

Despite strong job growth and a resurgent economy, Canadian salary increases expected to stay flat in 2018

- Aon's 2017/2018 Canada Salary Planning Report shows employers expect compensation to increase at just above last year's pace
- Corporate commitment to pay-for-performance remains strong

TORONTO, September 27, 2017 – Although the Canadian economy has been growing strongly and unemployment is low, new research from Aon suggests employees cannot expect significantly higher salary increases for 2018. Aon's 2017/2018 Canadian Salary Planning report, based on a survey of 378 companies, projects base pay to rise by 2.8% in 2018, up slightly from the average actual compensation increase (including salary freezes and pay cuts) in 2017. Spending on variable pay is expected to be 12.2% of payroll, down slightly from actual variable pay allocations in 2017.

Quotes:

"What we see in the Canadian data is similar to trends in other countries during this long, slow recovery," said Yanina Koliren, Global Compensation Surveys and Solutions Leader, Aon Hewitt.

"You might expect strong growth in employment and GDP growth to create a tight labour market and therefore significantly higher pay, but the reality is that employers remain focused on enhancing productivity and mitigating risk. That's reflected in the modest pay increase expectations."

"While the salary data remain subdued in Canada, they have recovered substantially from the depths of the oil shock two years ago," said Suzanne Thomson, Senior Consultant, Global Data Solutions, Aon Hewitt. "We're seeing fewer salary freezes, as well as a continuing commitment to variable pay, which allows employers to attract, retain and award top performers. Our survey shows clearly that performance – more than any other factor – is the key driver of pay decisions at Canadian companies."

Key Facts:

- The 2.8% expected base pay increase in 2018 is up marginally from the 2017 actual increase of 2.7%.
- Only 1.9% of reporting companies froze salaries in 2017, down significantly from 2016 (4.5%), and fewer expect salary freezes in 2018 (0.9%).
- Sectors in which employees can expect higher-than-average increase include engineering, mining and professional services (all at 3.3%), as well as automotive (3.1%) and forest and paper products (3.1%).
- Lower-than-average increases are expected in energy and healthcare (2.5%), as well as telecom (2.3%).
- The Oil and Gas sector appears to be more optimistic this year, reporting a 2.5 % increase, up from 1.2% reported in 2016.
- 85% of surveyed companies have variable pay and bonus plans; top performers on average received an increase in 2017 of 4.3%, compared with 2.7% across all performance tiers.

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

Media contacts

For further information please contact the Aon Hewitt media team:

[Rosa Damonte](#) (+1.416.227.5718) or [Alexandre Daudelin](#) (+1.514.982.4910)