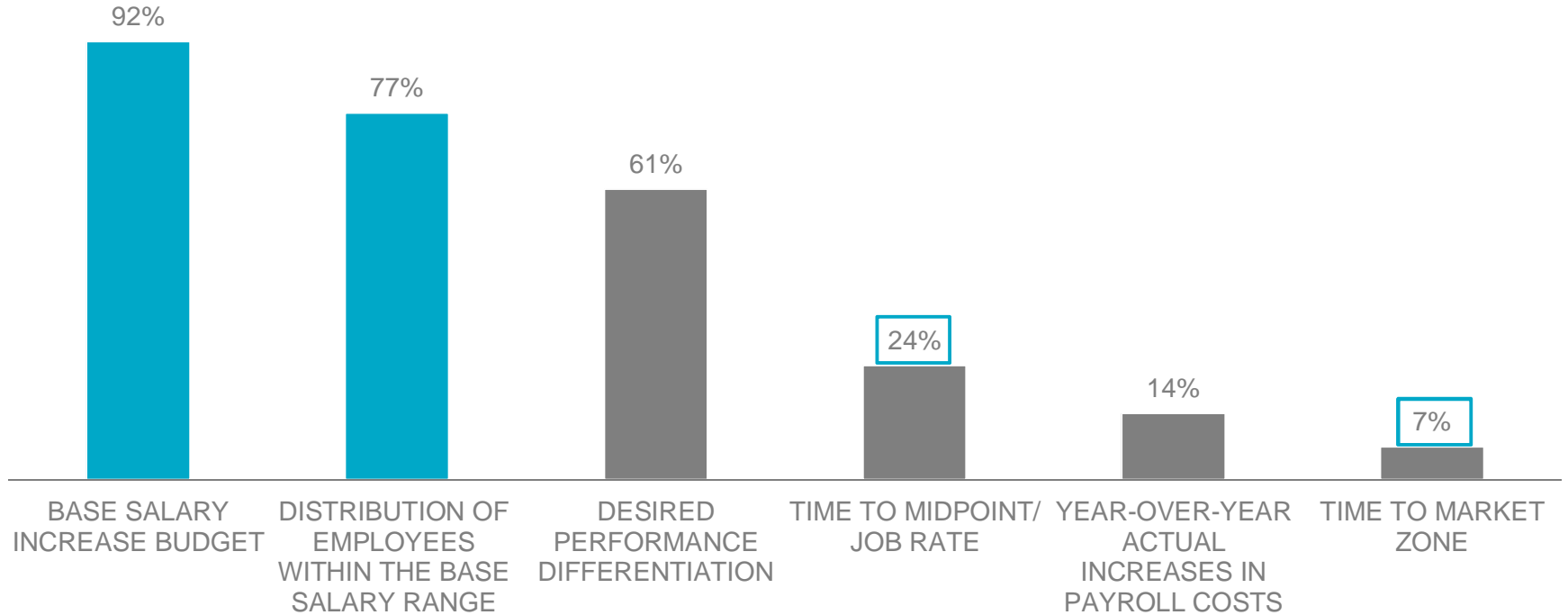


# EXAMPLE MERIT MATRIX

			Position in Range / "Compa-Ratio"		
			80% - 90%	90% - 110%	110% - 120%
Performance Rating	5	Highest	6%	5%	4%
	4	Next Highest	5%	4%	3%
	3	Middle	4%	<b>3%</b>	2%
	2	Low	2%	2%	0%
	1	Lowest	0%	0%	0%

