STAYING COMPETITIVE: EMPLOYER COMPENSATION PHILOSOPHY, STRATEGY & BENCHMARKING

October 2025

INTRODUCTION

In today's competitive labour market, a clear and well-implemented compensation philosophy and strategy are essential for attracting and retaining talent while ensuring internal consistency and fiscal accountability. However, while most organizations acknowledge the importance of these frameworks, their level of formalization, communication, and integration with business objectives varies widely.

To better understand how Canadian employers define, apply, and communicate their compensation philosophies and strategies, WCBC conducted the *Employer Compensation Philosophy, Strategy & Benchmarking Survey* in October 2025, with participation from 133 employers. The survey explored organizational practices related to compensation governance, peer group benchmarking, pay positioning, communication, use of market data and technology, and responses to evolving external pressures such as inflation and pay transparency.

The findings provide a practical snapshot of current practices and highlight where employers are focusing their efforts to strengthen compensation alignment, governance, and employee understanding.

KEY INSIGHTS

The main takeaways include:

- **Formalization is growing, but not universal.**
  Most organizations have a documented compensation philosophy (58%) and strategy (57%), though smaller employers remain less likely to formalize their approach. The absence of structure is typically due to prioritization or resourcing rather than lack of intent.
- **Market competitiveness remains the dominant driver.**
  Most philosophies emphasize market positioning, internal equity, and total rewards, with fewer prioritizing pay-for-performance or tenure-based principles.
- **Communication is inconsistent.**
  While many organizations share their philosophy broadly, fewer communicate their strategy or ensure employees fully understand how pay decisions are made. More than half are actively working to improve employee understanding.
- **Market data use is nearly universal.**
  Benchmarking is central to compensation management, with most organizations referencing multiple sources—particularly industry-specific surveys. However, job matching and data relevance remain persistent challenges.
- **Technology use is limited.**
  Manual processes and spreadsheets dominate compensation administration. Only a minority use integrated compensation management systems or automation tools, and cost and integration complexity remain key barriers.
- **External pressures drive selective responses.**
  Inflation, cost of living, and economic performance are the leading external drivers of pay adjustments. Most organizations respond through measured adjustments to salary structures or targeted pay changes rather than broad-based increases.
- **Change is measured and pragmatic.**
  Most employers expect incremental refinements rather than major shifts in their compensation approach over the next year. Planned changes primarily target base pay structures, benchmarking, and benefits offerings, with limited consideration of non-traditional pay models.

SURVEY FINDINGS

The results of WCBC's Employer Compensation Philosophy, Strategy & Benchmarking Survey are summarized below.

UNDERSTANDING COMPENSATION PHILOSOPHY vs COMPENSATION STRATEGY

Before reviewing the survey findings, it is helpful to clarify the distinction between a **compensation philosophy** and a **compensation strategy.** These **t**wo elements that are closely related but serve different purposes in an effective total rewards framework.

A **compensation philosophy** defines an organization's *guiding principles and beliefs* about pay. It answers the *"why"* behind compensation decisions: why the organization rewards employees the way it does; what values it wants its pay practices to reflect; and how it balances factors such as market competitiveness, internal equity, and performance. A well-articulated philosophy provides a stable foundation for decision-making and ensures consistency across business cycles, leadership changes, and evolving market conditions.

A **compensation strategy**, on the other hand, is the *action plan* that translates the philosophy into practice. It defines the *"how"*: how the organization designs salary structures; determines market positioning; integrates pay with performance; manages costs; and communicates compensation decisions. The strategy operationalizes the philosophy through specific policies, tools, and processes that align with broader business goals.

In WCBC's experience, organizations that clearly define both their philosophy and strategy are better equipped to make consistent, defensible pay decisions, adapt to changing labour markets, and communicate transparently with employees. A strong philosophy provides purpose, while a sound strategy delivers execution. Together, they form the cornerstone of an organization's approach to attracting, rewarding, and retaining talent in a competitive environment.

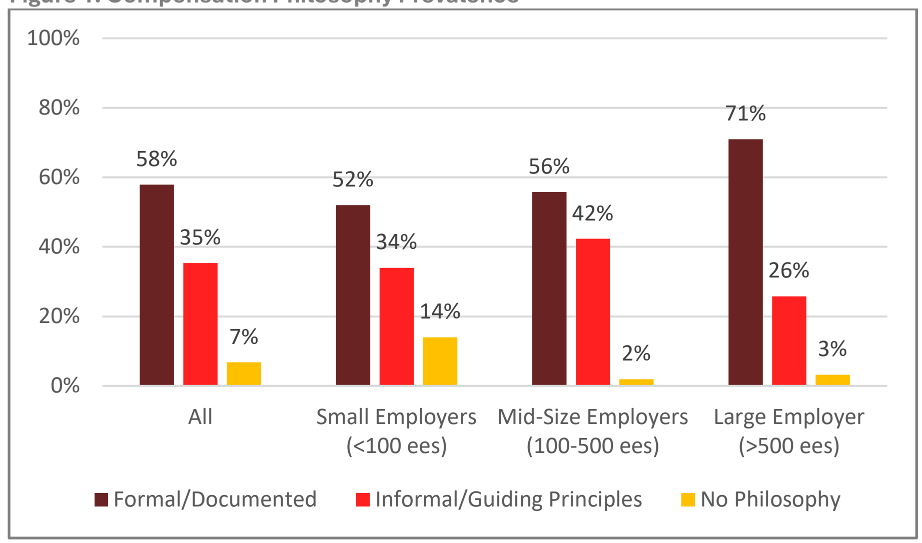
COMPENSATION PHILOSOPHY

Compensation Philosophy Prevalence

Most organizations (58%) report having a formal, documented compensation philosophy, while 35% rely on informal guiding principles and only 7% have none at all.

The prevalence of a formal philosophy increases with size, from just over half of small employers (52%) to more than seven in ten large organizations (71%). Smaller organizations are also twice as likely to have no defined philosophy. This suggests that larger employers are more likely to formalize their approach to pay, whereas smaller organizations often operate with less structure but may still adhere to general guiding principles.

Figure 1: Compensation Philosophy Prevalence

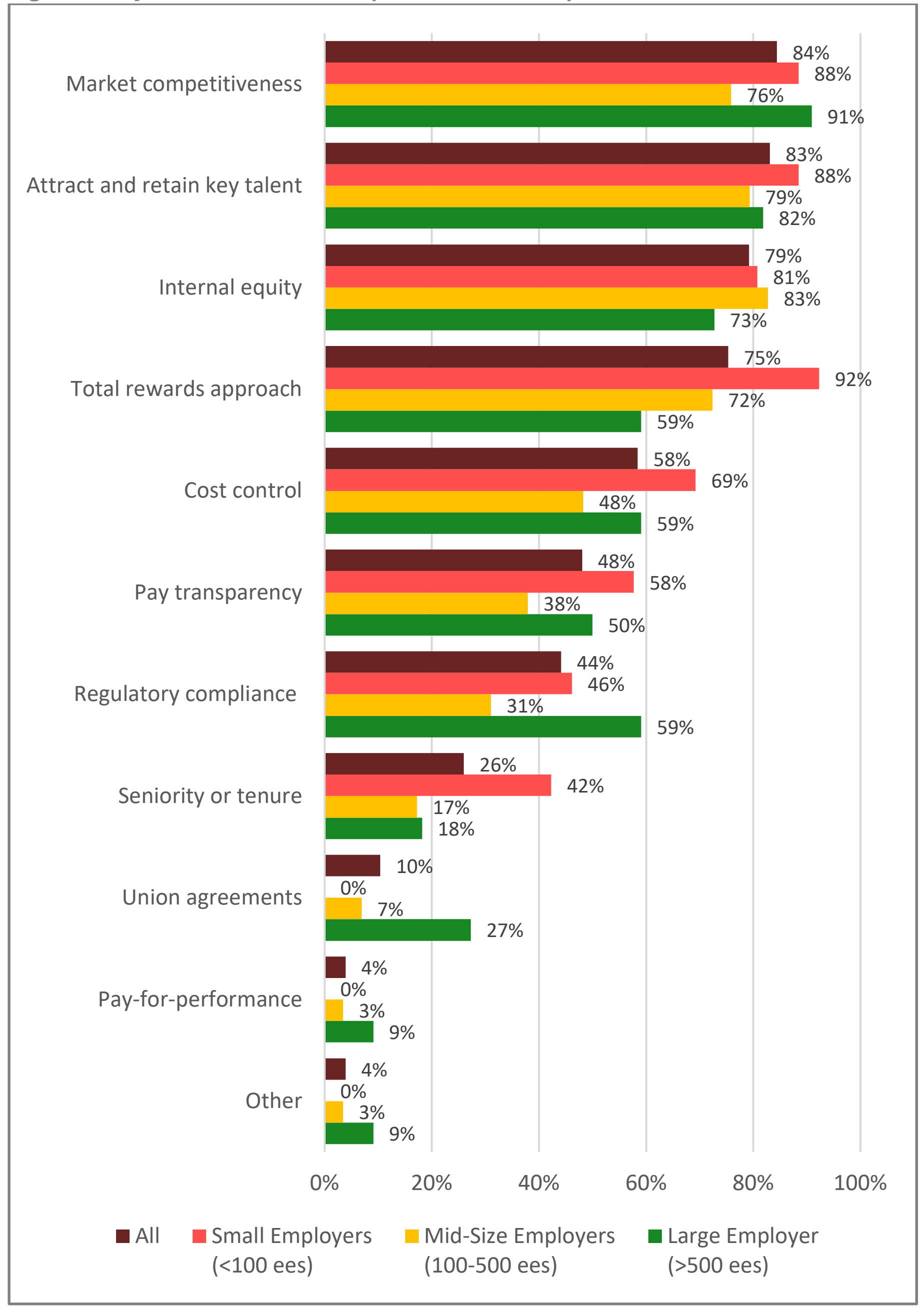


Key Themes Within Compensation Philosophies

Among organizations with a **formal, documented compensation philosophy**, the most common elements are market competitiveness (84%) and attracting and retaining key talent (83%). Internal equity (79%) and a total rewards approach (75%) are also widely emphasized, underscoring that most employers with a defined philosophy view compensation as part of a broader total rewards framework rather than as pay alone. Cost control (58%) and regulatory compliance (44%) remain important operational priorities, while nearly half (48%) promote pay transparency. Recognition of tenure (26%), union influence (10%), and pay-for-performance (4%) are less common, suggesting that formal philosophies are grounded more in fairness, competitiveness, and alignment with organizational goals than in traditional or tenure-based models.

Notable differences emerge by organization size. Smaller employers are more likely to emphasize total rewards, cost management, and transparency, while larger organizations place greater weight on compliance and collective bargaining influences. Larger employers also report a stronger focus on market competitiveness, suggesting that size and scale may influence how organizations define and operationalize their pay principles.

Figure 2: Key Themes Within Compensation Philosophies

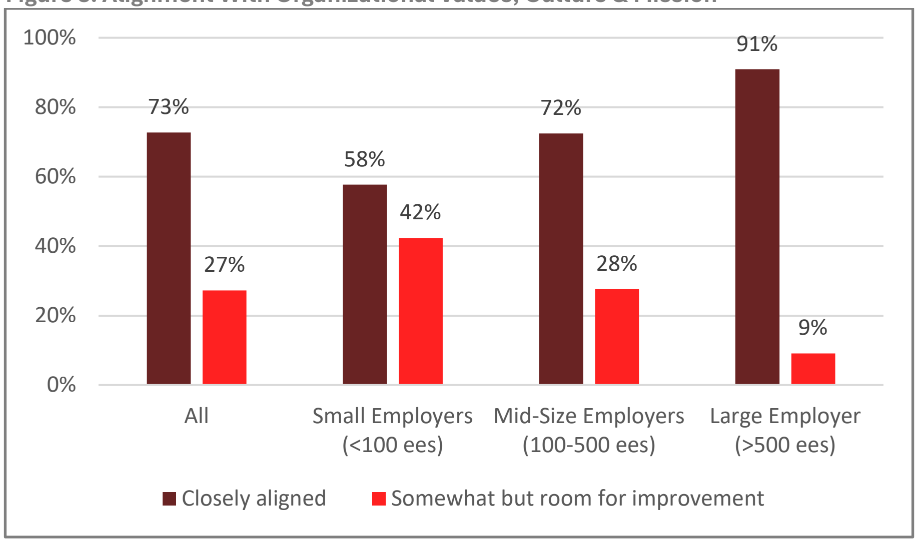


Alignment With Organizational Values, Culture & Mission

Overall, most organizations (73%) report that their compensation philosophy is closely aligned with their values, culture, and mission, while 27% indicate partial alignment but with room for improvement. None reported a lack of alignment, reinforcing that employers generally view their compensation philosophy as an extension of their organizational identity.

The degree of alignment increases notably with organization size. Only 58% of small employers report close alignment compared to 91% of large organizations. This may suggest that larger organizations, which often have more formalized human resources frameworks, are more likely to integrate their compensation philosophy within their broader organizational strategy.

Figure 3: Alignment With Organizational Values, Culture & Mission



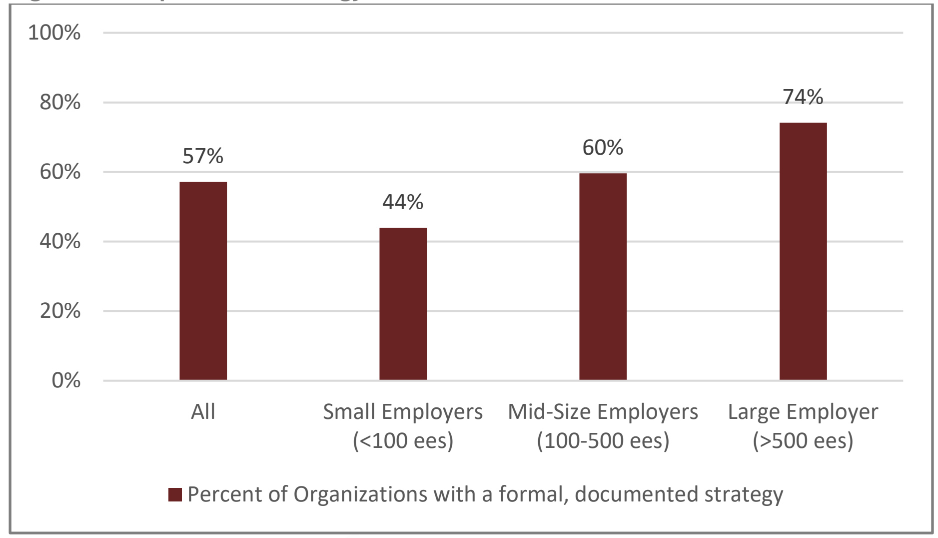
COMPENSATION STRATEGY

Compensation Strategy Prevalence

Just over half of all organizations (57%) report having a formal, documented compensation strategy, while 43% do not. This indicates that although many employers have established frameworks to guide pay practices, a significant proportion continue to rely on less formal approaches.

