



# Performance Reviews and the Future of Variable Pay

**WCBC** Western Compensation  
& Benefits Consultants

Contact Linda Reid  
Western Compensation & Benefits Consultants  
Suite 502 595 Howe Street, Vancouver, BC V6C 2T5  
**604-683-9155** | [wcbc@wcbc.ca](mailto:wcbc@wcbc.ca)

## **Employee Performance Reviews - A Thing Of The Past?**

You will have undoubtedly read headlines that many organizations are moving away from ratings-based employee performance reviews or forgoing performance reviews altogether.

From a compensation perspective, this begs the question: Are we really in a performance ratings-free age, and if so, how are organizations rewarding performance through variable pay?

In April of 2019 Western Compensation & Benefits Consultants ("WCBC") surveyed Canadian employers on their employee performance review process and their annual incentive plans. WCBC would like to thank the 97 organizations that shared their practices with us.

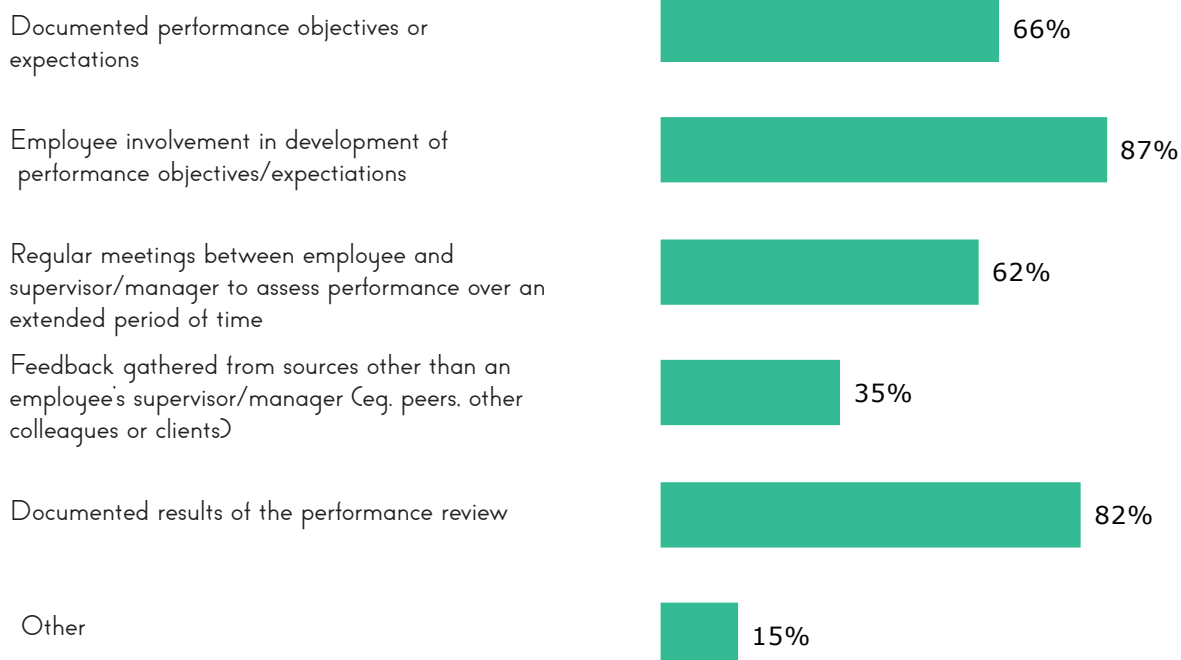
# Employee Performance Review Process

**78%**

percentage of organizations with a formal employee review process in place

Out of the organizations surveyed, **78%** have implemented a formal review process. **16%** of the organizations had an informal review process in place, and **6%** did not have an employee performance review process.

What does the employee performance review process include?  
(Multiple responses allowed)





## How often are employee performance review meetings conducted?

Of those organizations with performance review programs, **58%** carry out reviews annually and at the same time for all employees, while **6%** of the organizations conduct reviews annually with the timing based on each employee's anniversary date. **18%** of organizations carry out reviews on a semi-annual basis, and **11%** conduct quarterly. **7%** of the organizations conduct review meetings at other intervals.

A majority (87%) of those respondents with an employee performance review process (formal or informal) had documented performance objectives and expectations developed with the involvement of employees.

