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How is your INCOME stacking up?

Check out the 2014 salary survey results

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$ALARY INCREASES

A HARDER CLIMB IN 2014

The 2014 EMC-PLANT salary survey shows overall compensation growth has stalled but some titles are anticipating increases.

BY JOE TERRETT, EDITOR

Manufacturers are watching their dollars and cents as they work through 2014. Although forecasts suggest improved economic conditions globally and domestically, and the loonie has finally dipped below parity (good for exporters), the still recovering European Union has been put on edge by Russian intrigue in the Ukraine while all eyes are on the US as entrepreneurs await the promised resurgence.

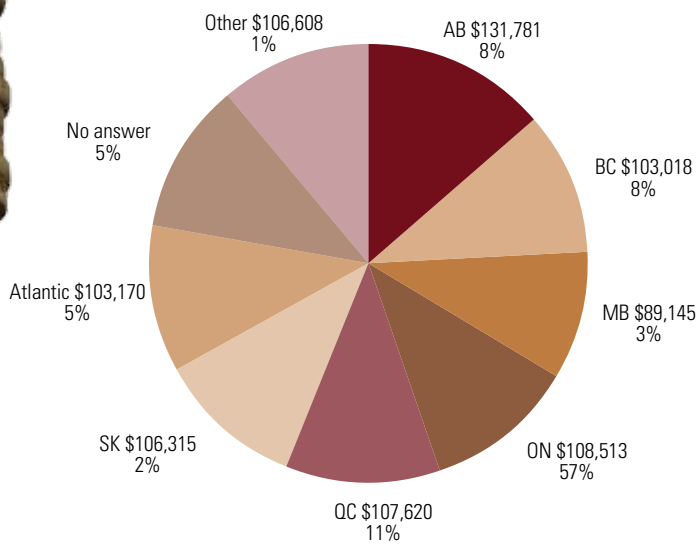
Meanwhile, management-level salaries appear to be on hold this year, according to the results of the third national salary benchmark survey conducted by the Excellence in Manufacturing Consortium (EMC), a not-for-profit organization based in Owen Sound, Ont., and **PLANT** magazine, a Glacier Media Business Information Group publication.

Average executive remuneration in a sector dominated by small and medium-sized enterprises (71% with 5 to 499 employees) will actually shrink after a better than anticipated year in 2013 when respondents' salaries increased 8.2%.

The average salary for all executive and management titles is $109,166, a 0.26% decrease over 2013 when the inflation rate was under 1%. Statistics Canada pegs the average weekly wage for all manufacturing titles so far this year at $1,003, or an annual $52,163, which is a 0.2% decrease over 2013.

The survey gathered a total of 1,734 re-

Salary by location
1,059 respondents



Salary by company revenue
1,059 respondents

Company revenue	2014	2013	2012	% replies
$1M to < $5M	$84,494	$84,274	$81,436	14%
$5M to < $10M	$103,307	$99,346	$94,735	12%
$10M to < $30M	$105,494	$108,915	$100,004	21%
$30M to < $50M	$142,601	$146,983	$135,302	10%
$50M to < $100M	$114,903	$109,222	$104,422	10%
$100M to < $250M	$124,873	$119,358	$110,347	8%
$250M to < $500M	$115,837	$112,666	$97,709	4%
$500M to < $1B	$116,140	$111,260	$106,460	4%
$1B plus	$120,366.27	$115,876.72	$112,406.67	6%
No answer	–	–	–	11%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

sponses from executives and managers who shared personal information about salaries and bonuses, and how their businesses are faring.

"There's a positive mood out there," says Al Diggins, EMC's president and general manager. "They're running as fast they can to keep up and they've learned a lot of lessons from the double-dip recession; that they can make other stuff with the same people and machinery, so there is a lot of diversifying going on…Companies are looking for other ways to do things and be successful."

Nonetheless, executives are viewing any perceived improvements cautiously. They are less optimistic about earning higher revenues (30% compared to 60% in 2013), but 57% intend to invest in new production equipment and processes over the next five years, 52% say they will hire new employees and 35% expect to add new lines of business.