The likelihood of having a formal strategy increases with organization size. Fewer than half of small employers (44%) have one in place, compared to three-quarters of large organizations (74%). This pattern suggests that larger employers are more likely to formalize the link between compensation philosophy and day-to-day pay administration, reflecting greater organizational complexity and the need for appropriate governance.

Figure 4: Compensation Strategy Prevalence

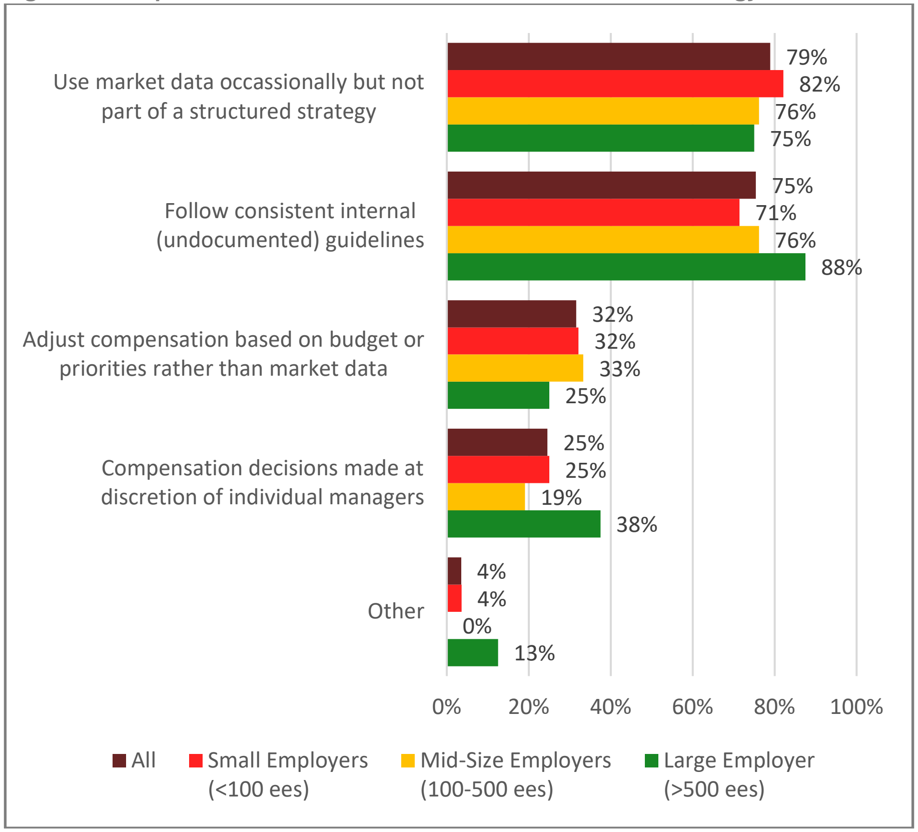


Compensation Practices in the Absence of a Formal Strategy

Among organizations without a formal, documented compensation strategy, most use market data occasionally (79%), and follow consistent internal guidelines (75%), although these practices are not part of a structured approach. About one-third (32%) adjust compensation based on budget or organizational priorities rather than market data, and one-quarter (25%) make compensation decisions at the discretion of individual managers. These results suggest that even without a formal strategy, many organizations have established informal systems to promote some consistency in pay practices.

Differences by organization size are evident. Larger organizations are most likely to follow consistent internal guidelines (88%) but also the most likely to allow managerial discretion (38%), suggesting that while structure exists, flexibility remains at the operational level. Smaller and mid-sized employers more often adjust pay based on budget considerations, perhaps reflecting the practical realities of more limited resources.

Figure 5: Compensation Practices in the Absence of a Formal Strategy

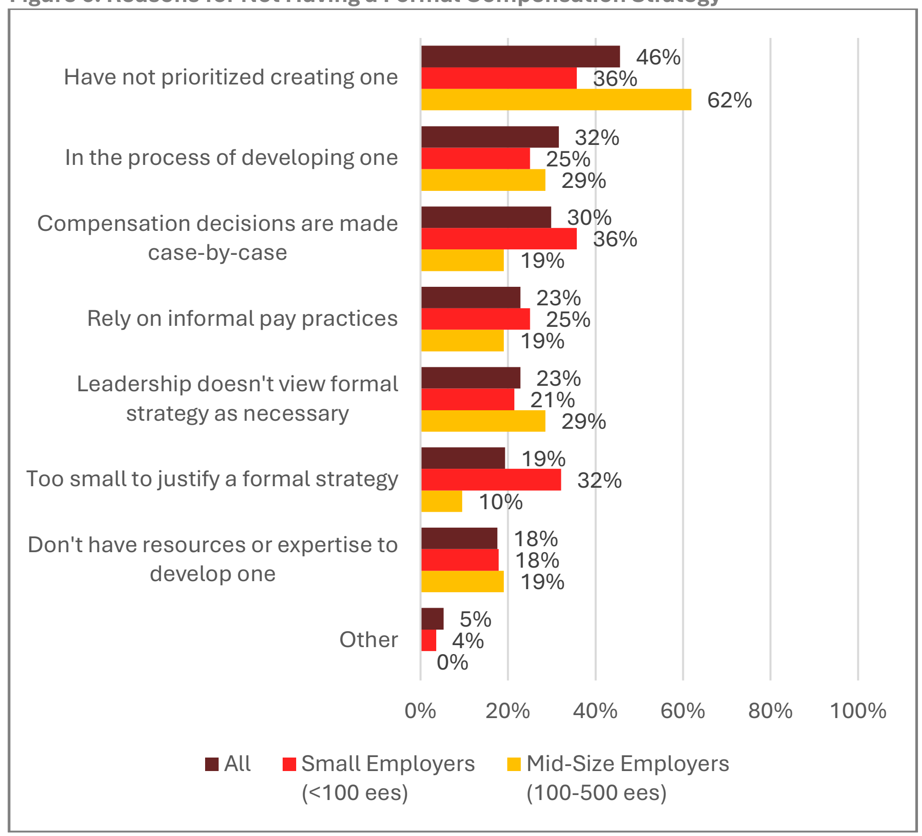


Reasons for Not Having a Formal Compensation Strategy

Among organizations without a formal compensation strategy, the most common reason is that creating one has not been a priority (46%). Nearly one-third (32%) report being in the process of developing a strategy, while others note that compensation decisions are made on a case-by-case basis (30%) or that they rely on informal practices (23%). Smaller proportions cite leadership perspectives (23%), organizational size (19%), or limited resources (18%) as barriers. Overall, these results suggest that the absence of a formal strategy is not resistance to the concept, but results from other considerations.

Because most large organizations already have a documented strategy, their representation in this question is limited. Excluding this group, the findings show that smaller employers are more likely to cite resource constraints or size as factors, while mid-sized organizations more often indicate that developing a formal strategy simply has not yet been prioritized.

Figure 6: Reasons for Not Having a Formal Compensation Strategy



Aspects Covered in Compensation Strategies

Among organizations with a formal compensation strategy, nearly all include core elements such as base pay (87%), salary structures or pay grades (86%), and salary adjustments or increases (83%). Benefits (82%) and paid time off (78%) are also widely incorporated, reflecting a comprehensive approach to managing total compensation. Market benchmarking and pay policy positioning (66%) are commonly addressed, while more than half include considerations such as flexible work arrangements (57%), pay equity (57%), and incentive pay (51%). Fewer organizations explicitly integrate elements such as communication, succession planning, or geographic pay differentials, indicating that these areas may still be evolving within many strategies.

When viewed by organization size, smaller employers tend to include a broader range of topics within their compensation strategies, particularly flexible work, pay equity, and market benchmarking. Mid-sized organizations report more selective coverage, while larger employers focus most consistently on foundational components such as base pay, salary structures, and compliance. Because many large organizations already maintain well-established frameworks, their strategies may emphasize refinement rather than expansion of scope.

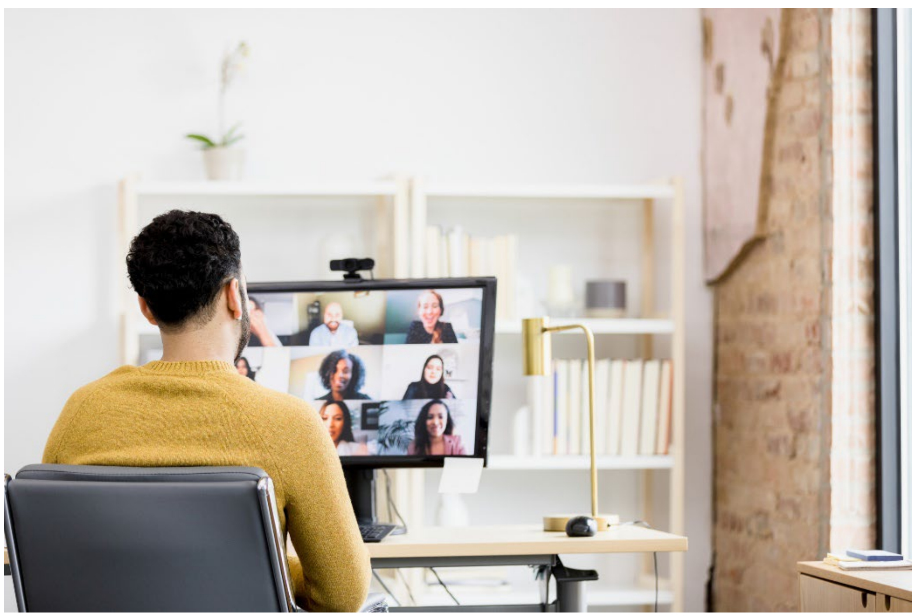
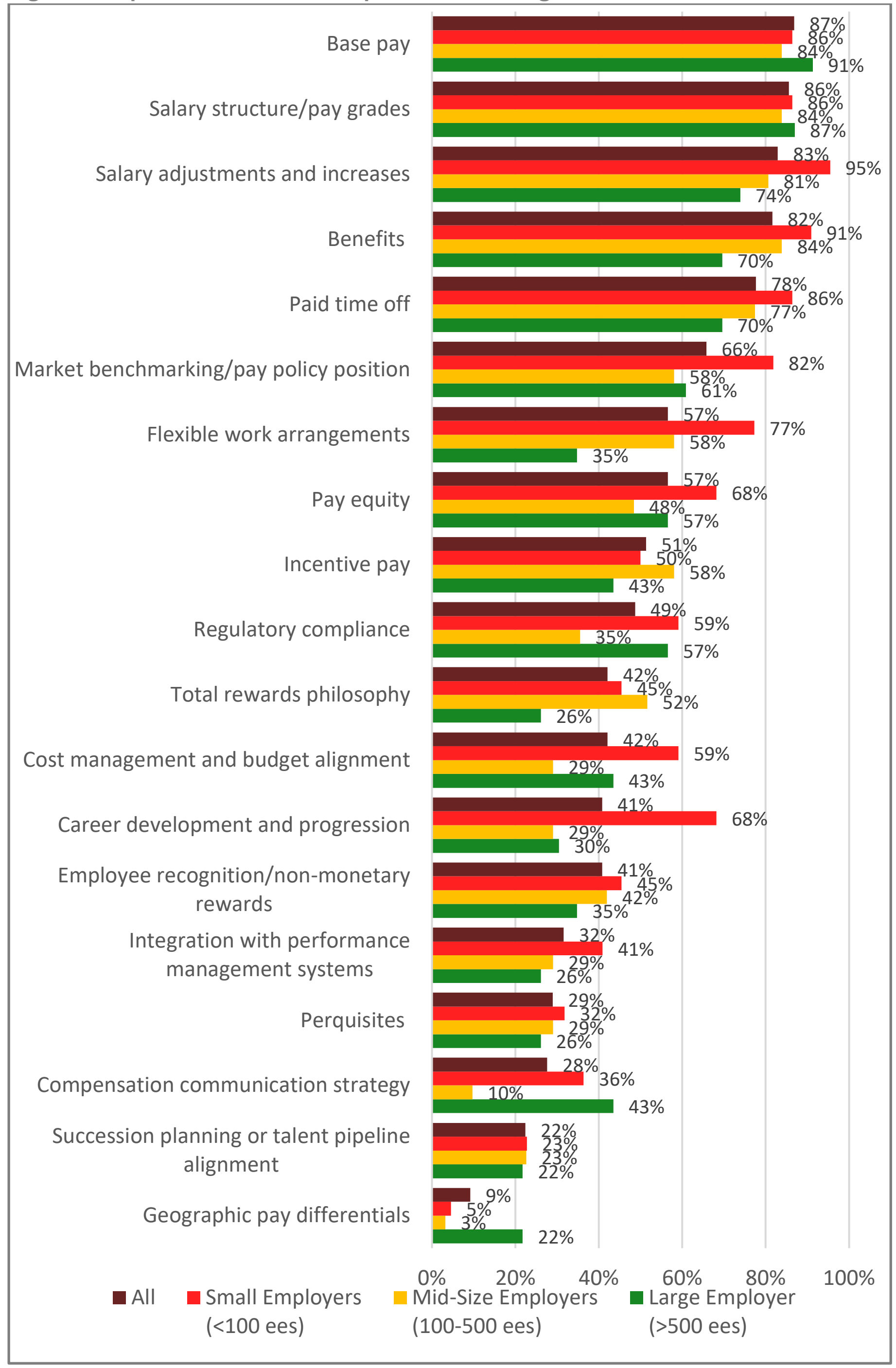


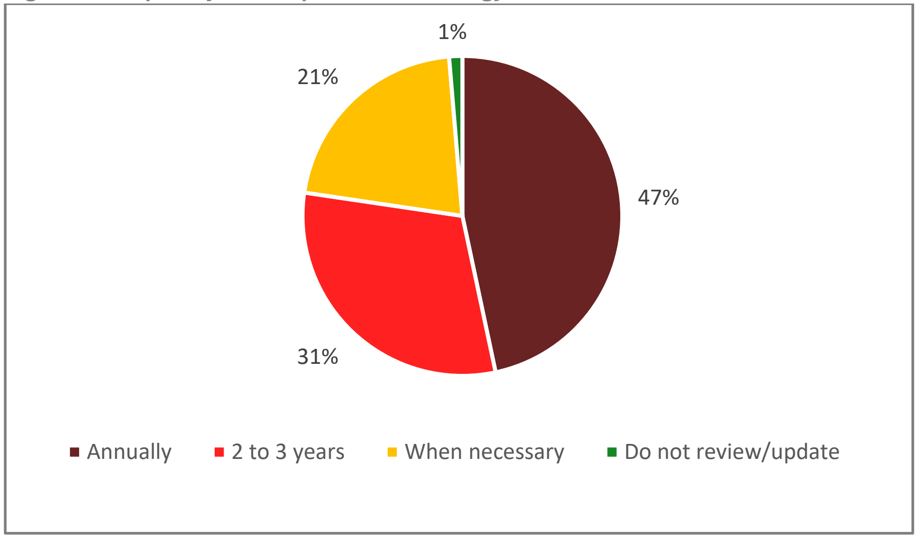
Figure 7: Aspects Covered in Compensation Strategies



Frequency of Compensation Strategy Review

Almost half of all organizations (47%) review or update their compensation strategy annually, while 31% do so every two to three years. Another 21% update their strategy only when necessary, such as in response to significant market or organizational changes, and just 1% do not review it at all. These findings suggest that most employers recognize the importance of keeping their strategy current in a changing labour market.