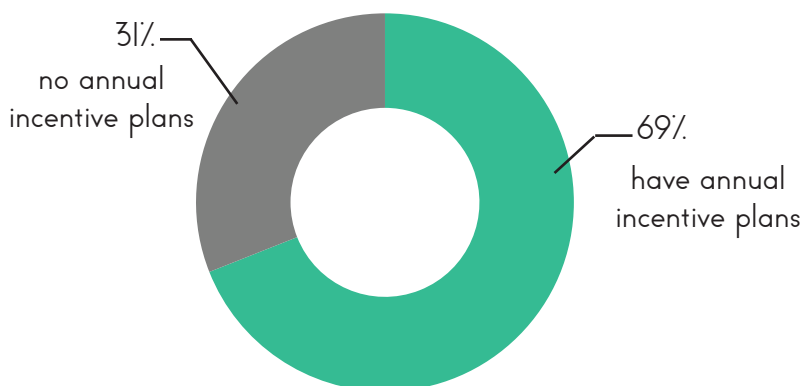
From the sentiments shared by these employers regarding desired changes to performance review practices and annual incentives some common themes emerged:

- The linkage between organizations' strategic objectives and employees' responsibilities and development goals is often unclear.
- Developing the appropriate metrics to measure success remains a challenge for employers.
- Employers would like to increase the frequency and informality of performance discussions throughout the year, moving away from the formal annual review.
- Managers/supervisors could benefit from additional resources and training to ensure consistency and fairness in performance management which would, in turn, increase buy-in from employees.
- Employees and managers would like the ability to set performance goals rather than basing goals on pre-defined position descriptions which may not accurately reflect job situations.
- The administration of the performance review process should be simplified. Employers feel their processes have too many forms, cumbersome questionnaires and complex documentation.
- The use of technology to manage the administration of the process continues to grow, including the use social media.
- Employers would like to see a move from fixed annual reviews to an ongoing feedback/check-in style.
- Adding competency measurements to performance review practices is being considered by employers.