Their major concerns are consistent with other surveys. Cost control tops the list at 55% of respondents, 39% identified skills issues, followed by capacity utilization and technology upgrades (both 28%) and reorganizing (25%).

"Payroll, taxes, the cost of administering legislative requirements and energy are driving manufacturers crazy. It takes a lot of resources to manage it all," says Diggins.

How is all of this managing translating into higher remuneration for some?

CEOs and presidents foresee a 4.8% increase this year after a 7% advance last year. Owners and partners are looking at 2.3% compared to 7.5% last year, which is a much better outcome than the 1.9% decrease the 2013 sample predicted. Vice-presidents are expecting a 5% boost compared to 4.3% last year, while plant managers will get a more modest 1.9% raise compared to the 5.4% they received in 2013.

Directors are experiencing feast and famine conditions. They fare the worst with a 14.6% drop in remuneration following a whopping 28.9% increase in 2013 (which last year's sample anticipated to be 17.5%).

Other titles that slid into the negatives include materials managers (-7.6%), other managers/supervisors (-2.1%), purchasing/supply managers (-10.5%), and safety managers (-3.4%).

About 30% of the surveyed firms are at least partly unionized. The average increase for unionized labour in manufacturing last year was 1.9%, according to Statistics Canada.

Their businesses cover a range of interests

based on the federal agency's categories from automotive to sophisticated electronics with 19% identifying their organizations as large (more than 500 employees) and the rest falling under the SME category.

Global conditions are positive

While most industries show salary increases, several recorded declines, including: beverage and tobacco; computer and electronics; electrical equipment; appliances and components; leather and allied products; miscellaneous manufacturing; motor vehicle body and trailer; and petroleum and coal.

Global conditions overall are looking pretty good. TD Economics is forecasting 3.4% growth this year, with better prospects for advanced economies. And unlike 2012, Canada's economic growth surged in the final quarter of 2013 by 2.9%, ending the year at 2% compared to the prognosticators' forecasts of 1.7%. The Bank of Canada is predicting 2.5% growth this year and in 2015. Meanwhile, inflation was below 1% for the year and currently running at 2% year-over-year as of May, while the Bank of Nova Scotia is pegging the loonie at below 90 cents through the end of 2015.

So why has executive/manager compensation stalled?

One reason may be uncertainty about where markets are going. That's the view from ground level at Canplas Industries Ltd., a manufacturer of injection moulded and thermoplastic products for the construction industry.

Steve Thompson, vice-president of manufacturing, sourcing and logistics, says much depends on "where the market is and where demand is going to go. Whatever the title, it falls back to products and where they are sold."

Bonuses and incentives
1,059 respondents

Average of Salary 2014	Bonus	% replies
$85,577	0	35%
$79,700	1-3%	11%
$89,694	4-5%	10%
$103,829	6-10%	15%
$129,238	11-15%	7%
$142,752	16-20%	6%
$207,115	20+	12%
No answer	–	4%
Total survey average	**$109,166**	**100%**

Industries served based on products
1,059 respondents

Industry	2014	2013	2012	% replies
Paper manufacturing	$150,542	$149,220	$124,710	3%
Textile product mills	$128,187	$108,900	$105,627	1%
Fabricated metal product	$125,506	$123,755	$118,841	18%
Primary metal	$123,228	$121,231	$114,909	2%
Plastics and rubber products	$120,545	$116,894	$111,614	8%
Aerospace product and parts	$118,818	$114,568	$112,444	2%
Transportation equipment	$115,911	$114,541	$109,094	2%
Petroleum and coal product	$115,823	$161,470	$101,368	2%
Chemical	$112,169	$111,819	$109,302	4%
Electrical equipment, appliance and component	$110,703	$116,603	$111,867	3%
Miscellaneous manufacturing	$110,702	$121,851	$89,602	4%
Motor vehicle	$105,585	$94,116	$88,683	1%
Machinery	$105,553	$103,026	$96,310	5%
Non-metallic mineral product	$104,047	$99,215	$93,674	1%
No answer	$102,984	$126,870	$92,942	5%
Printing and related support activities	$101,673	$97,885	$96,010	4%
Wood product	$100,750	$95,225	$92,795	5%
Other	$98,697	$96,850	$91,052	10%
Furniture and related product	$98,377	$96,666	$89,444	1%
Motor vehicle parts	$94,915	$87,521	$85,659	4%
Computer and electronic product	$93,279	$96,990	$95,495	2%
Durable goods industries	$92,905	$91,266	$87,255	1%
Food manufacturing	$91,746	$88,903	$85,087	10%
Beverage and tobacco product	$78,441	$83,515	$79,407	1%
No answer	–	–	–	5%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

