Workers can expect minimal raises, study says

Salary hikes in 2012 expected to range from two per cent to 3.5 per cent

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Salary increases in 2012 will range from two per cent to 3.5 per cent, about the same as in 2011, according to Morneau Shepell's 29th Annual Compensation and Trends Projections Survey.

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Companies' optimism about their prospects for growth and profitability in 2012 isn't translating into significant wage gains for their employees, according to the findings of a survey of 250 Canadian companies who suggest the projected increase in their salary budgets for next year is less than the inflation rate.

Salary increases in 2012 will range from two per cent to 3.5 per cent, about the same as in 2011, according to Morneau Shepell's 29th Annual Compensation and Trends Projections Survey. The 250 firms polled between mid-June and mid-August employ some 1.2 million Canadians.

"It is worth noting this is the first time in a decade that the average salary budget increase is lower than the prevailing inflation," the Toronto-based human resources consulting firm stated in a news release.

Twenty-five per cent of the organizations polled expect significant growth in revenues and profitability next year, said Morneau Shepell.

The biggest salary gains - an average of 3.4 per cent - are expected in the mining and oil and gas extraction sector, while workers in public administration will see the lowest increases, about two per cent on average, it said. Salaries should rise by 2.6 per cent in the manufacturing sector, 2.7 per cent in services and 3.2 per cent in the finances sector. Earlier this month, Scotia Capital economist Derek Holt said wage deceleration will be a bigger factor in the health of the overall economy - which is dependent on consumer spending for growth - than monthly employment figures. He pointed out that wage growth has fallen to 1.4 per cent year over year and is actually negative after adjusting for inflation.

The overall inflation rate for June, the latest figure provided by Statistics Canada, was 3.1 per cent, although when volatile items such as food and fuel are excluded, it was below the two per cent target set by the Bank of Canada.

"What matters is that, on average, the Canadian worker isn't keeping his head above water as she pays more for basic staples like gasoline and groceries over time," Holt wrote in an Aug. 5 note.

The companies polled by Morneau Shepell identified recruitment and retention as their top human resources priorities for next year.

"Employers have been quite active in the last couple of years to introduce various measures that would rein in escalating costs of their benefits programs," Morneau Shepell said. "They plan to be equally keen again in 2012. Increasingly, employers are anticipating implementing preventive measures, such as health promotion initiatives, in order to better control future costs."

That said, one-third of the respondents were unable to identify the main cause of short-term disabilities in their organizations, Morneau Shepell said, even though they recognize the impact absenteeism and mentalhealth problems have on their productivity.

"Mental-health issues were by far the No. 1 cause preventing employees from being active at work. In response to this issue, more and more organizations are hiring specialized expertise to deal with these complex cases and are proactively training supervisors so they can recognize mental-health issues early and minimize the organizational and personal impact."