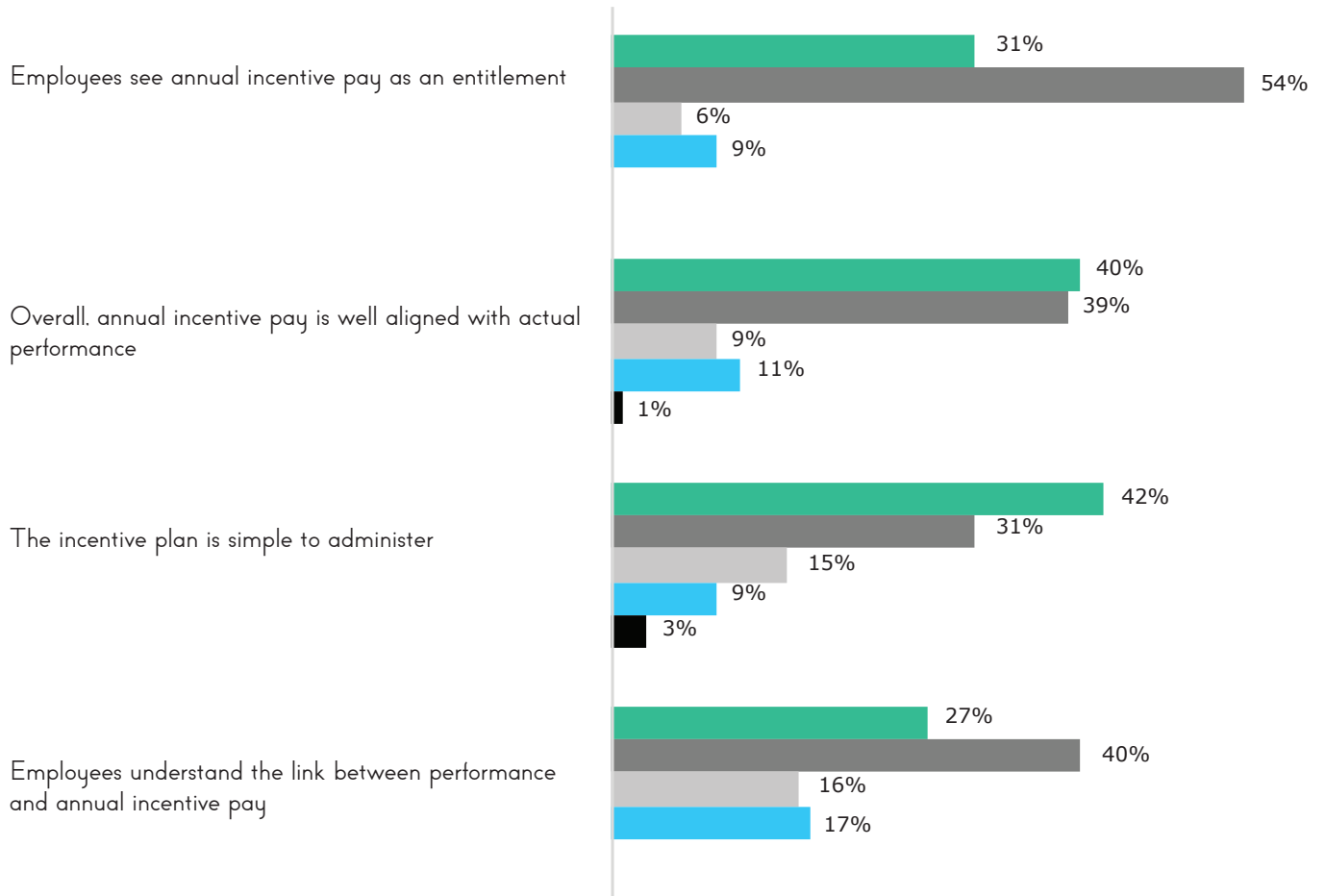


## Annual Incentive Plans

Of those organizations surveyed, **69%** had performance-based, discretionary and/or profit-sharing annual cash incentive plans.



## Employers' opinions of their annual incentive plans:



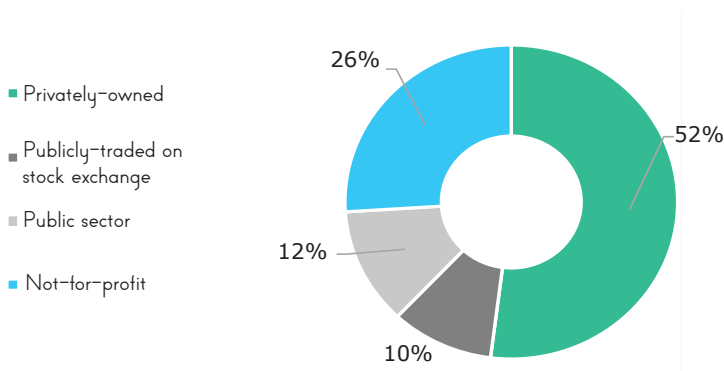
■ Agree ■ Somewhat Agree ■ Somewhat Disagree ■ Disagree ■ Unable to answer

There is no 'one-size-fits-all' annual incentive plan. Participants mostly consider their annual incentive plans as being well aligned with actual performance.

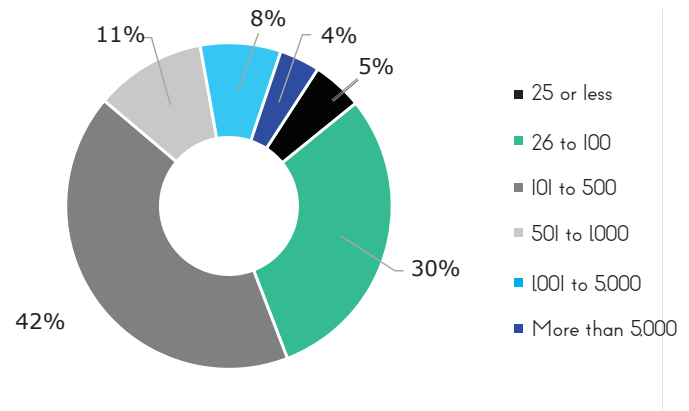
The following are the most common changes to annual incentive plans that participants reported they would like to see in their organizations:

- Moving from discretionary or profit-sharing incentive plans to performance-based incentive plans for management and executives.
- Simplifying the design of performance-based incentive plans so employees better understand the correlation between their performance and bonus awards.
- Adding collaboration goals for cross-functional teams to the performance-based incentive plan.
- Increasing base salaries and basing annual incentives only on corporate performance measures.
- Including non-financial performance measures as a basis for annual incentive awards.
- Weighting corporate performance measures based on the function an employee holds.