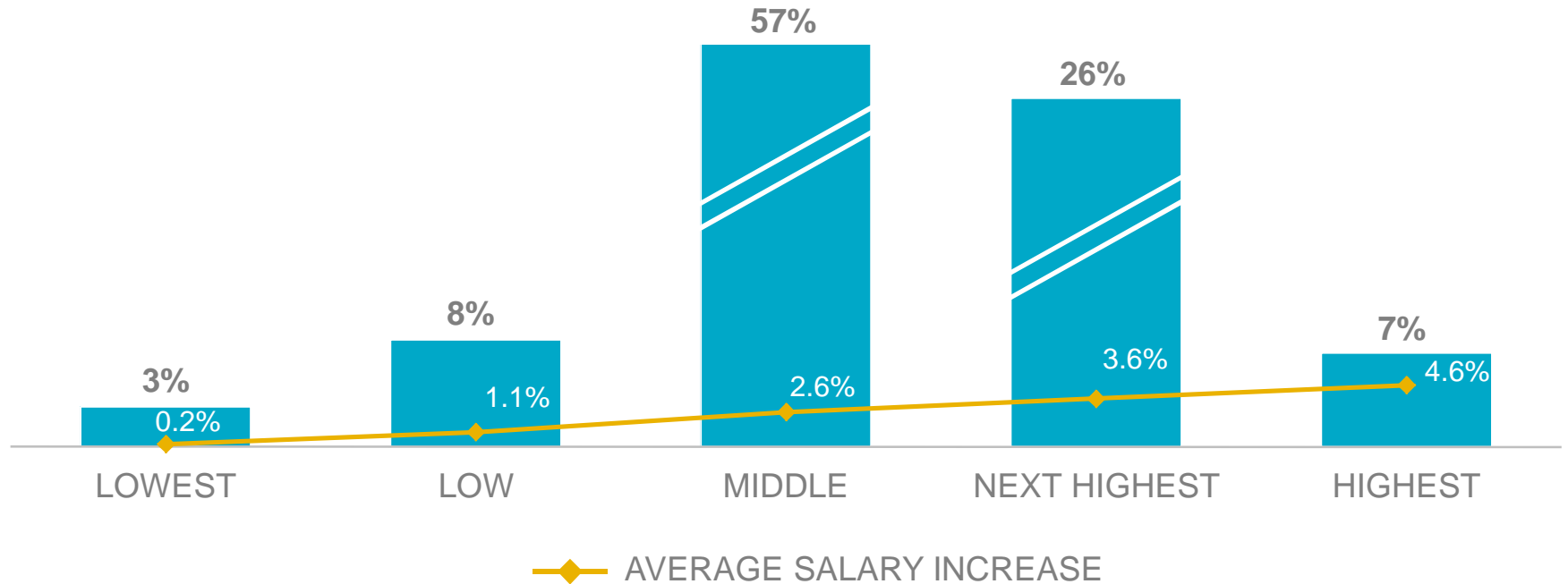


# FACTORS EMPLOYERS CONSIDER WHEN DEVELOPING A MERIT MATRIX



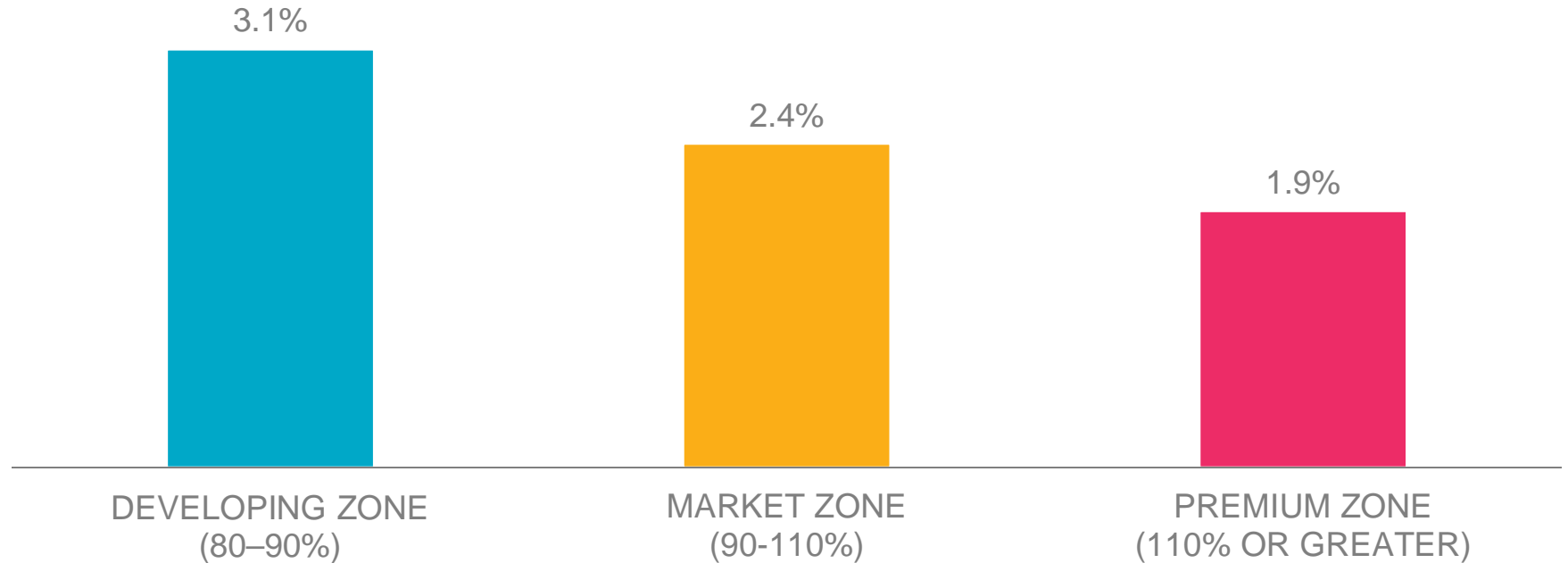
# DIFFERENTIATION IN PERFORMANCE AND REWARDS

## 2015 ACTUAL PERFORMANCE RATING

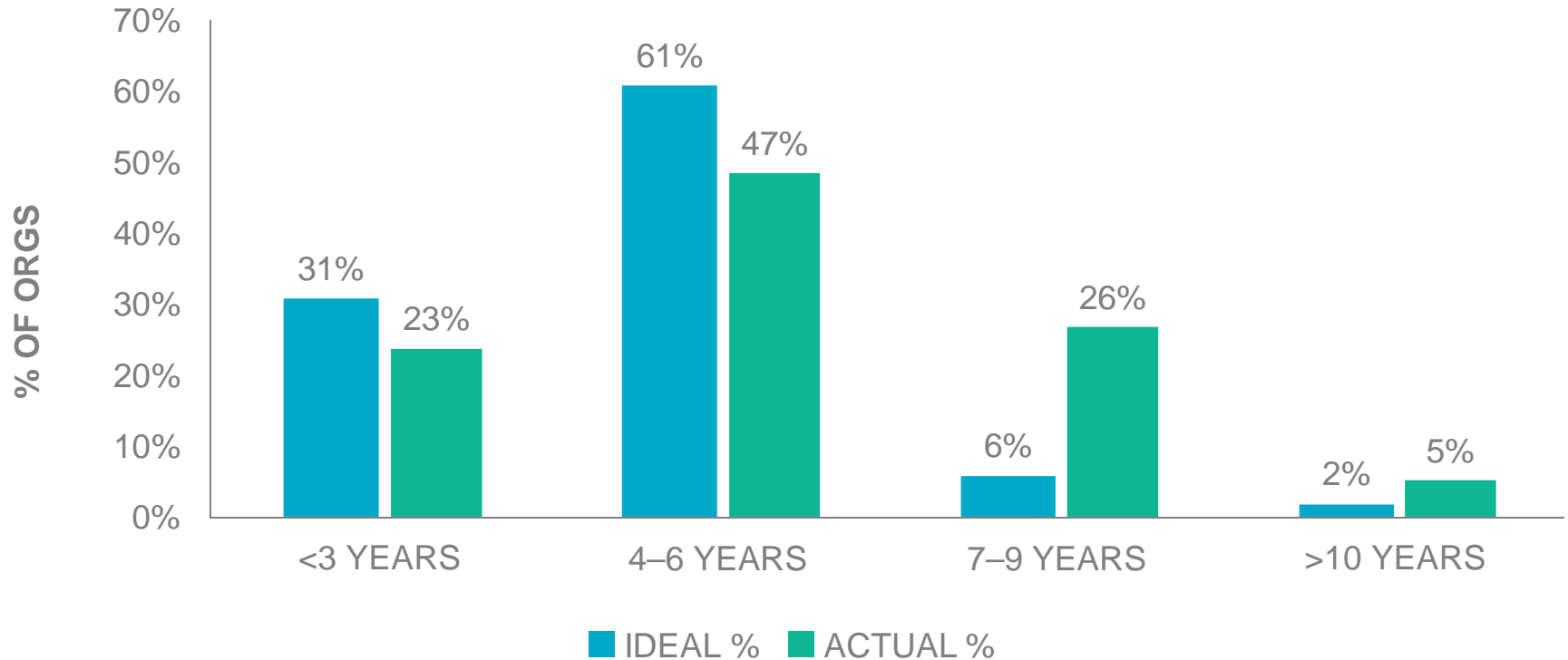


# AVERAGE PERFORMERS CAN EXPECT DIFFERENT INCREASES

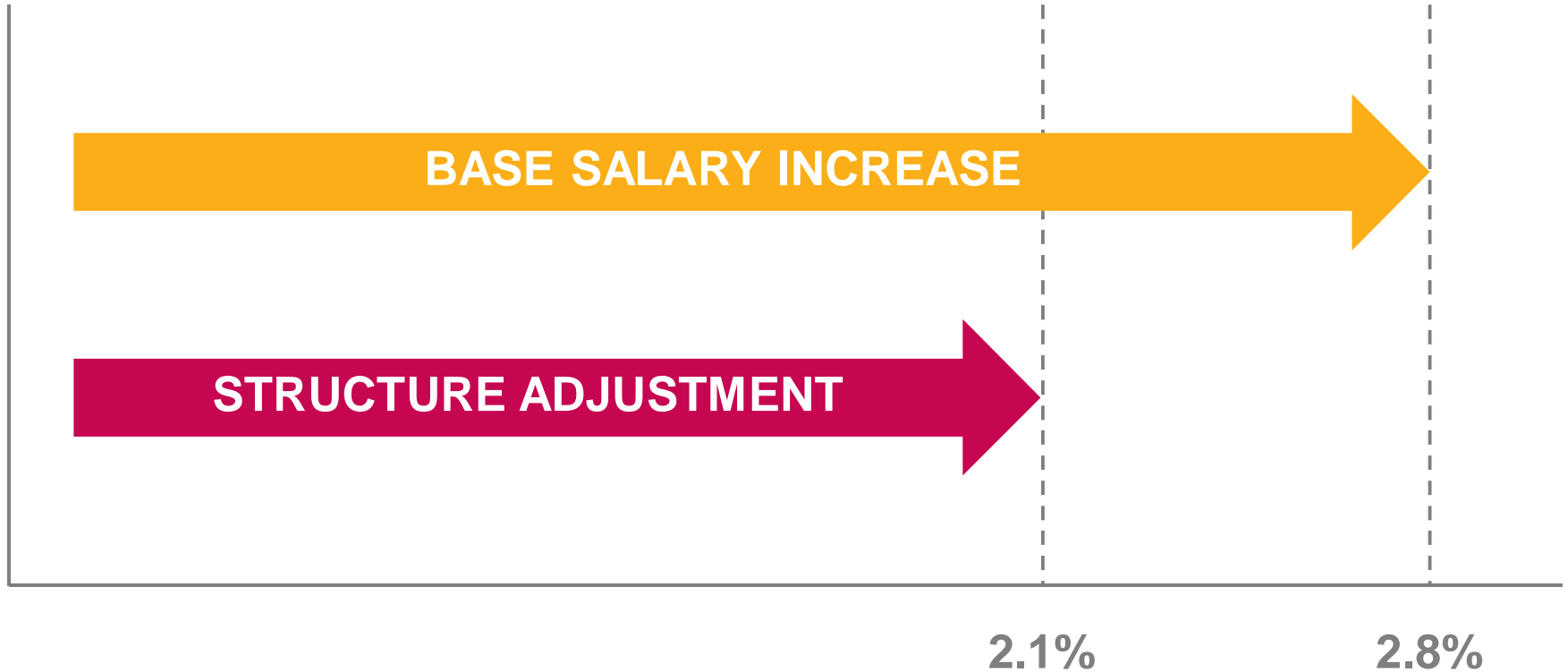
## 2015 BASE SALARY INCREASES



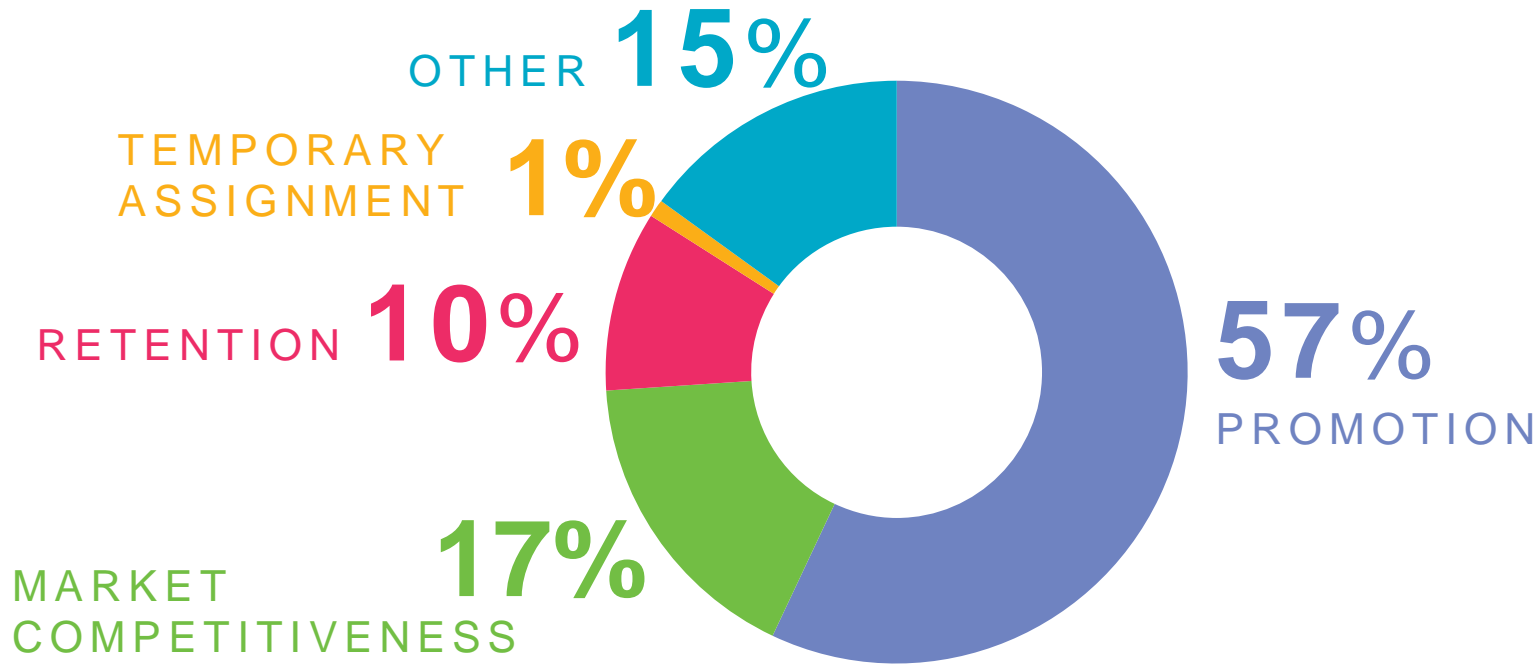
