

Our 2021 Wage Predictions

A Challenging Year Ahead

While Canadian and global stock markets reach new records week, after week (at least at the time of this writing!), employment, inflation and interest rates tell a very different story.

Employment insurance claims at the end of October were up 200% versus the same timeframe last year. Interest rates are negligible, and the Consumer Price Index, while rising modestly in November (+1.0%) was a mere +0.7% in October -- a reference point used in many collective agreements and other compensation plans as a benchmark for 2021 wage increases.

Despite overwhelming government stimulus, it appears that some employers will face cost pressures and may have difficulty maintaining their budgets as the economy slowly recovers. Downward revisions to pay increases in the coming months is expected.

In the last quarter, more than 36 per cent of Canadian organizations froze salaries for 2020, compared to a pre-COVID forecast of just 2% per cent, and this trend is likely to hold true for the coming year. In fact, almost half of employers are uncertain about what to do in 2021 and 13% plan to continue salary freezes in 2021, while 6% of employers will be looking to reduce wages.

Not since the 2008 financial crisis have we seen average base salary increases drop below 2%.

Union workforces are being hit particularly hard. Negotiated wages for 2020 came in at 1.7 per cent, compared to 1.9 per cent in 2019. Looking to 2021, negotiated wage increases are expected to fall further to 1.6 per cent or lower.

Alberta, historically a region with the strongest wage growth, will also continue its slide below trendlines at 1.7 per cent, the lowest among Canadian provinces and territories.

Not all employers are freezing salaries. Many sectors are experiencing strong demand, and recruitment in a number of job classifications remains competitive. Among employers who are considering wage bumps, the average pay increase for non-unionized employees in Canada is projected to be 2.1 per cent next year, according to the Conference Board of Canada.

Other bright spots include those working in waste management and remediation services where projections are a rosy 3% increase while those in utilities will see a 2.4 per cent increase. Professionals in finance and insurance, scientific and technical services as well as wholesale trade can expect increases of 2.2 per cent.

By sector, salary projections for 2021 are highest among Crown corporations at 2.5 per cent.

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The recovery will be uneven. Industries that lend themselves well to remote work, or that were shut down for only short periods, will recover quickly. Other sectors, such as recreation, accommodation and food services will recover much more slowly, with employment levels not returning to their pre-pandemic levels presumably until vaccine campaigns are more widely available in late 2021.

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SOURCES

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