The company, based in Barrie, Ont. with locations in Edmonton, Langley, BC and Denver, has experienced variable growth in volumes since 2009 and Thompson says they were down significantly coming out of the recession.

Canada didn't get too far into a drop in house building during the recession, but the US industry was decimated, going from what he described as an average of 2 million housing starts a year to about 550,000; way off the historical peaks and valleys.

In 2010, volume grew by double digits (but still short of pre-recession levels) as government infrastructure spending kicked in on both sides of the border, and it has taken a long time for housing construction to recover.

In 2011, the industry was impacted as a lot of government programs expired and the US went into a double-dip recession.

"It was a roller coaster trying to figure out what was going on," says Thompson, who notes they were gun-shy going into 2012, when growth was low. The next year volumes were on the way back up and this year, with federal programs winding down in Canada, they are looking for growth in the US. But 2014 didn't start out all that well thanks to a tough winter that delayed construction. "Guns were blazing" in May though and he expects volumes will be up.

However – and this relates to the survey results showing fewer executives are expecting revenues to grow– he says no one expects the US to boom.

Job satisfaction is high

What's driving the salaries that are increasing? Demand for talent is one factor. The survey's job satisfaction question got a 62% response for competitive salary and 52% for benefits.

Most (62%) report no change in employment status since the last survey while 22% note that they are working harder for their money. Although they hold the same job and salary, they've

Job titles
1,059 respondents

	2014	2013	2012	% replies
CEO/president	$249,019	$237,520	$221,266	6%
Vice-president	$159,622	$152,001	$145,688	7%
Owner/partner	$130,801	$127,832	$113,450	5%
Director	$123,962	$144,148	$111,840	6%
Plant manager	$106,974	$105,194	$99,841	15%
Materials manager	$106,436	$115,181	$112,643	2%
Engineer	$94,850	$92,378	$89,216	7%
Maintenance manager	$92,342	$88,667	$85,532	4%
Other managers, supervisors	$90,543	$92,454	$86,016	24%
Technician/technologist	$81,632	$79,819	$77,389	4%
Administrative management	$81,088	$78,125	$73,008	6%
Quality assurance manager	$79,617	$79,276	$76,361	4%
Safety manager	$79,521	$82,330	$78,736	3%
Purchasing/supply manager	$78,789	$88,079	$72,854	7%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

Education
1,059 respondents

	2014	2013	2012	% replies
University degree	$126,765	$128,446	$115,686	42%
Trade/technical diploma	$112,017	$115,664	$103,086	14%
CEGEP	$96,300	$89,954	$85,860	2%
College diploma	$90,714	$88,969	$86,543	26%
High school or less	$88,791	$87,321	$85,235	12%
No answer	–	–	–	4%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

Salary by experience
1,059 respondents

Years	2014	2013	2012	% replies
1 - 5	$76,255	$75,705	$67,287	5%
6 - 10	$86,745	$83,260	$78,730	8%
11 - 19	$100,958	$99,581	$90,933	22%
20 - 29	$110,320	$113,047	$103,376	31%
30 +	$131,222	$130,370	$121,339	27%
No answer	–	–	–	7%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

taken on more responsibility because of reduced staff. Most put work-life balance ahead of all other desired work conditions and 81% are satisfied with it (although they're averaging 47 hours per week on the job). CEOs and presidents log the most time at 53 hours, followed by owner/partners and vice-presidents (each 51) and plant managers (48).

But they're also very happy with their jobs overall (90%), job security (88%), vacation time (84%), benefits (76%) and compensation (77%).