Figure 8: Frequency of Compensation Strategy Review

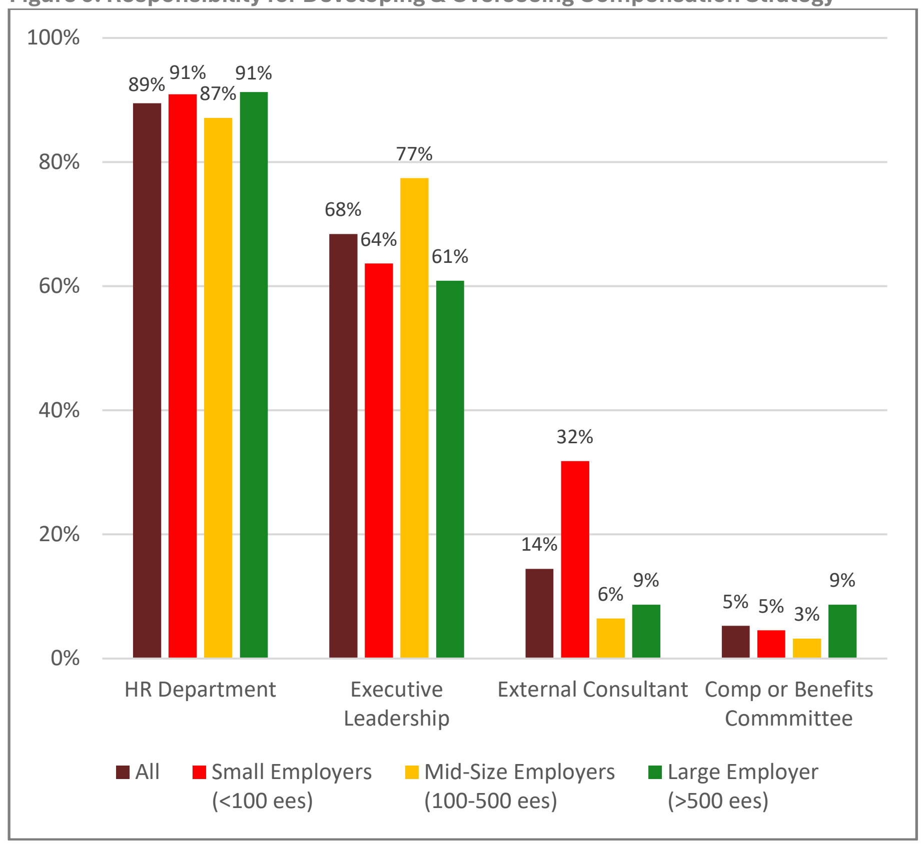


Responsibility for Developing & Overseeing Compensation Strategy

The HR department plays the leading role in developing and overseeing compensation strategies in most organizations (89%), with executive leadership also heavily involved (68%). External consultants are engaged by 14% of organizations, while only a small proportion report involvement from a compensation or benefits committee (5%). These results indicate that compensation strategy development is typically driven internally, with HR providing expertise and leadership ensuring alignment with organizational priorities.

Differences by size are notable. Smaller employers are much more likely to rely on external consultants (32%), suggesting they may seek additional expertise or capacity to supplement limited internal resources. Mid-sized employers show the highest level of executive involvement (77%), while HR remains consistently central across all organization sizes.

Figure 9: Responsibility for Developing & Overseeing Compensation Strategy

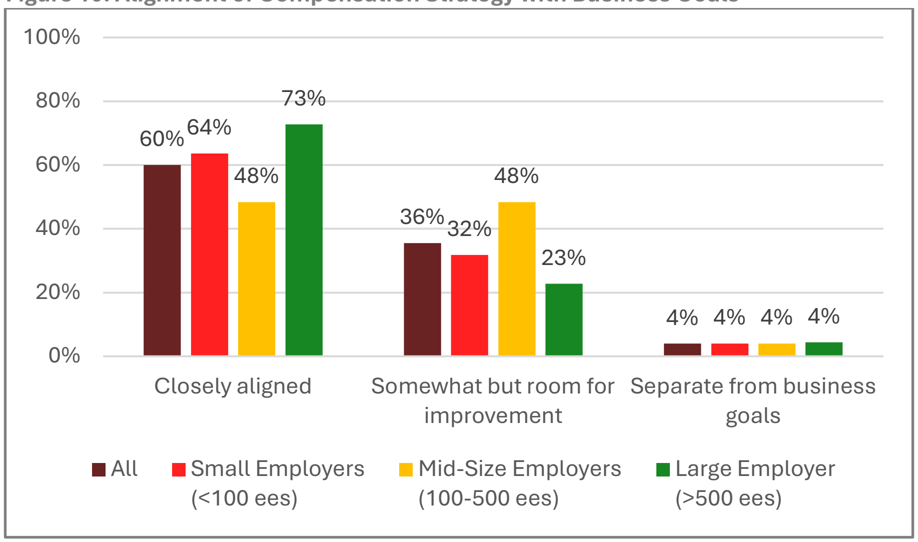


Alignment of Compensation Strategy with Business Goals

Most organizations (60%) report that their compensation strategy is closely aligned with their overall business goals or mission, while 36% indicate partial alignment with room for improvement. Very few (4%) describe their strategy as separate from business goals, and none report uncertainty about the connection. These findings suggest that most employers view compensation strategy as a key mechanism for supporting organizational objectives rather than as a standalone HR process.

Differences by organization size are moderate but noteworthy. Large organizations are the most likely to report close alignment (73%), followed by small employers (64%), while mid-sized organizations are more evenly divided between close and partial alignment. This may indicate that as organizations grow, maintaining alignment requires continued coordination between HR and business leadership to ensure strategy execution remains consistent across divisions and functions.

Figure 10: Alignment of Compensation Strategy with Business Goals



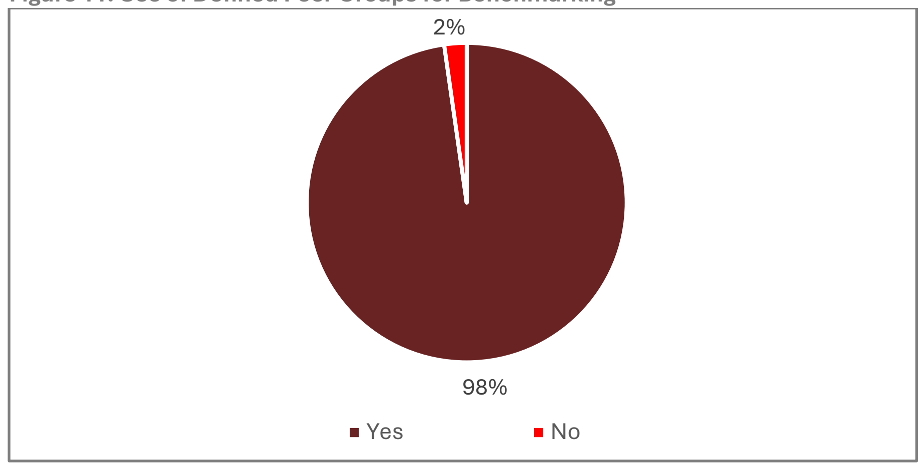
PEER GROUP SELECTION

Use of Defined Peer Groups for Benchmarking

Nearly all organizations (98%) report using a defined peer group when benchmarking compensation practices, confirming that market comparisons remain a central component of compensation management. Only a small number (2%) do not define a peer group, underscoring the importance employers place on structured, market-based evaluation of pay levels and practices.

Differences by organization size are minimal. Almost all small and mid-sized employers (98% to 100%) report having a defined peer group, while slightly fewer large organizations (94%) do so. This suggests that peer benchmarking is a near-universal practice, regardless of size or sector.

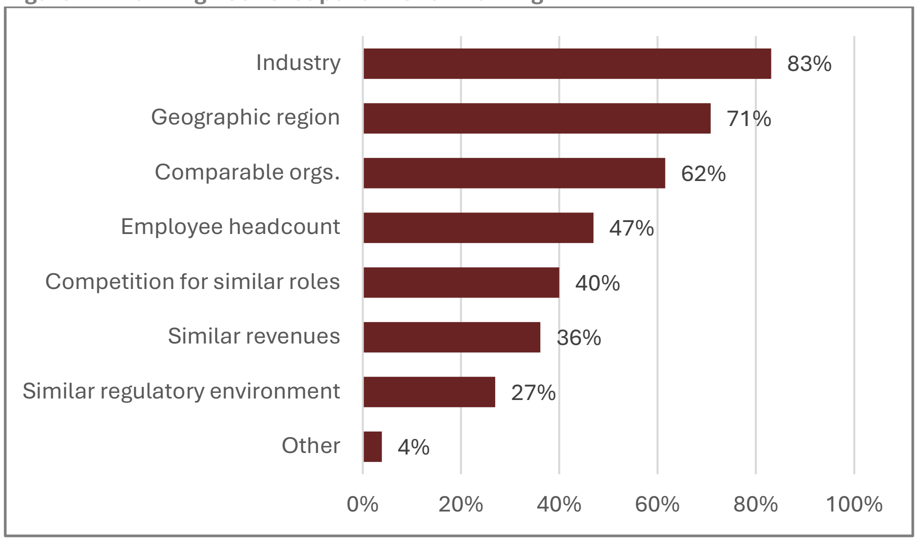
Figure 11: Use of Defined Peer Groups for Benchmarking



Defining Peer Groups for Benchmarking

When establishing peer groups for benchmarking, most organizations consider industry (83%) and geographic region (71%) as primary criteria, reflecting the importance of both sector and location in determining competitive pay levels. Many also benchmark against organizations offering comparable products or services (62%) or those with similar employee headcounts (47%). Fewer define peers based on talent market competition (40%), revenues (36%), or regulatory environment (27%), and none reported using organizational structure or stage of growth as a defining factor.

Figure 12: Defining Peer Groups for Benchmarking

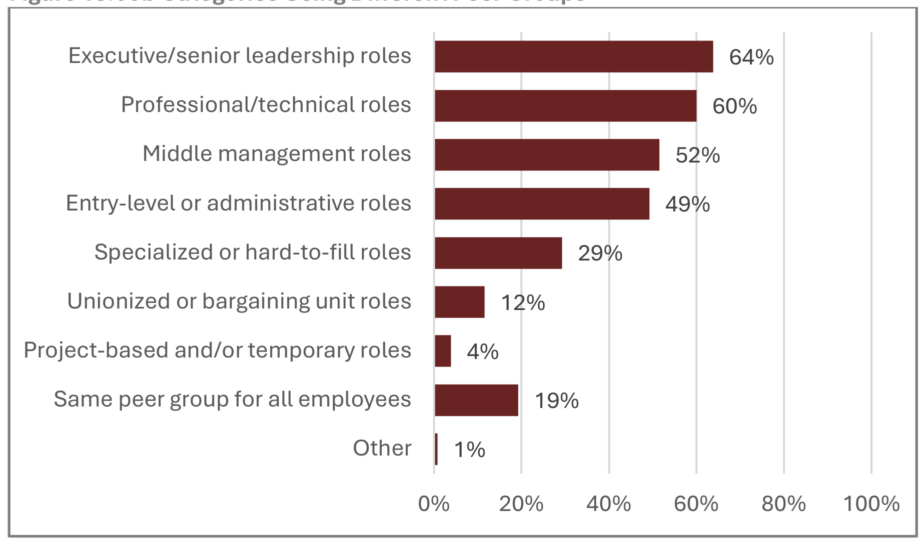


Job Categories Using Different Peer Groups

Most organizations tailor their benchmarking approach by job level, with the highest variation seen at the executive and senior leadership level (64%) and among professional and technical roles (60%). Peer groups are also commonly differentiated for middle management (52%) and entry-level or administrative roles (49%). Only 19% of organizations use a single peer group across all employee levels, indicating that most employers recognize the need for focused market comparisons based on role type and labour market dynamics.

Differences by organization size are relatively consistent, but large organizations are more likely to use distinct peer groups for executive (76%).

Figure 13: Job Categories Using Different Peer Groups



PAY POSITION STRATEGY

Pay Positioning Strategies

For the purposes of this analysis, ***base pay*** refers to regular salary or wages, ***total cash*** includes base pay plus any short-term incentives such as bonuses or commissions, and ***total compensation*** encompasses all forms of cash and non-cash rewards, including paid time off, perks, benefits and retirement programs.

Across all organizations, the most common approach is to target the 50th percentile of the market, used by 44% for base pay, 35% for total cash, and 31% for total compensation. Another 25% to 27% aim between the 50th and 75th percentile, while only a small proportion position pay at or above the 75th percentile. Very few, about 2%, intentionally target below mid market levels, and 7% indicate they have no defined pay positioning strategy. These results suggest that most organizations seek to maintain competitive, market-aligned pay practices rather than pursuing aggressive or conservative positioning.

Differences by organization size are pronounced. Large employers are the most likely to target the market median, with 65% reporting this for base pay, reflecting a consistent approach to compensation governance. Smaller employers show greater variation, with a higher share positioning between the 50th and 75th percentile or reporting no formal strategy. Mid-sized organizations exhibit the widest range of practices, with some targeting higher percentiles or adjusting by compensation element. Overall, pay positioning tends to become more standardized as organizational size and complexity increase.