Participants, by sector

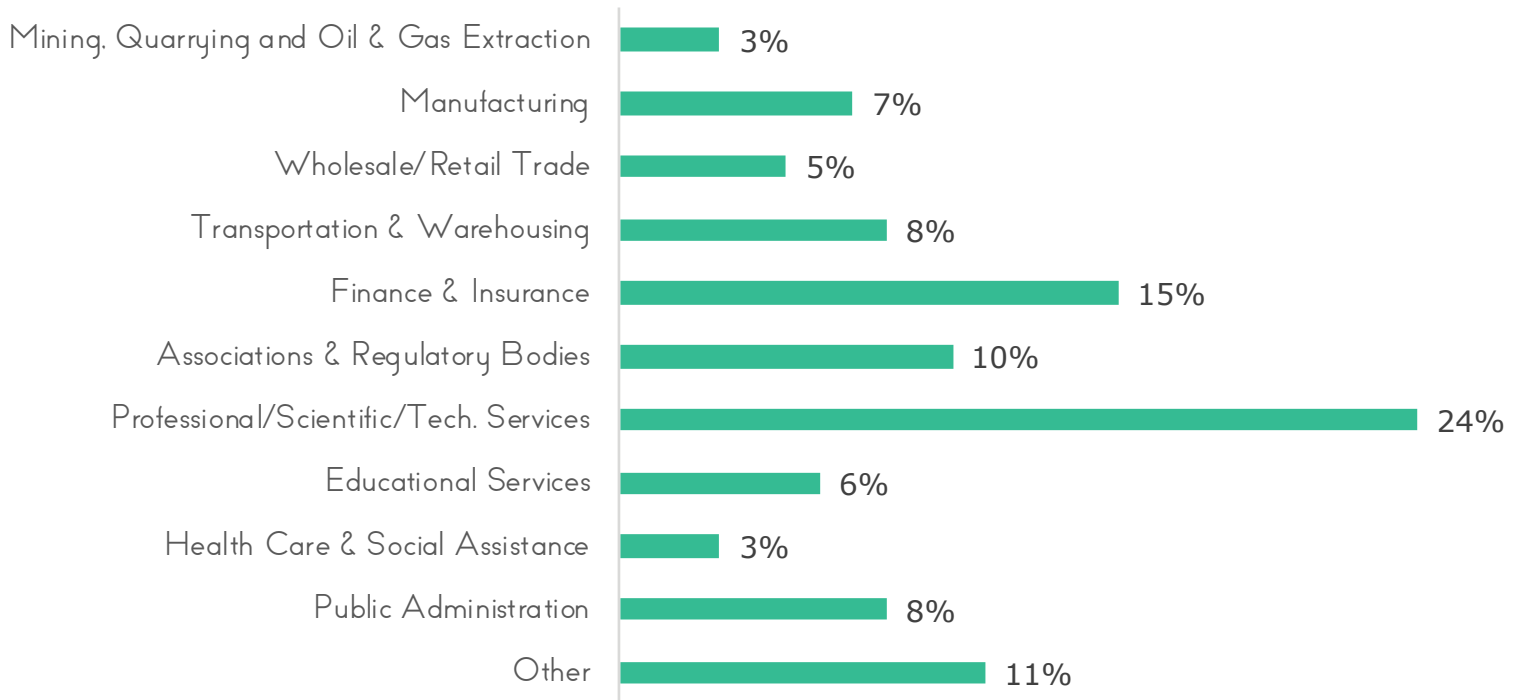


Number of employees in Canada





## Participants. by industry



## WCBC Western Compensation & Benefits Consultants

WCBC helps Canadian employers pay employees appropriately by providing customized solutions, market-based research and professional advice. Contact us to learn how we can help you achieve your compensation goals.

Contact Linda Reid  
Western Compensation & Benefits Consultants  
Suite 502 595 Howe Street  
Vancouver, BC V6C2T5  
**604-683-9155 | [wcbc@wcbc.ca](mailto:wcbc@wcbc.ca)**

To receive news, research updates and promotions regarding WCBC products subscribe at: [wcbc.ca/subscribe](https://wcbc.ca/subscribe)