# IDEAL VS. ACTUAL NUMBER OF YEARS TO MIDPOINT/JOB RATE



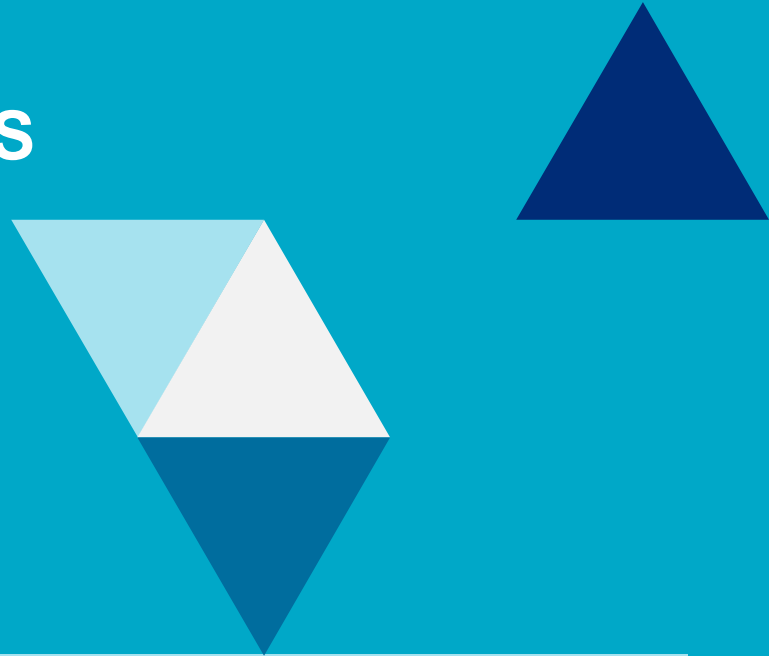
# STRUCTURE ADJUSTMENTS MOVE SLOWER THAN BASE SALARY INCREASES



# OFF-CYCLE ADJUSTMENTS ARE TYPICALLY USED TO RECOGNIZE PROMOTIONS



# INSIDE EMPLOYEES' MINDS



# INSIGHTS COME FROM MERCER'S INSIDE EMPLOYEES' MINDS™ SURVEY



Proprietary research on employee views on work, including engagement, health, and retirement



More than 80 survey questions covering pay, benefits, careers, leadership, performance, engagement, etc.



Conducted in early 2015 among nationally representative sample of Canadian workers  
Survey was also conducted in the US



Reflects Canadian workforce demographics (age, gender, job level, in public and private sectors)



Conjoint analysis to rank what employees value the most



# WHAT'S ON EMPLOYEES' MINDS: I'M SATISFIED... BUT LEAVING



Two out of five private sector workers in Canada are seriously considering leaving