Figure 14: Pay Position Strategy – Base Pay

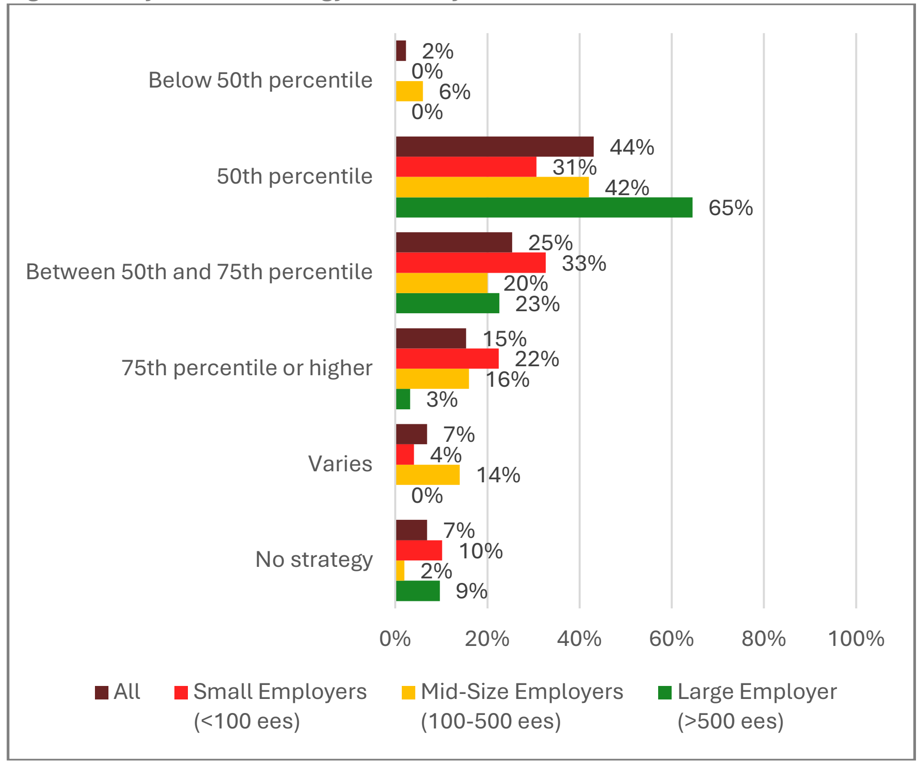


Figure 15: Pay Position Strategy – Total Cash

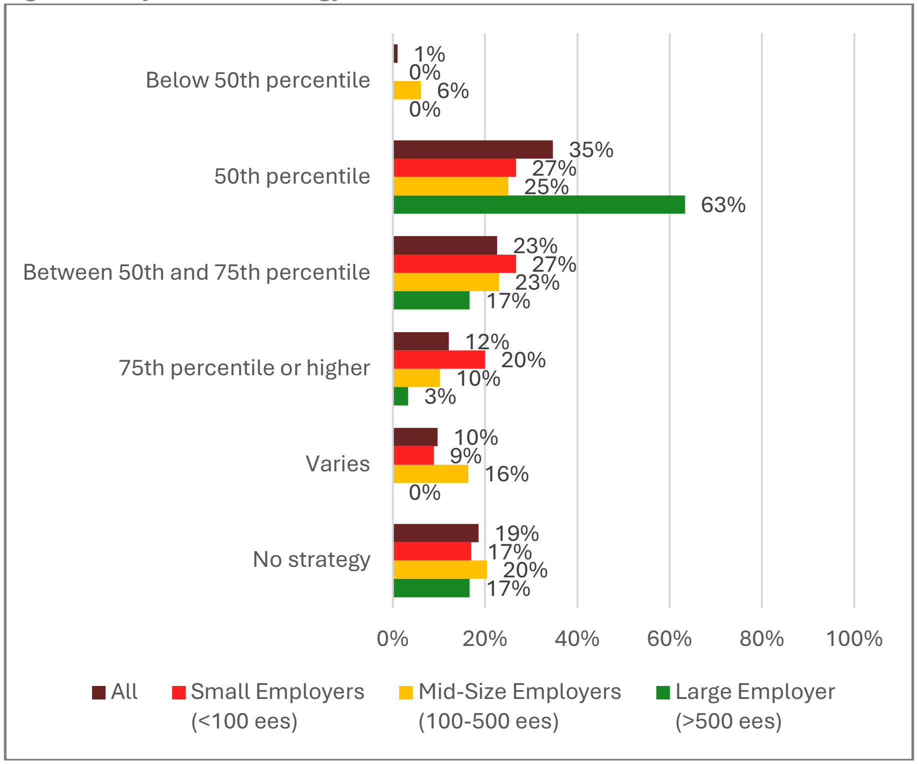
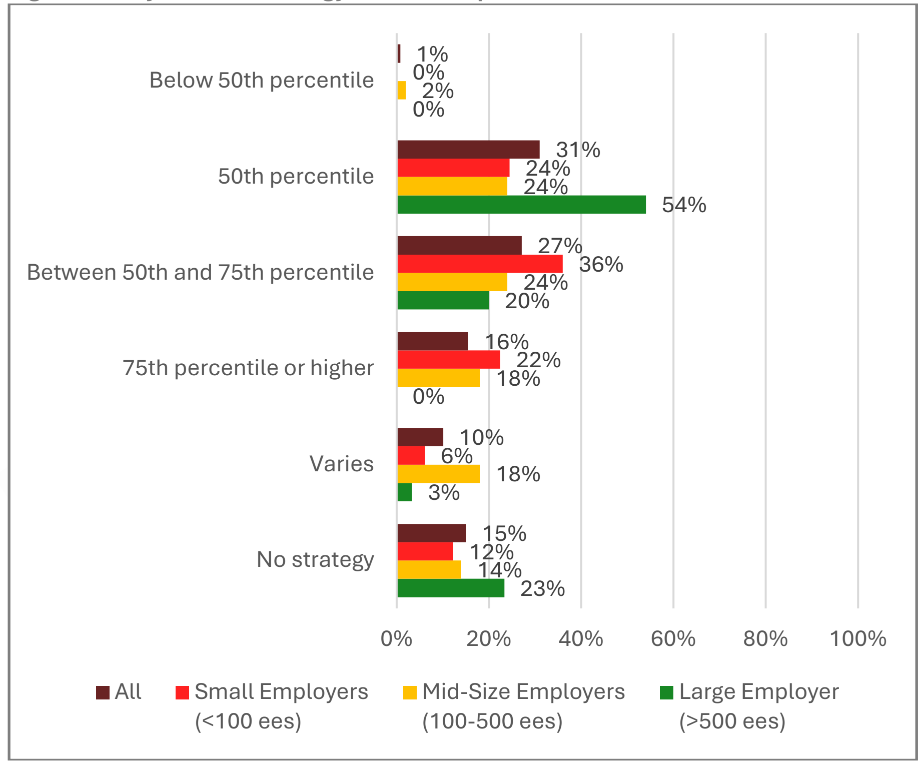


Figure 16: Pay Position Strategy – Total Compensation

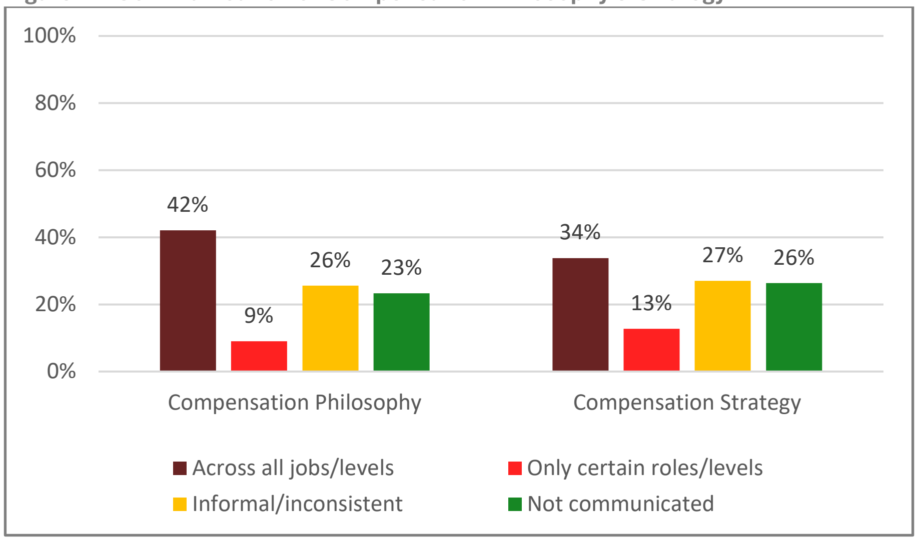


COMMUNICATION

Communication of Compensation Philosophy & Strategy

Organizations are somewhat more likely to communicate their compensation philosophy than their compensation strategy. Forty-two percent share their philosophy across all job categories and levels, compared to 34% who share their strategy. About one-quarter describe their communication as informal or inconsistent, and roughly the same proportion report that neither the philosophy nor the strategy are communicated to employees. These results suggest that while many organizations articulate their beliefs and principles around pay, fewer extend this transparency to the operational details of how compensation is administered.

Figure 17: Communication of Compensation Philosophy & Strategy

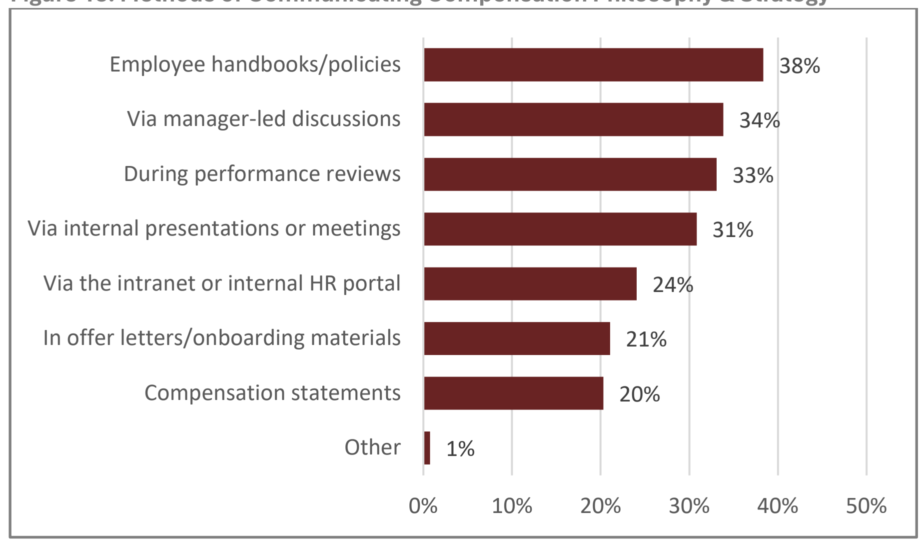


Differences by organization size show mixed patterns. Small and mid-sized employers are slightly more likely to communicate their philosophy broadly, while large organizations report the highest incidence of not communicating either philosophy or strategy. This may indicate that as organizations grow, communication becomes more structured but also more selective, often focused on leadership or specific employee groups rather than the entire workforce.

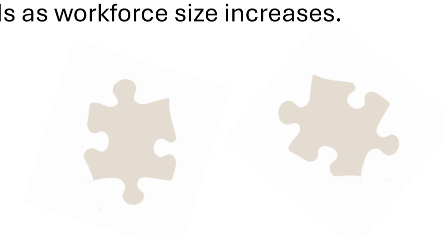
Methods of Communicating Compensation Philosophy & Strategy

Organizations use a variety of channels to communicate their compensation philosophy and strategy, with the most common being employee handbooks or policy documents (38%), manager-led discussions or team meetings (34%), and performance reviews (33%). Internal presentations or company-wide meetings (31%) and intranet or HR portals (24%) are also common vehicles for communication. Fewer organizations include this information in offer letters or onboarding materials (21%) or compensation statements (20%). The results indicate that most employers rely on internal communication and performance management processes rather than formal documentation provided at the point of hire.

Figure 18: Methods of Communicating Compensation Philosophy & Strategy

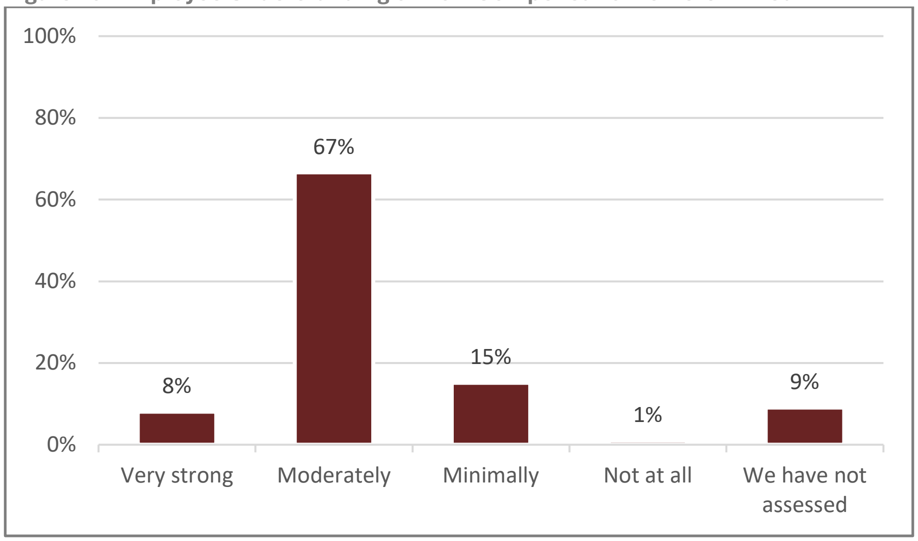


Differences by organization size are distinct. Smaller employers are far more likely to include this information in employee handbooks and onboarding materials, reflecting a more personal and direct approach to communication. Larger organizations, by contrast, rely more heavily on structured channels such as intranet platforms, suggesting a preference for scalable, centralized communication methods as workforce size increases.



Employee Understanding of How Compensation Is Determined
Most organizations (67%) believe employees moderately understand how their compensation is determined, while only eight percent report a very strong understanding. Fifteen percent say employees understand compensation decisions only minimally, and a small number (1%) believe employees do not understand at all. Nine percent have not assessed employee understanding. These results suggest that while most organizations achieve a general level of transparency, few have succeeded in ensuring employees fully understand how compensation decisions are made.

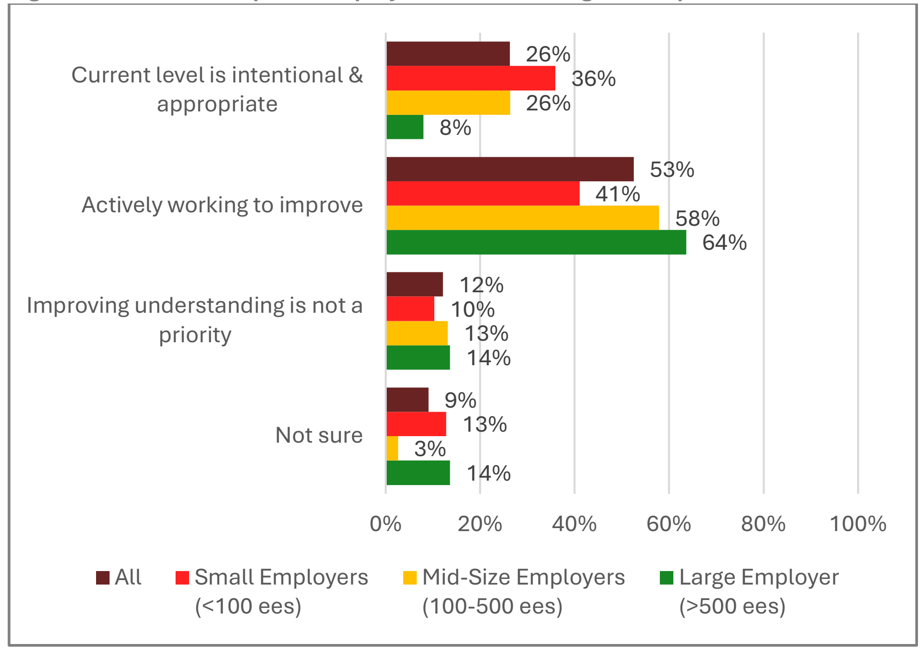
Figure 19: Employee Understanding of How Compensation is Determined



Efforts to Improve Employee Understanding of Compensation
Over half of all organizations (53%) report that they are actively working to improve employee understanding of how compensation is determined. About one-quarter (26%) consider the current level of understanding intentional and appropriate, while a smaller share (12%) say improving understanding is not a priority. Nine percent are unsure. These findings suggest that many employers view greater transparency and comprehension of pay practices as an area for continued development rather than a finished objective.