Almost two thirds (61%) of the respondents reported a portion of their pay made up of bonuses and incentives with those showing the highest percentage (20% or more) averaging $207,115. Almost half (47.4%) of the respondents report perks or extras, such as profit sharing (48%), a vehicle of some kind (32%), other enticements (27%), access to private health care (10%), club memberships (9%) and stock options (9%).

Manufacturers are spending more money on benefits to acquire and retain employees, says Diggins. "This is helping to steady millennials who have a propensity for moving around."

"One of the trends we've seen over the past five years is self-directed plans where the employer allocates a specific dollar amount to each employee and they can spend it one whatever they chose to," says Scott McNeil-Smith, EMC's director of strategic planning and communications, and president at Canadian Manufacturing Network.

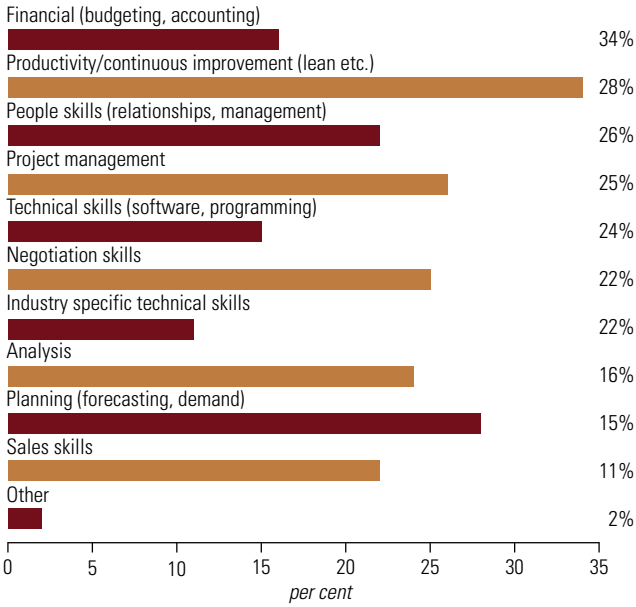
Salary by age
1,059 respondents

Age	2014	2013	2012	% replies
26-35	$80,242	$75,184	$69,130	8%
36-45	$100,735	$97,992	$92,201	23%
46-55	$111,242	$111,491	$102,780	40%
56-65	$114,848	$120,905	$108,979	23%
Over 65	$220,956	$212,190	$215,401	2%
No answer	–	–	–	4%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

Gender gap
1,059 respondents

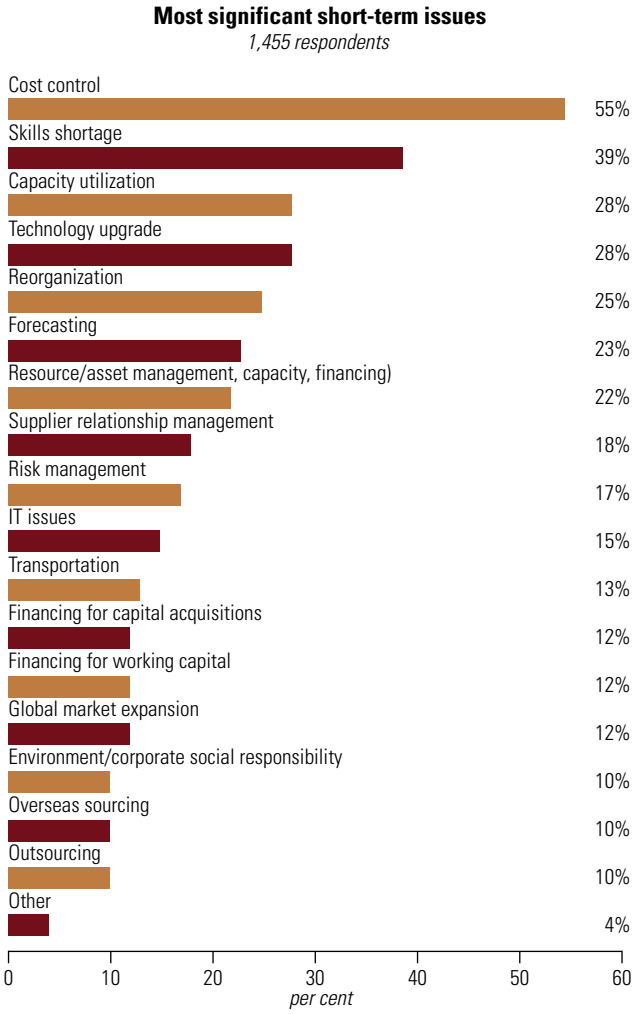
	2014	2013	2012	% replies
Female	$78,974	$81,767	$72,248	17%
Male	$115,497	$115,318	$107,029	78%
No answer	–	–	–	5%
Total survey average	**$109,166**	**$109,455**	**$101,197**	**100%**