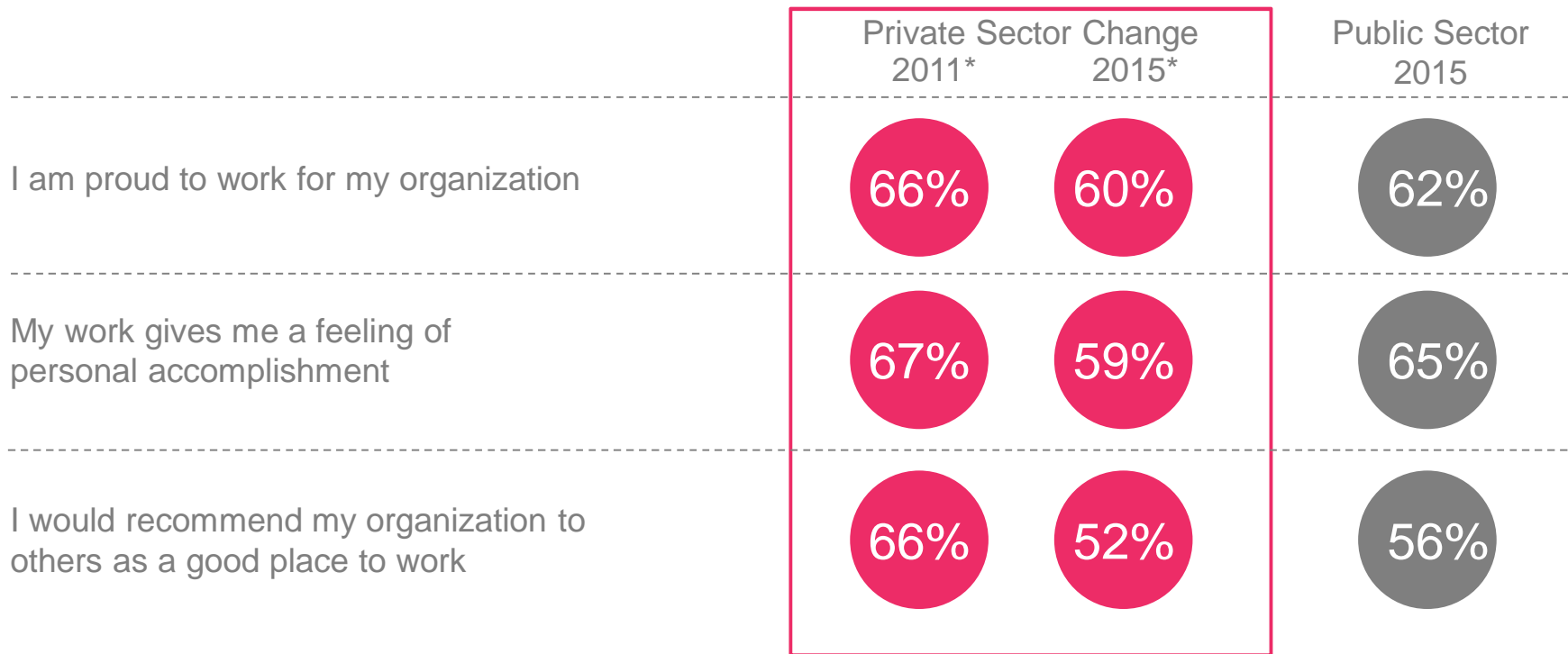


Three out of five who say they are satisfied with the type of job they do are considering leaving



Base pay continues to be most important reward element, followed by retirement, and low-cost health care

# OVERALL ENGAGEMENT TRENDS

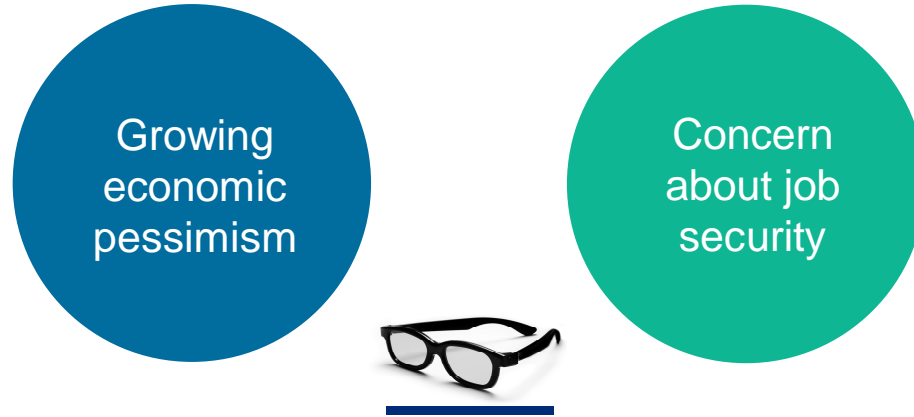


1. Private sector employees only for trending purposes  
Inside Employees' Minds Canada, 2011 and 2015

# THE MARKET CONTEXT

## ECONOMIC CONCERNS CARRY OVER TO JOB INSECURITY

### LACK OF ECONOMIC CONFIDENCE



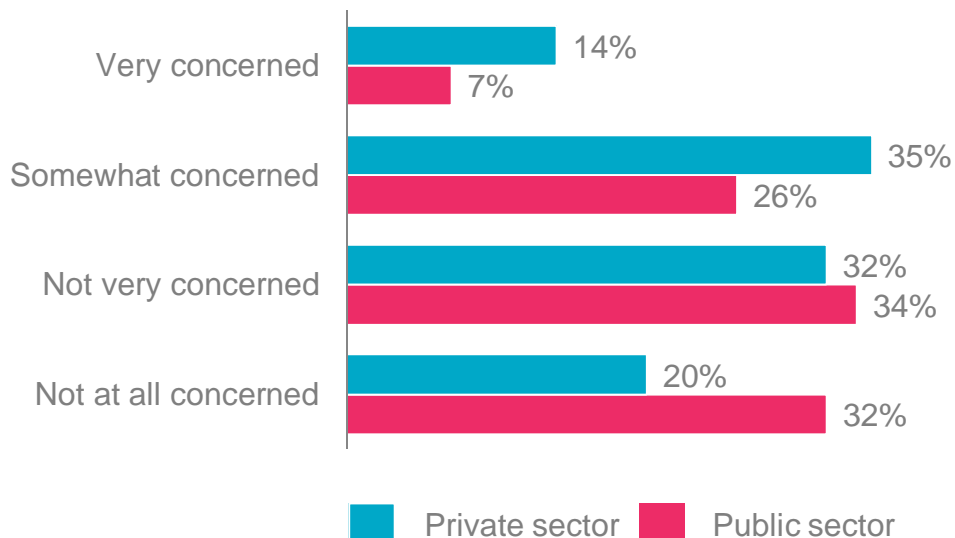
### THE WAY EMPLOYEES SEE IT NOW:

I EXPECT MINIMAL ECONOMIC GROWTH, AND POSSIBLY EVEN RECESSION, OVER THE NEXT YEAR. BECAUSE OF THIS AND OTHER CONCERNS IN MY JOB, I AM RECALIBRATING TO THE “NEW NORMAL.”