Differences by organization size are significant. Large organizations are the most likely to be actively enhancing communication (64%), while smaller employers are more likely to view their existing level of understanding as sufficient (36%). Mid-sized employers fall in between, with most also focusing on improvement. This pattern suggests that as organizations grow and pay structures become more complex, the need for deliberate communication around compensation becomes more pressing.

Figure 20: Efforts to Improve Employee Understanding of Compensation

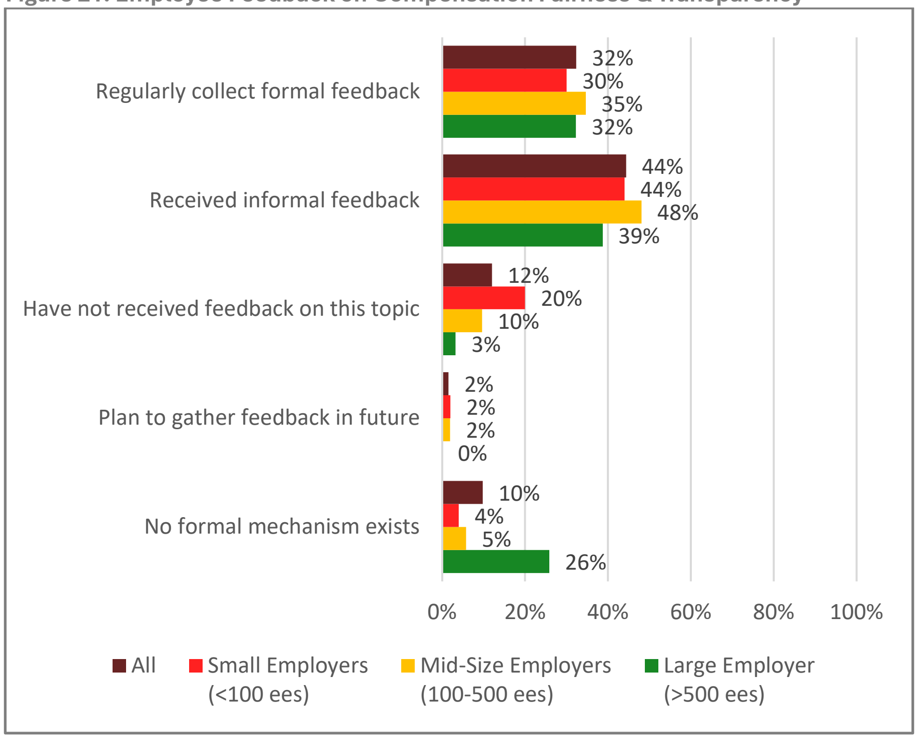


Employee Feedback on Compensation Fairness & Transparency

Most organizations receive some form of employee feedback on compensation fairness or transparency, but the methods vary. Forty-four percent report receiving informal feedback, and one-third (32%) collect feedback regularly through formal channels such as surveys or focus groups. A smaller proportion (12%) have not received any feedback, and only two percent plan to gather it in the future. Ten percent indicate that no formal mechanism exists for collecting such feedback. These results suggest that while most employers are hearing from employees about compensation issues, relatively few have established structured processes to capture and assess that input systematically.

Differences by organization size are notable. Smaller and mid-sized employers are more likely to receive informal feedback, while larger organizations are more polarized—some have strong formal mechanisms, while others report having none. This variation likely reflects differing levels of HR infrastructure and employee engagement processes, with larger organizations either investing in formal systems or, in some cases, facing barriers to consistent feedback collection.

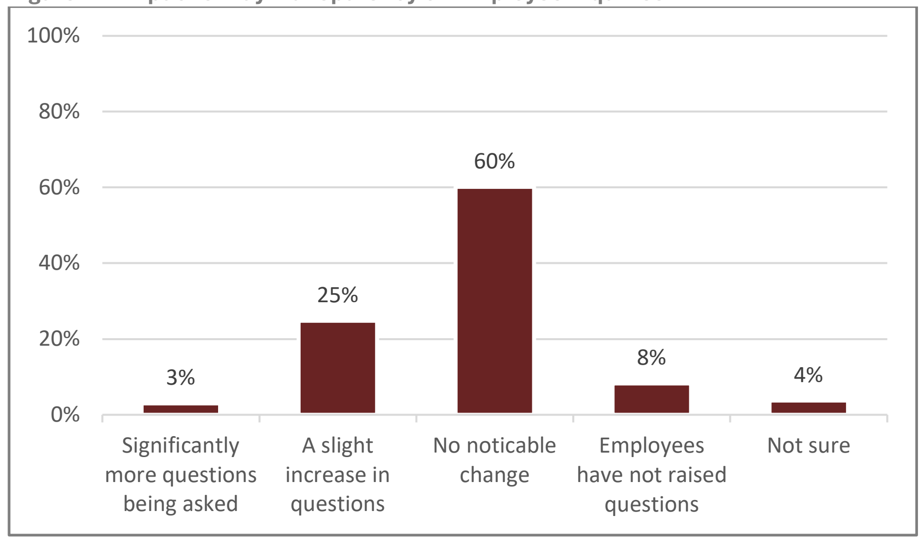
Figure 21: Employee Feedback on Compensation Fairness & Transparency



Impact of Pay Transparency on Employee Inquiries

Most organizations (60%) report no noticeable change in the number of employee questions about how compensation is determined despite recent attention on pay transparency. One-quarter (25%) have seen a slight increase in inquiries, while only three percent report a significant increase. Eight percent say employees have not raised any questions, and four percent are unsure. These results indicate that, while pay transparency continues to receive considerable external attention, its direct impact on employee behaviour within most organizations remains modest.

Figure 22: Impact of Pay Transparency on Employee Inquiries

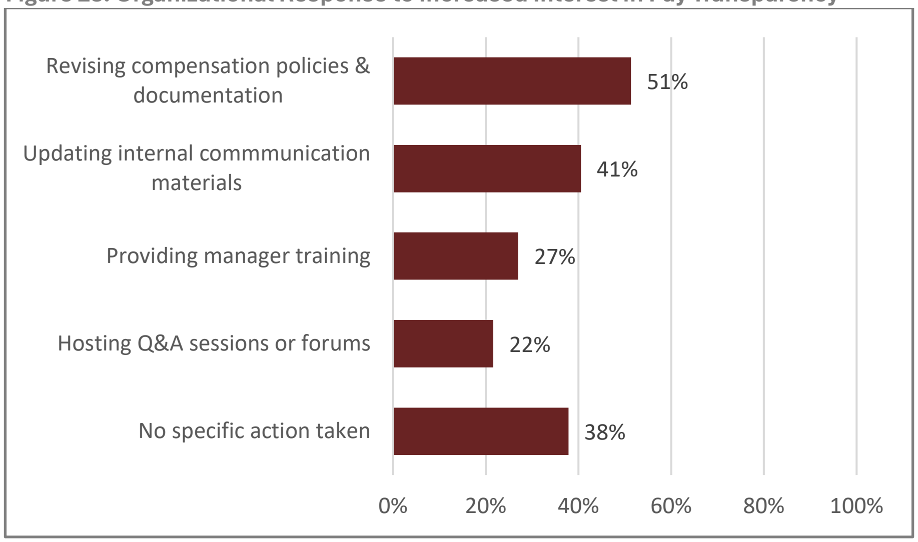


Differences by organization size show some variation. Smaller employers are somewhat more likely to notice an increase in questions (28% slight increase), while 71% of mid-sized organizations report no noticeable change. Larger employers show similar trends, suggesting that internal communication practices and established pay frameworks may be helping to manage employee curiosity about compensation.

Organizational Responses to Increased Interest in Pay Transparency

Among organizations that have experienced an increase in employee questions about compensation, just over half (51%) have revised compensation policies and documentation in response. Many have also updated internal communication materials (41%) or provided manager training (27%) to support more informed pay discussions. Fewer have hosted employee Q&A sessions or forums (22%), while 38% report taking no specific action. These findings suggest that most employers responding to greater employee curiosity are doing so through policy updates and improved communication rather than through new engagement initiatives.

Figure 23: Organizational Response to Increased Interest in Pay Transparency



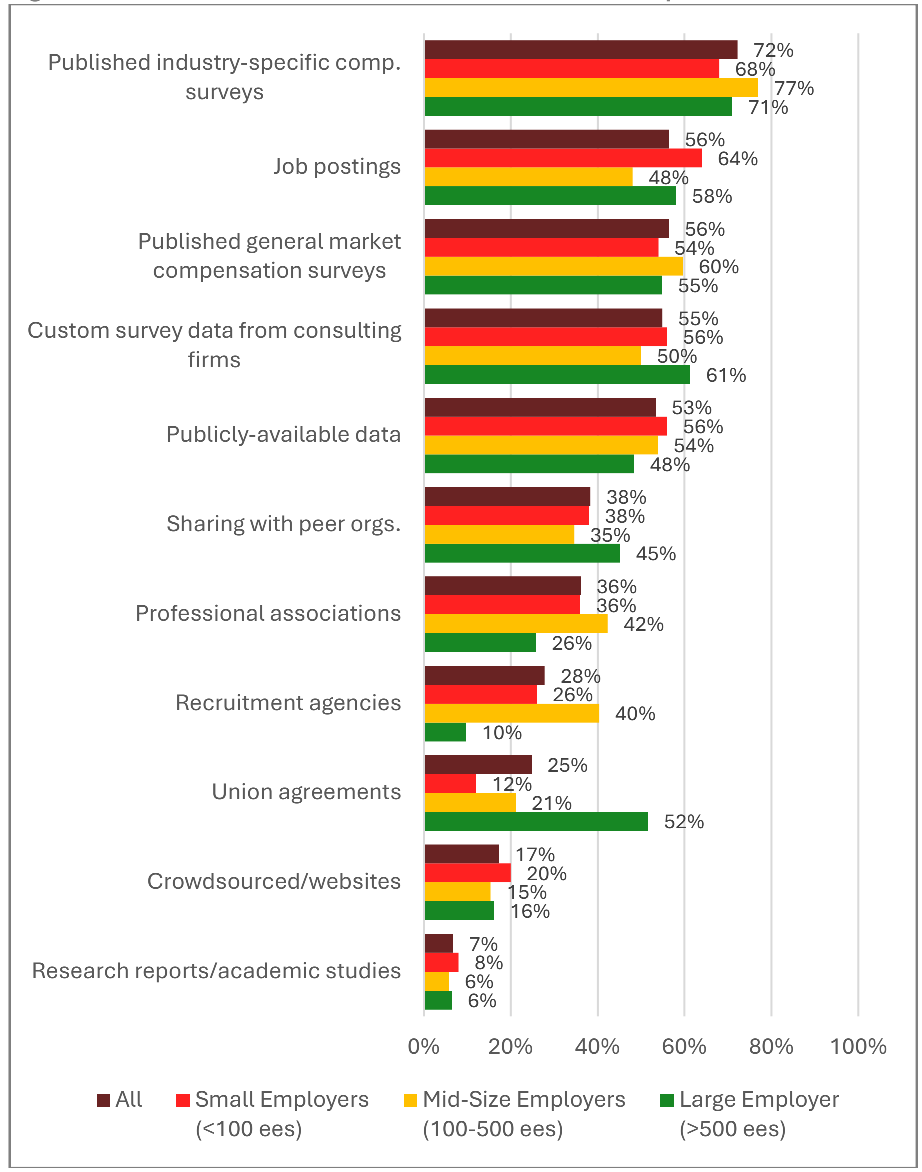
USE OF MARKET DATA

External Market Data Sources Used to Inform Compensation Decisions

Most organizations rely on multiple external sources when making compensation decisions, with published industry-specific compensation surveys being the most common (72%). Other frequently used sources include published general market surveys (56%), custom survey data from consulting firms (55%), job postings (56%), and publicly available data such as government or statistical sources (53%). Many organizations also draw on professional association data (36%) and peer organization sharing (38%). Fewer use information from recruitment agencies (28%), union agreements (25%), or crowdsourced pay transparency websites (17%), while only seven percent reference academic or research studies.

Differences by organization size reveal some distinct patterns. Larger employers are more likely to use custom consulting data (61%) and union agreements (52%), reflecting their broader workforce scope and need for more specialized data sources. Mid-sized organizations are more inclined to rely on recruitment firm data (40%) and professional association sources (42%), while smaller employers most often turn to public data and job postings as accessible benchmarking tools. Overall, the results highlight that organizations of all sizes use a mix of formal survey data and informal market insights to support compensation decisions.

Figure 24: External Market Data Sources Used to Inform Compensation Decisions

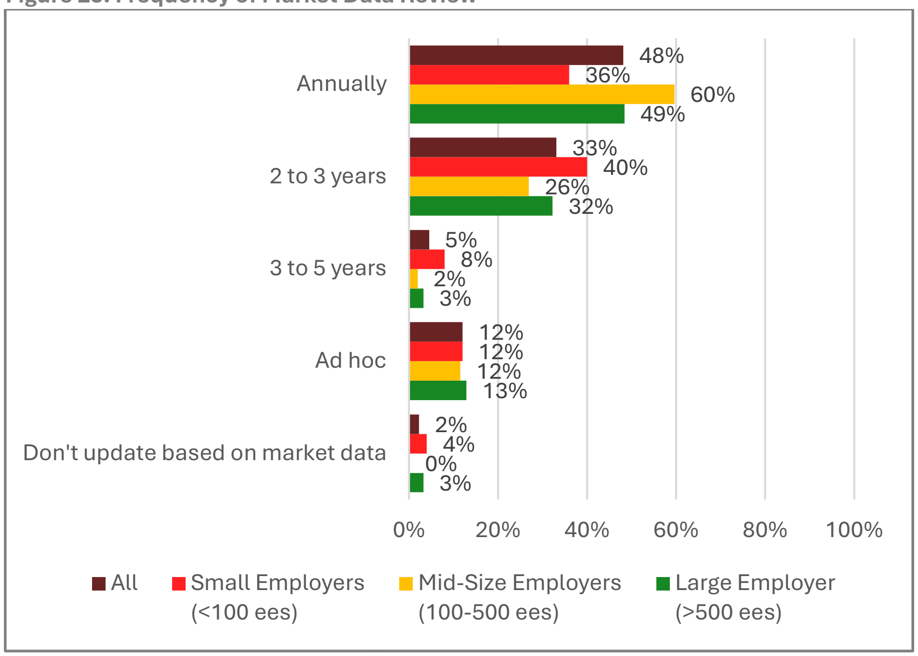


Frequency of Market Data Reviews

Almost half of all organizations (49%) annually review or update compensation based on market data, while one-third (33%) do so every two to three years. A smaller proportion (12%) use an ad hoc approach, updating as needed for specific roles or business needs, and very few review less frequently or not at all. These results suggest that most employers maintain regular review cycles to ensure market competitiveness.