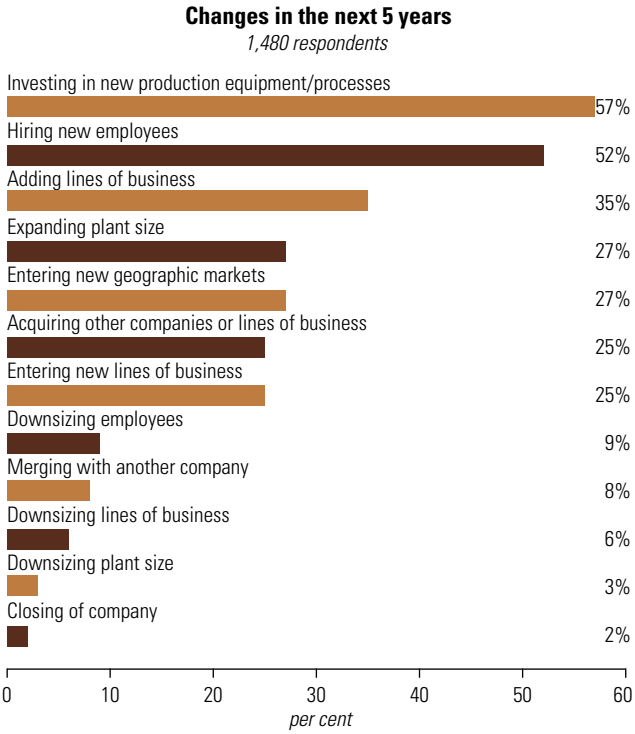
More training needed
1,734 respondents



Top three skills needed
1,162 respondents

	1st	2nd	3rd
People skills (interpersonal relationships, management)	41%	17%	13%
Industry specific technical skills	11%	10%	10%
Analysis	7%	10%	14%
Project management	7%	12%	11%
Productivity/continuous improvement (lean etc.)	7%	14%	19%
Financial (budgeting, accounting)	6%	6%	7%
Planning (forecasting, demand)	6%	10%	7%
Negotiation skills	4%	8%	7%
Sales skills	4%	5%	4%
Technical skills (software, programming)	4%	6%	5%





There are also new ways to look at bonuses and incentives. Diggins notes in Italy, many manufacturers have discarded tying bonuses to profit. Instead, they're tied to the reduction of waste, "and they are making more money."

Salary levels are affected by a variety of other factors, including company revenue, years of experience, education, the kind of industries served and gender (only 19% are female – and this year's sample reveals a 37.6% pay difference between the sexes).

Owners, senior executives, plant managers and materials managers top the $100,000 a year mark. CEOs and presidents are the highest earners averaging $249,019, followed by vice-presidents ($159,622), owners/partners ($130,801), directors ($123,963), plant managers ($106,974) and materials managers ($106,436).

Engineers average $94,850, maintenance managers $92,342, technicians/technologists $81,632, while many of the other categories, including administrative management, purchasing/supply management, quality managers, and safety managers, earn between $78,789 and $81,088. The "other" category, which covers various manager and supervisor roles that aren't on the main list, averaged $90,543.

Most of the respondents (72%) have a management role only in their companies, while 12% have an ownership stake as partners or minority owners.