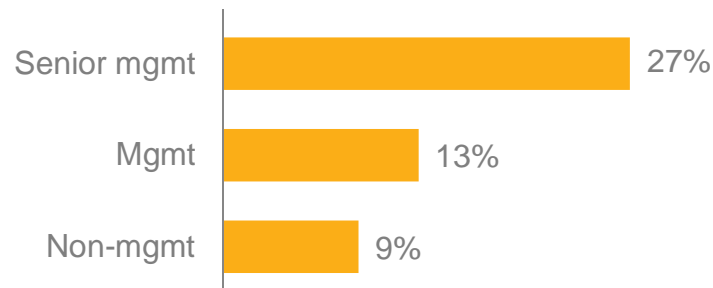
# JOB SECURITY

## DIVERGING VIEWS BASED ON POSITION AND SECTOR

HOW CONCERNED ARE YOU THAT YOU MAY LOSE YOUR JOB IN THE NEXT 12 MONTHS?



RESPONDENTS OVERALL SAYING THEY ARE “VERY” CONCERNED:



# THE STATE OF ENGAGEMENT: REDEFINING THE EMPLOYMENT VALUE-PROPOSITION

## BROAD ISSUES



Engagement  
Paradox



Public/  
Private Split



Generational  
Divide

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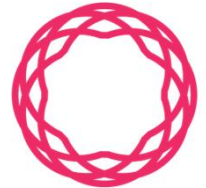
## SPECIFIC ISSUES



Bullish on  
Benefits



Retirement  
Readiness



Talent  
Challenges



## ENGAGEMENT PARADOX: SATISFACTION NOT ALWAYS THE PREDICTOR OF COMMITMENT



In Canada, **2 out of 5** private sector employees are seriously considering leaving their organization

- 40% of private sector employees are looking to leave, compared with 36% in 2011
- 30% of public sector workers today are seriously considering leaving
- Even workers who are satisfied with their job and organization are eyeing the exits

# SATISFIED... AND LOOKING TO LEAVE



35%

Among the 35% of all workers who are seriously considering leaving their job:

**51%** of those very satisfied with career opportunities

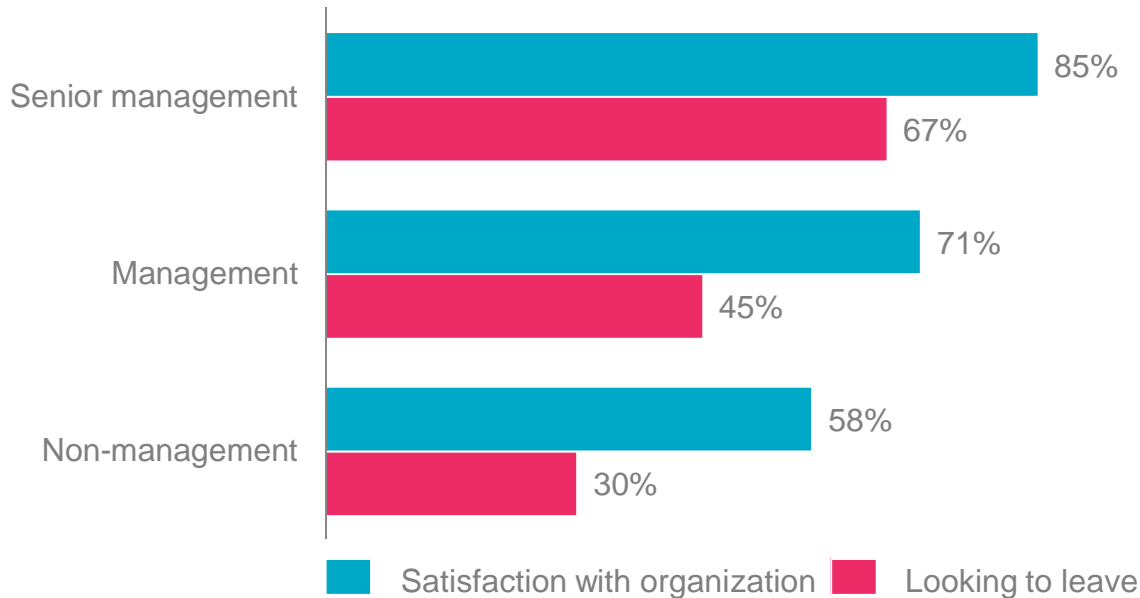
**43%** who strongly agree that their organization as a whole is well-managed

**42%** who strongly agree that they have sufficient opportunity for growth and development in their organization

# SATISFIED... AND LOOKING TO LEAVE SENIOR MANAGEMENT



SENIOR MANAGERS ARE MORE THAN TWICE AS LIKELY AS NON-MANAGEMENT EMPLOYEES TO BE SERIOUSLY CONSIDERING LEAVING THEIR ORGANIZATIONS AT THE PRESENT TIME