Differences by organization size are clear. Mid-sized employers are the most likely to conduct annual reviews (60%), reflecting an emphasis on structured market alignment. Smaller employers more often review every two to three years (40%), while large organizations show a balanced approach, combining scheduled and ad hoc updates. Overall, most employers appear to manage compensation adjustments on a predictable schedule, with flexibility to respond to changing market conditions when necessary.

Figure 25: Frequency of Market Data Review

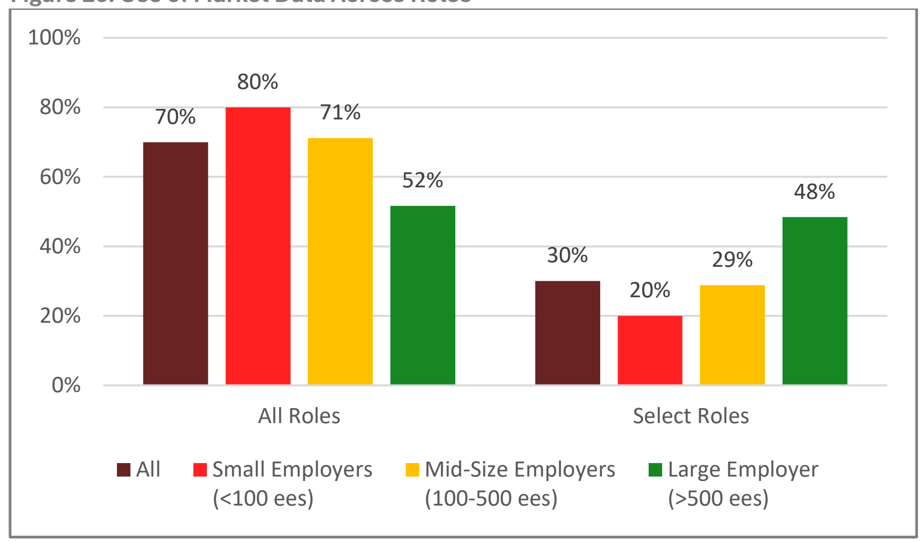


Use of Market Data Across Roles

Seventy percent of organizations use market data to inform compensation decisions for all roles, while 30% apply it only to select positions. This indicates that most employers take a comprehensive approach to benchmarking, using external data to support pay decisions across their workforce rather than limiting it to specific groups.

Differences by organization size show a clear pattern. Smaller and mid-sized employers are more likely to apply market data universally (80% and 71% respectively), while larger organizations are more likely to use it selectively (48%). This likely reflects the broader range and complexity of roles in larger organizations, where differentiated benchmarking practices are often needed to address unique job types and specialized functions.

Figure 26: Use of Market Data Across Roles

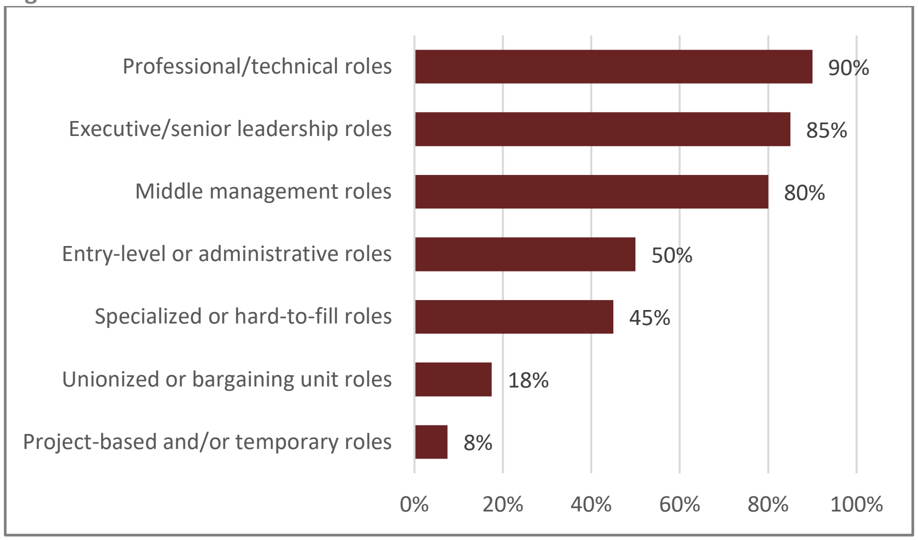


Roles for Which Market Data Is Used

Among organizations that use market data for select roles only, benchmarking is most commonly applied to professional and technical positions (90%) and executive or senior leadership roles (85%). It is also frequently used for middle management (80%), indicating that employers tend to focus market analysis on roles where competitive pay has the greatest strategic impact. About half include entry-level or administrative positions (50%) and 45% consider specialized or hard-to-fill roles. Far fewer use market data for unionized (18%) or project-based and temporary roles (8%).

Overall, the findings show that organizations prioritize benchmarking for higher-level and professional positions, where market competitiveness has a stronger influence on attraction and retention, while relying more on internal pay frameworks or collective agreements for other employee groups.

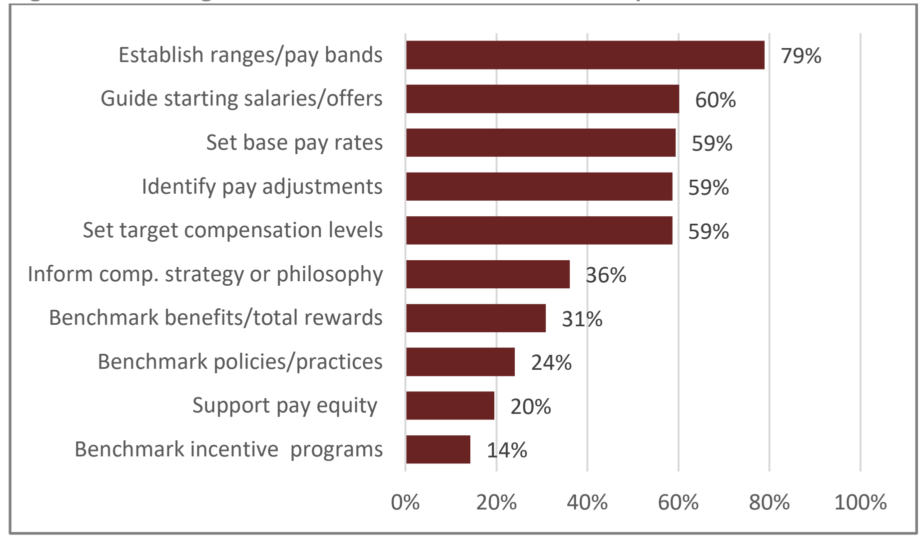
Figure 27: Roles For Which Market Data Is Used



How Organizations Use Market Data to Set Compensation

Most organizations use market data in multiple ways to guide compensation decisions. The most common applications are to establish salary ranges or pay bands (79%), set starting salaries or offers for new hires (60%), and determine base pay rates (59%). Many also use market data to identify pay adjustments for specific roles or groups (59%) and to set target compensation levels (59%). Beyond pay-setting, over one-third use market information to inform their overall compensation strategy or philosophy (36%), while fewer apply it to benchmark total rewards offerings (31%), compensation policies or practices (24%), or pay equity reviews (20%).

Figure 28: How Organizations Use Market Data to Set Compensation



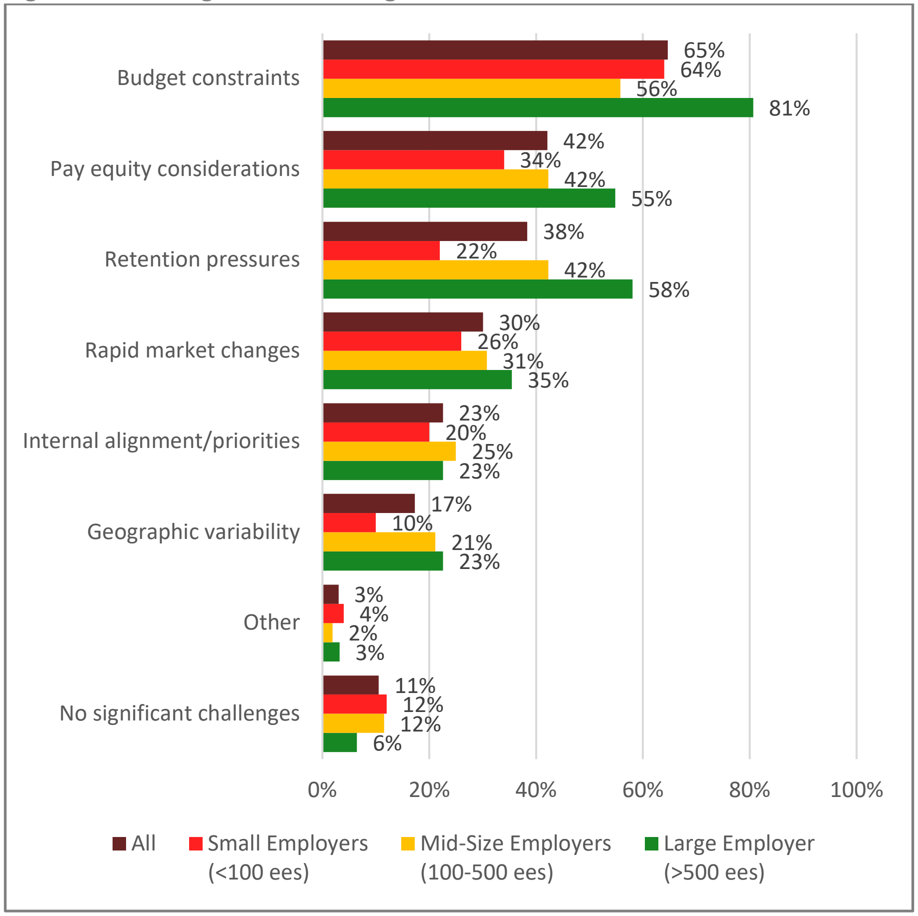
Differences by organization size reveal some patterns. Smaller employers are more likely to use market data for benefits benchmarking and to guide starting salaries, reflecting practical needs in competitive talent markets. Mid-sized employers rely heavily on market data to identify pay adjustments for specific roles, suggesting an emphasis on targeted corrections to maintain internal and external equity. Large organizations show strong consistency in using market data for structured pay frameworks, such as salary ranges and target levels, underscoring their focus on maintaining established compensation governance.

Challenges in Maintaining Desired Market Position

Budget constraints are the most common challenge organizations face in maintaining their desired market position, cited by 65% of respondents. Other frequently reported issues include pay equity considerations (42%), retention pressures (38%), and rapid market changes (30%). About one-quarter mention internal alignment or leadership priorities (23%) as a barrier, while geographic variability (17%) is a lesser but still relevant concern. Only 11% report no significant challenges, indicating that most organizations face at least some difficulty in keeping compensation aligned with the market.

Differences by organization size are notable. Larger employers are the most affected by budget constraints (8%) and also report higher challenges related to retention pressures (58%) and pay equity (55%). Mid-sized organizations cite similar but less severe challenges, while smaller employers are somewhat less impacted overall. The results suggest that as organizations grow, the complexity and cost of maintaining competitive pay structures increase, particularly in balancing affordability, internal equity, and retention objectives.

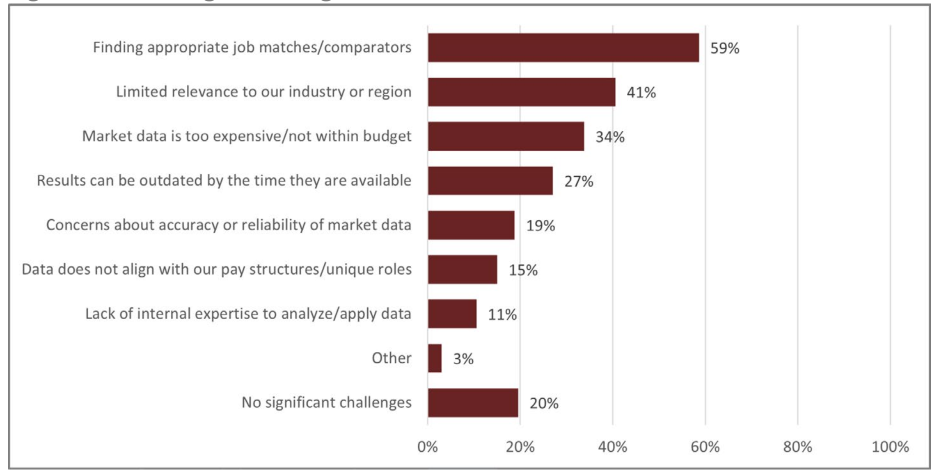
Figure 29: Challenges in Maintaining Desired Market Position



Challenges in Using External Market Data

The most common challenge organizations face when using external market data is finding appropriate job matches or comparators, reported by 59% of respondents. Many also cite the limited relevance of available data to their industry or region (41%) and cost concerns (34%). Other challenges include outdated data (27%), accuracy or reliability issues (19%), and data misalignment with unique roles or structures (15%). One in five organizations (20%) report no significant challenges, suggesting that while most employers experience some difficulty, these issues are not universal.

Figure 30: Challenges in Using External Market Data



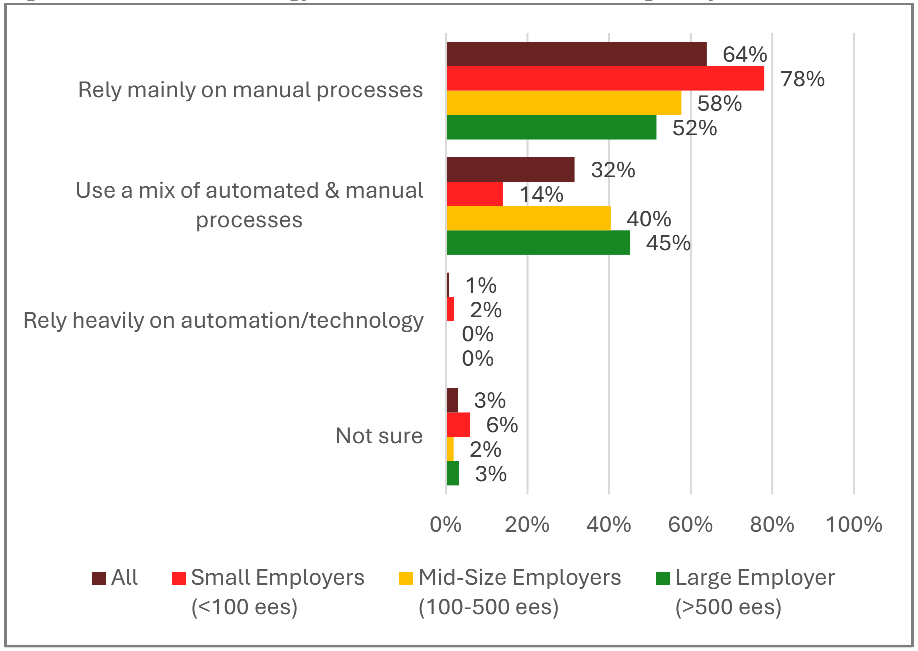
TECHNOLOGY & TOOLS

Use of Technology & Automation in Benchmarking & Pay Decisions

Most organizations (64%) rely mainly on manual processes to support benchmarking and pay decisions, while about one-third (32%) use a mix of automated and manual methods. Very few (1%) rely heavily on automation, and four percent are unsure of their approach. These findings indicate that technology adoption in compensation management remains limited, with most organizations continuing to depend on manual analysis and spreadsheet-based tools.