# PUBLIC SECTOR EMPLOYEES MORE ENGAGED



# GENERATION GAP: YOUNG EMPLOYEES HAVE MIXED VIEWS OF WORK

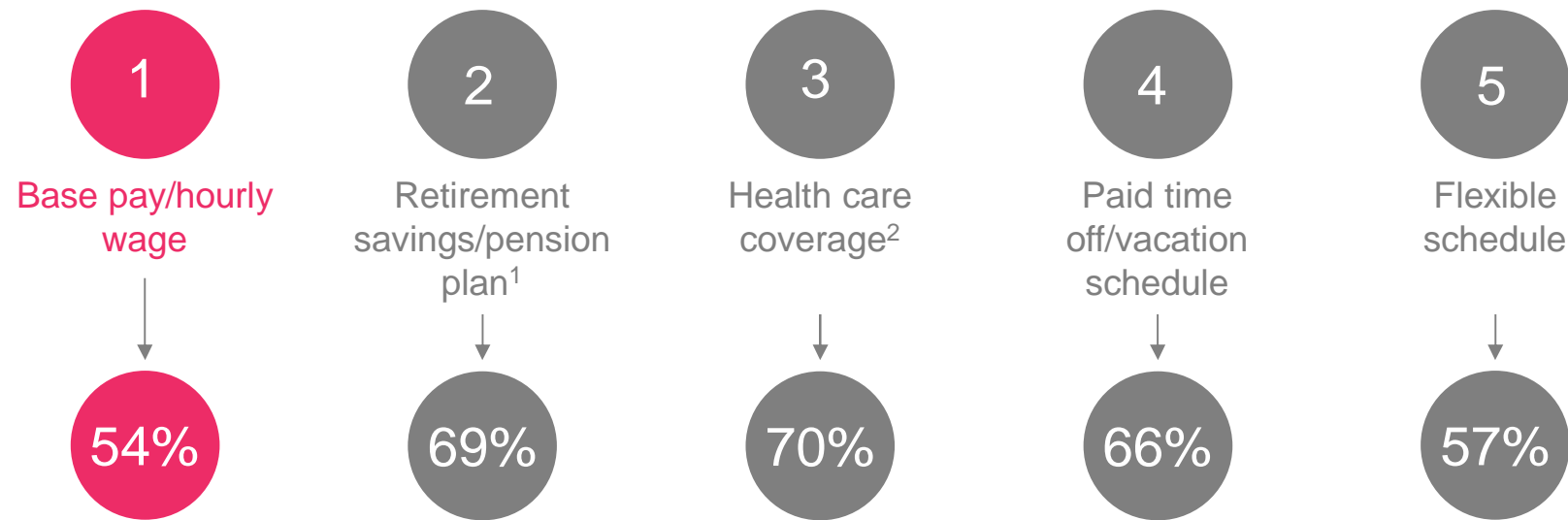


In Canada, **44%** under age 35 are considering leaving

- Employees age 34 and under are more positive about most aspects of work, but:  
More likely to be seriously considering leaving their job
- Employees 50 and older are much less positive about work, less likely to leave

# BASE PAY RANKS MOST IMPORTANT SATISFACTION IS LOW COMPARED TO OTHER ELEMENTS

MOST VALUED ELEMENTS OF THE VALUE PROPOSITION (OUT OF 13)



AND EMPLOYEE SATISFACTION WITH EACH ELEMENT

1. Employee has retirement benefits

2. Employees enrolled in employer sponsored health plan



## RETIREMENT READINESS: BENEFITS VALUED, BUT READINESS IN DOUBT



In Canada, **7 out of 10** are satisfied with their retirement plan

- Perfect storm of factors is creating insecurity and increasing importance of retirement benefits
  - DB plan cuts/freezes/terminations, primarily in private sector organizations
  - Retirement readiness decreases substantially with age
  - Younger workers losing confidence in future support from government-provided plans



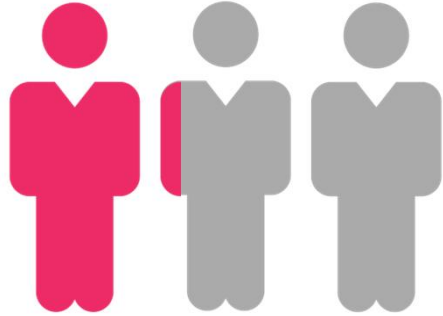
## BENEFITS DILEMMA: IMPORTANCE AND SATISFACTION GROW AMID ANXIETY OF COST



In Canada, **3 out of 4** are satisfied with their benefits

- Satisfaction is high with all benefits, especially medical coverage (76% satisfied) and retirement plans (69% satisfied)
- However, rising health care cost is a concern for all employees
- Fewer expect health care to be affordable in five years
- 28% were asked to pay more out of pocket for health benefits last year; 15% saw their health benefits scaled back