Differences by organization size show a clear trend. Smaller employers are the most reliant on manual processes (78%), while mid-sized (40%) and large organizations (45%) are more likely to blend automated tools with manual analysis. This pattern suggests that automation is more prevalent among organizations with greater resources and data complexity, but full automation remains rare across all employer sizes.

Figure 31: Use of Technology & Automation in Benchmarking & Pay Decisions

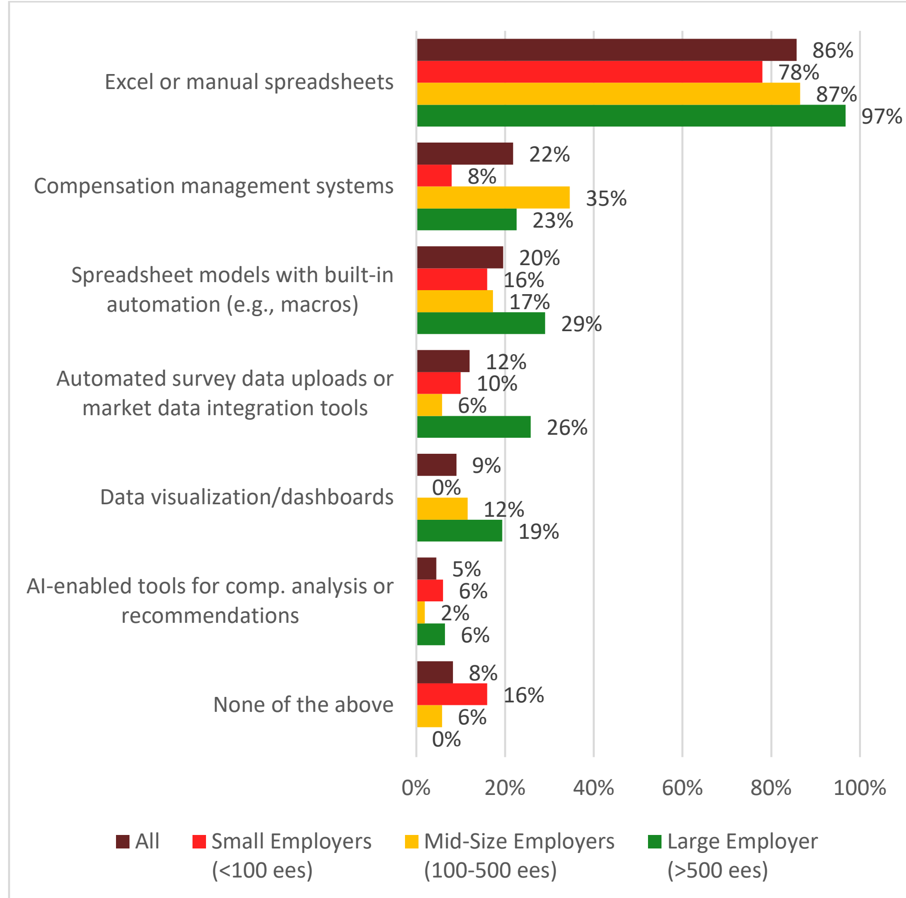


Technology & Tools Used in Compensation Management

Nearly all organizations (86%) continue to rely on Excel or manual spreadsheets to manage compensation data and benchmarking, underscoring the dominant role of manual analysis in compensation administration. A smaller proportion use compensation management systems (22%) or spreadsheet models with built-in automation, such as macros (20%). Only 12% have implemented automated survey data uploads or integration tools, and nine percent use data visualization or dashboard software. Very few (5%) report using AI-enabled tools for compensation analysis.

Differences by organization size are notable. Larger employers are more likely to use automated data integration tools (26%) and data visualization dashboards (19%), reflecting greater analytical capability and system maturity. Mid-sized employers show the highest use of compensation management systems (35%), while smaller organizations remain the most reliant on manual spreadsheets (78%). Overall, the findings suggest that while automation and advanced analytics are emerging, traditional spreadsheet-based methods remain the standard practice across most organizations.

Figure 32: Technology & Tools Used In Compensation Management

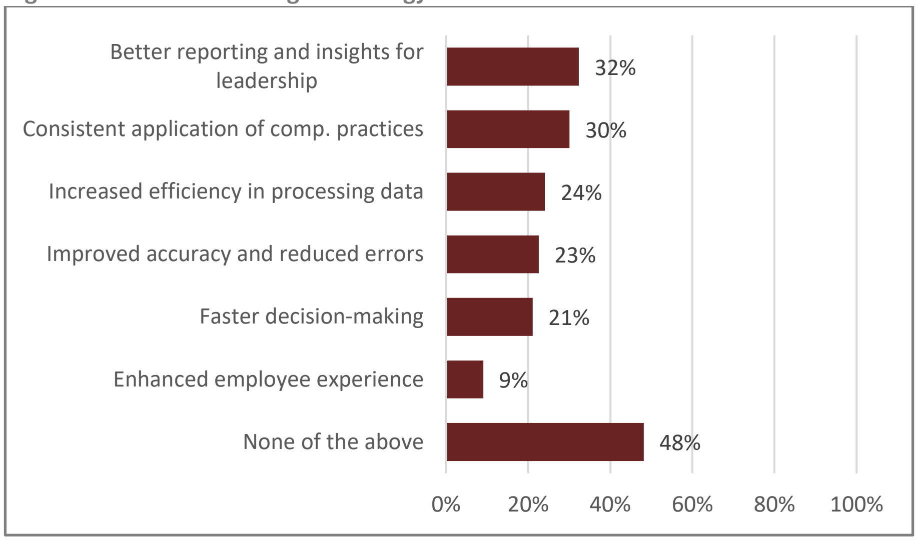


Benefits of Using Technology & Automation Tools

Nearly half of organizations report no significant benefits from using technology or automation tools to support compensation processes (48%), reflecting limited adoption and maturity in this area. Among those that have realized advantages, the most frequently cited benefits include better reporting and insights for leadership (32%), more consistent application of compensation practices (30%), and increased efficiency in processing data (24%). Others note improved accuracy (23%) and faster decision-making (21%). Few report a direct enhancement to the employee experience (9%).

Overall, the findings suggest that while some organizations are beginning to see tangible advantages from using technology in compensation management, most continue to operate primarily through manual or semi-automated processes, limiting their ability to capture the full potential of digital tools.

Figure 33: Benefits of Using Technology & Automation Tools

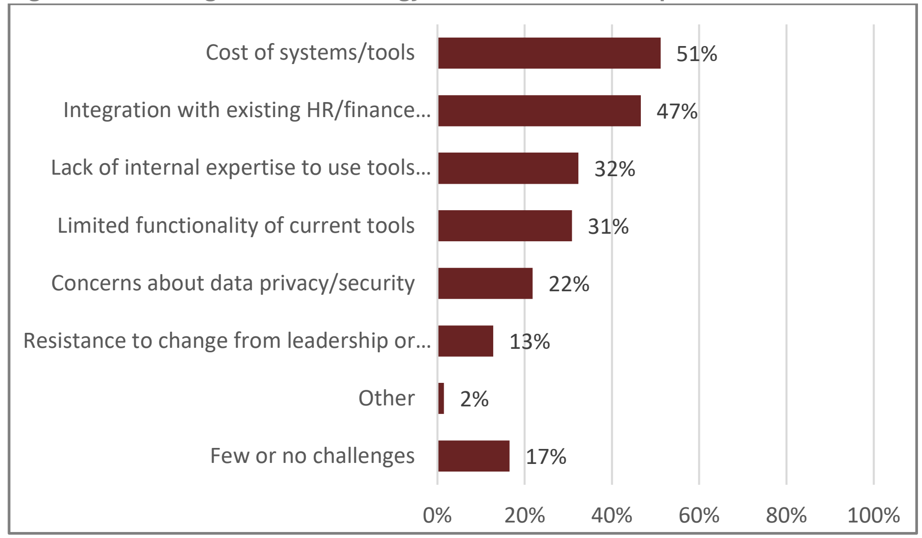


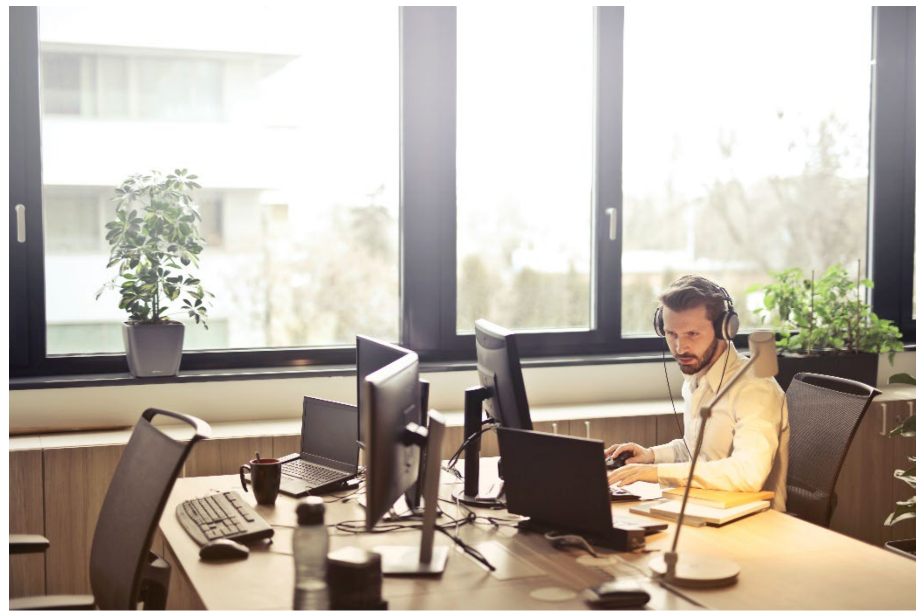
Challenges with Technology & Automation in Compensation Processes

Among organizations using technology or automation in compensation processes, the most common challenges are cost (51%) and integration with existing HR or finance systems (47%). Many also cite a lack of internal expertise to use tools effectively (32%) and the limited functionality of current systems (31%). Other issues include data privacy or security concerns (22%) and resistance to change from leadership or managers (13%). Only 17% report few or no challenges.

These results indicate that while automation offers potential benefits, implementation barriers, particularly cost, system compatibility, and technical capacity, continue to limit broader adoption. Addressing these challenges through better integration planning, training, and investment in scalable tools could help organizations achieve greater efficiency and consistency in compensation management.

Figure 34: Challenges with Technology & Automation in Compensation Processes





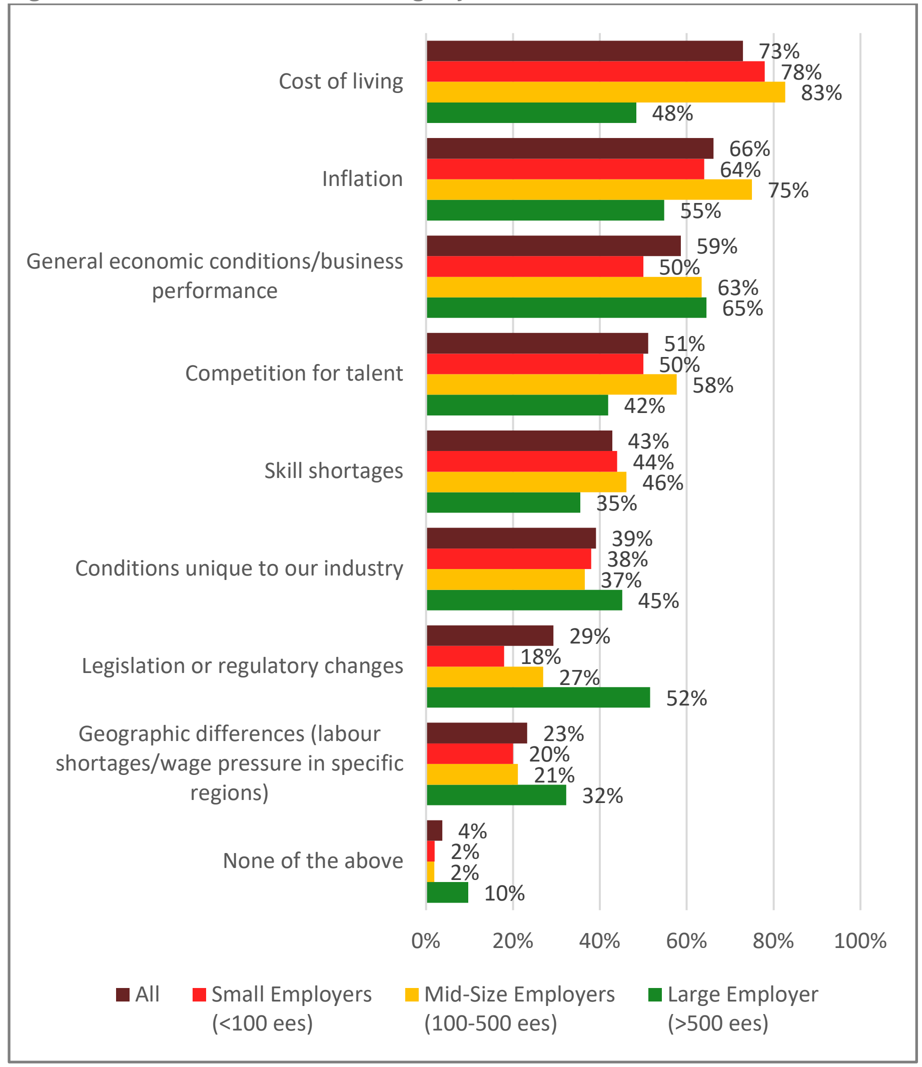
IMPACT OF EXTERNAL TRENDS

External Factors Influencing Adjustments to Market Position

Organizations most frequently adjust their market position in response to cost of living (73%), inflation (66%), and general economic conditions or business performance (59%). Competitive pressures are also significant, with competition for talent (51%) and skill shortages (43%) both cited as common drivers. Other influencing factors include industry-specific conditions (39%), legislative or regulatory changes (29%), and geographic differences in wage pressure (23%). Only four percent report that none of these external factors affect their market positioning.

Differences by organization size reveal clear trends. Smaller and mid-sized employers are more likely to adjust based on cost of living and inflation, reflecting their need to remain attractive in tighter local labour markets. Larger organizations, meanwhile, place greater emphasis on legislative or regulatory change (52%) and industry conditions (45%), consistent with their broader operational scope and compliance obligations. Overall, the findings confirm that both economic and talent market pressures are the primary forces shaping compensation positioning across Canadian employers.

Figure 35: External Factors Influencing Adjustments to Market Position

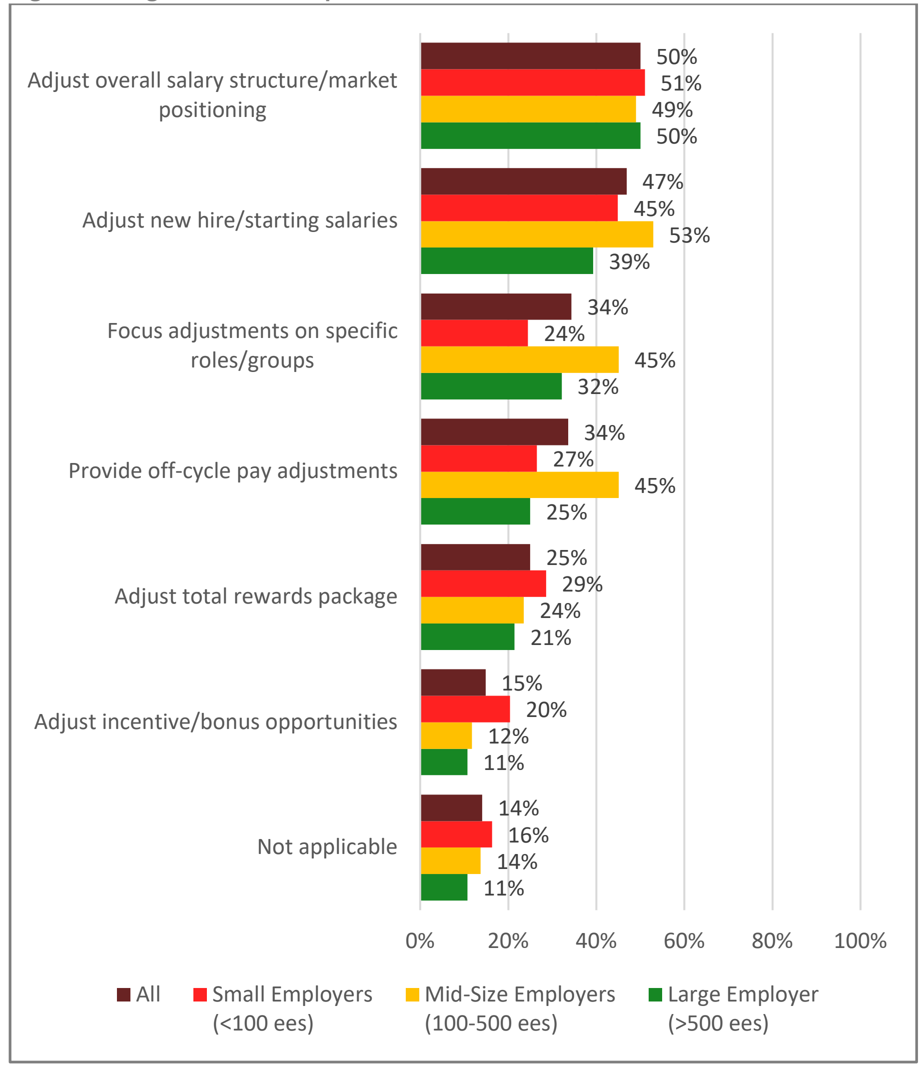


Organizational Responses to External Trends

When responding to external economic or labour market trends, organizations most commonly adjust overall salary structures or market positioning (50%) and increase new hire or starting salaries (47%). About one-third provide off-cycle pay adjustments (34%) or focus adjustments on specific roles or groups (34%), while one-quarter modify their total rewards package (25%). Only 15% of organizations report adjusting incentive or bonus opportunities, and 14% indicate they do not make adjustments based on external factors.

Differences by organization size highlight varying levels of responsiveness. Mid-sized employers are the most active in making off-cycle pay adjustments and targeted adjustments for specific roles, reflecting the need for flexibility in competitive labour markets. Smaller organizations show similar adjustment patterns but to a lesser extent, while large employers demonstrate a more balanced approach, maintaining structured reviews while selectively responding to specific pressures. Overall, the results suggest that most organizations take measured, targeted action rather than across-the-board pay changes when responding to market trends.

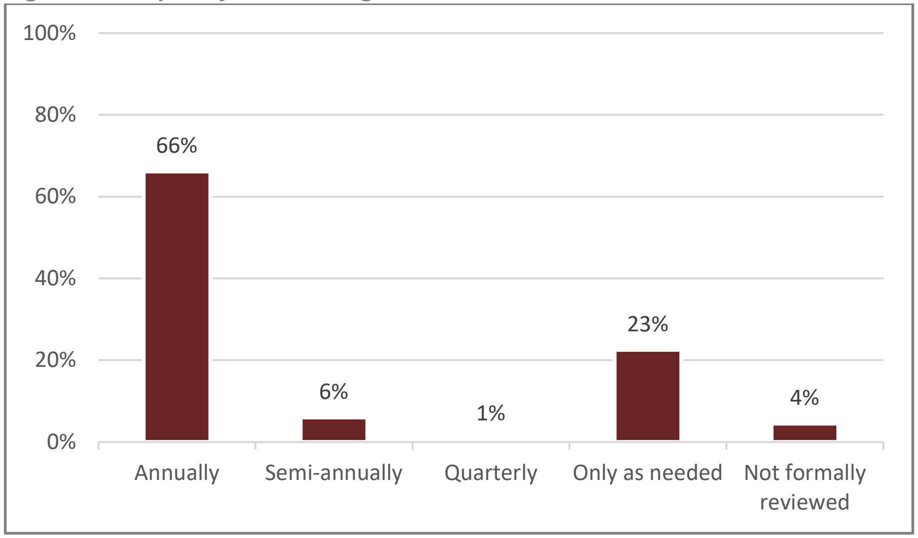
Figure 36: Organizational Response to External Trends



Frequency of Reviewing External Economic & Labour Market Trends

Most organizations (66%) review external economic and labour market trends annually, while nearly one-quarter (23%) do so only as needed. A smaller proportion conduct reviews semi-annually (6%) or quarterly (1%), and four percent report that such trends are not formally reviewed. These findings indicate that while most employers monitor market conditions regularly, few have adopted more frequent than annually or continuous review practices.

Figure 37: Frequency of Reviewing External Economic & Labour Market Trends



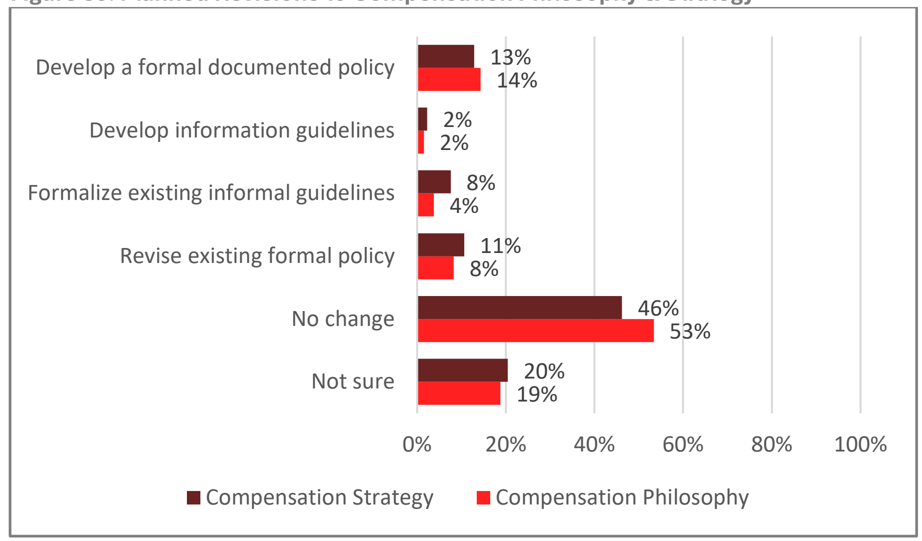
Differences by organization size are minimal. Small, mid-sized, and large employers all follow similar review patterns, with annual assessments being the standard approach. This consistency suggests that annual reviews remain the norm across organizations of all sizes, providing a balance between maintaining market awareness and managing administrative effort.

FUTURE PLANNING & INNOVATION

Planned Revisions to Compensation Philosophy & Strategy

Over half of organizations report no plans to revise their compensation philosophy (53%) or strategy (46%) within the next 12 months. Among those planning changes, 14% intend to develop a formal documented policy, while smaller proportions plan to formalize existing informal guidelines (4% to 8%) or revise current policies (8% to 11%). Only a few organizations are considering developing information guidelines (2%). Nineteen percent of respondents remain unsure about their plans.

Figure 38: Planned Revisions to Compensation Philosophy & Strategy

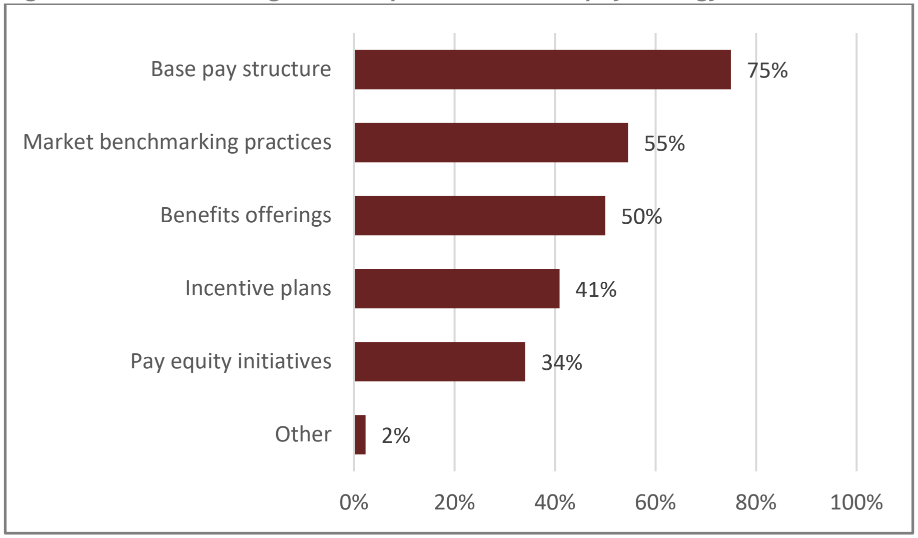


Differences by organization size show modest variation. Small and mid-sized employers are somewhat more likely to plan updates, particularly in formalizing or revising existing policies, while larger employers are more inclined to maintain their current frameworks. Overall, the results suggest that most organizations are maintaining stability in their compensation governance, with incremental rather than transformative changes expected in the near term.

Planned Changes to Compensation Philosophy or Strategy

Among organizations planning to revise their compensation philosophy or strategy in the next 12 months, most intend to focus on base pay structures (75%) and market benchmarking practices (55%). Half (50%) also plan to review or enhance their benefits offerings, while smaller proportions are considering updates to incentive plans (41%) or pay equity initiatives (34%).

Figure 39: Planned Changes to Compensation Philosophy Strategy

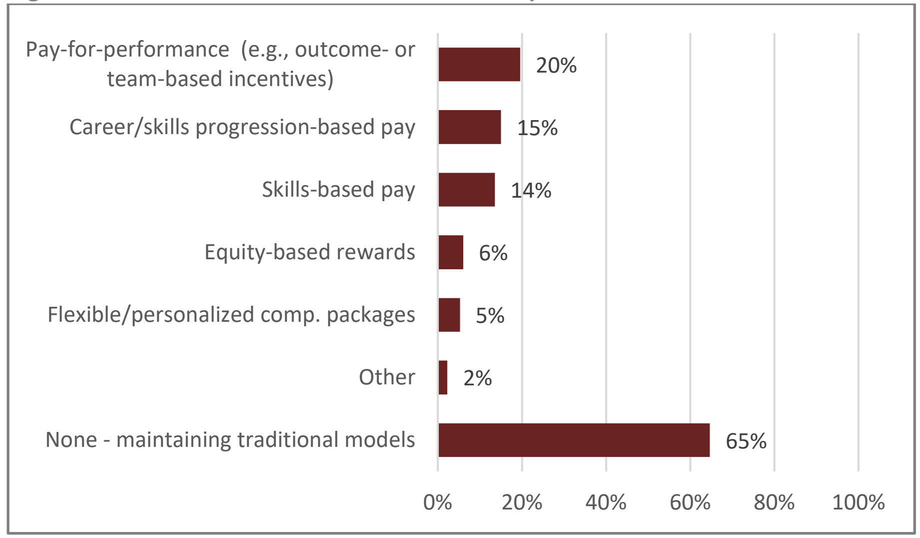


The results suggest that upcoming changes are aimed primarily at maintaining competitive pay positioning and ensuring internal alignment with evolving market conditions, rather than introducing entirely new compensation components.

Consideration of Non-Traditional Compensation Models

Most organizations (65%) report that they are maintaining traditional compensation models, with only a minority exploring alternative approaches. Among those considering change, the most common areas of interest are pay-for-performance beyond base salary (20%), such as team- or outcome-based incentives, and career or skills progression-based pay (15%). A smaller share are considering skills-based pay (14%), equity-based rewards (6%), or flexible, personalized compensation packages (5%).

Figure 40: Consideration of Non-Traditional Compensation Models



These results indicate that while there is growing awareness of non-traditional pay approaches, adoption remains limited. Most organizations continue to rely on established compensation frameworks, reflecting a preference for stability and predictability in how pay is structured and administered.

CONCLUSIONS & RECOMMENDATIONS

The survey findings show that while Canadian employers have made significant progress in formalizing and aligning their compensation frameworks, opportunities remain to enhance consistency, communication, and data-driven decision-making. Recommendation for employers to consider are summarized below.

- **Strengthen alignment and documentation.**
  Smaller and mid-sized employers can benefit from formalizing existing practices into documented philosophies and strategies to support consistent decision-making and transparency.
- **Improve communication and understanding.**
  Even when compensation frameworks are well-defined, many employees only moderately understand how pay is determined. Clear communication, especially through managers and performance discussions, remains a critical gap to address.
- **Enhance data capability and technology use.**
  Reliance on manual tools limits efficiency and accuracy. Investing in scalable systems, data integration, and internal expertise can improve governance and reporting while enabling more timely market adjustments.
- **Review competitiveness with agility.**
  Economic and market volatility underscores the need for regular review cycles and flexibility in responding to labour market shifts. Employers that maintain a disciplined yet adaptive approach will be best positioned to stay competitive.
- **Foster pay equity and transparency readiness.**
  As pay transparency expectations continue to rise, organizations should proactively review their pay practices and ensure their strategies can withstand increased scrutiny from employees, regulators and other stakeholders.

Together, these actions can help organizations move from reactive compensation management toward a more strategic, transparent, and data-informed model, one that aligns with both organizational goals and the evolving expectations of the workforce.

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