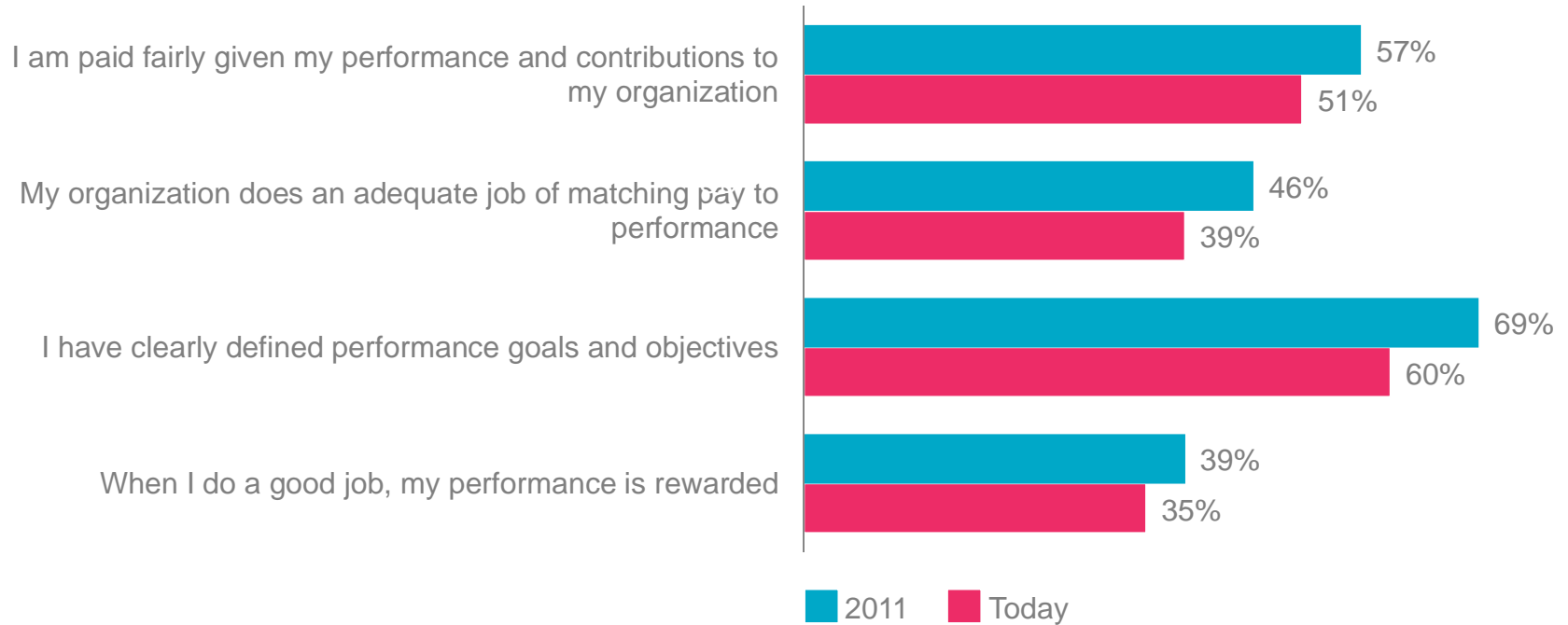
# MATCHING PAY AND PERFORMANCE



In Canada, about **1 out of 3** say their organization does an adequate job of matching pay to performance

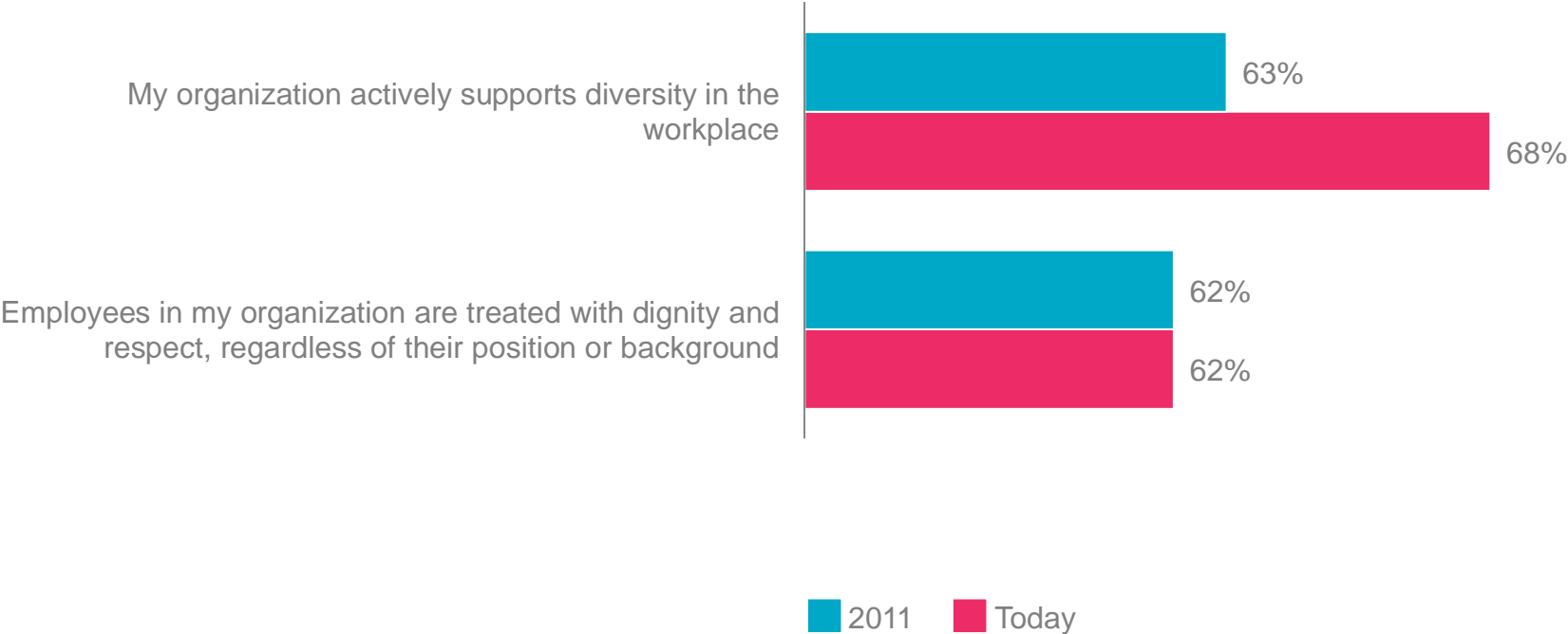
- Disconnect exists between pay and performance
- Employers providing less support in careers and not retaining the best, say employees
- Scores in most categories trend lower since 2011
- Upbeat assessments on diversity, dignity, and respect

# PAY AND PERFORMANCE



Inside Employees' Minds Canada, 2011 and 2015. Private sector employees for trending purposes

# DIVERSITY EFFORTS PAYING OFF



Inside Employees' Minds Canada, 2011 and 2015. Private sector employees for trending purposes



WHAT'S NEXT

STAY TUNED



# KEY TAKEAWAYS



MAJORITY OF CANADIAN ORGANIZATIONS ARE BEING MORE CAUTIOUS WITH THEIR BUDGETS IN 2015 AND 2016 COMPARED TO PREVIOUS YEARS



OVERALL ECONOMIC CLIMATE IS THE MOST COMMON FACTOR INFLUENCING DECISION-MAKERS COMPENSATION DECISIONS FOR 2016



HAPPY DOES NOT MEAN STAYING  
ARTICULATE A VALUE PROPOSITION THAT SPEAKS TO ALL DEMOGRAPHICS AND EVOLVES OVER TIME



ORGANIZATIONS NEED TO UNDERSTAND THE ENGAGEMENT DRIVERS FOR THEIR WORKFORCE IN ORDER TO MOTIVATE AND RETAIN TALENT

# QUESTIONS FROM THE AUDIENCE



**MAKE**



**TOMORROW,  
TODAY**