The avergae Joe has been on the job 22 years, 14 at the same firm and 10 at the same job.

Forty-three per cent have a university degree, 28% have a college diploma, 14% a trade or technical diploma, 13% a high school education or less and 3% a CEGEP. University grads score the highest wage rate at $126,765, 13.2% ahead of the next best paid group, trade/technical school grads at $112,018.

Seventy per cent of the companies pay for educational courses, memberships in professional associations

(54%) and professional certification programs (45%).

Similar to last year's survey results, investing in the business is the highest priority for respondents over the next five years. Fifty-seven per cent will put money into new production equipment and processes, 52% will hire new employees, 35% are adding lines of business, 27% are expanding their plants and intend to enter new geographic markets, and 25% are entering new lines of business.

Asked about what skills they needed most to do their jobs, 41% of senior executives and managers cited people skills, followed by industry specific technical (11%) and way down the list there's a three-way tie at 7% for analysis, negotiation skills and productivity/continuous improvement.

What additional training do they need? Most cited financial (34%), productivity/continuous improvement (28%), people skills (26%), technical skills (24%) and industry-specific technical skills (22%).

Skills are mismatched

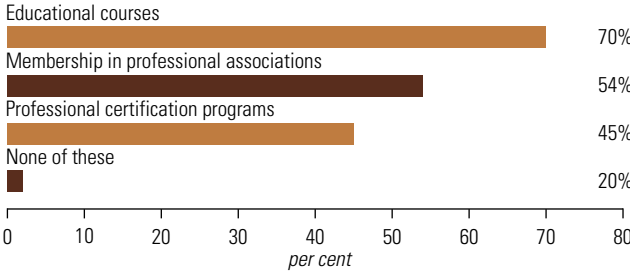
The EMC/**PLANT** survey results continue to serve as a reminder that manufacturing is short of skilled labour and the workforce is aging, which will exacerbate the problem. Most respondents (69%) are 46 to 65 or older. Of the total, 41% are 46 to 55, 25% are 56 to 65 and 3% are older. Just 8% are 26 to 35 and 23% are in the 36 to 45 group.

As noted in the 2013 survey, a significant number of experienced people will be leaving over the next decade. Although TD Economics issued a report last year, as have others, debunking the notion there is an imminent skills crisis, it does note mismatches across occupations and provinces. One of these is manufacturing, which impacts Ontario.

In a forward-looking report a year ago the Conference Board of Canada announced the province is losing out on as much as $24.3 billion in economic activity and $3.7 billion in tax revenues because employers can't find people with the right skills.

"We've seen this over three consecutive surveys, and we're seeing it in more granular detail in other areas as well," says McNeil-Smith. "There's a lot of debate about whether

What companies pay for
1,734 respondents



there is a skills shortage. Some argue there are lots of people available for work, but matching the skills to the needs of manufacturers is not there in many cases. The problem for some is extreme while others are trying to make do."

Canplas has about 10 skilled trades staff and one apprentice in Barrie, Ont. The company runs apprenticeship programs and uses market wage surveys to ensure pay rates are competitive to attract talent.

Thompson says there are a couple factors affecting the shortage/mismatch in manufacturing skilled trades: those who couldn't find jobs and have gone on to others things; and wavering commitment from schools and industry.

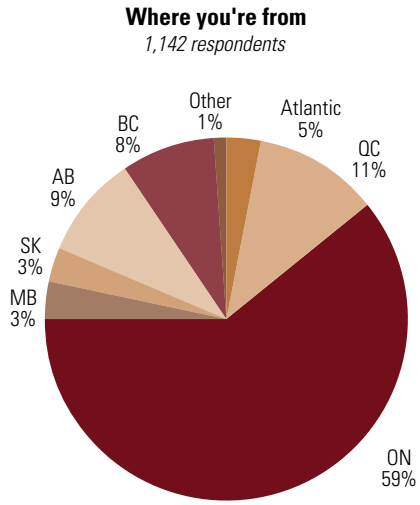
"Schools and colleges can't do skills training without support from business," says Thompson. That support includes 8,000 hours of training, mentoring, filling out apprentices' books.

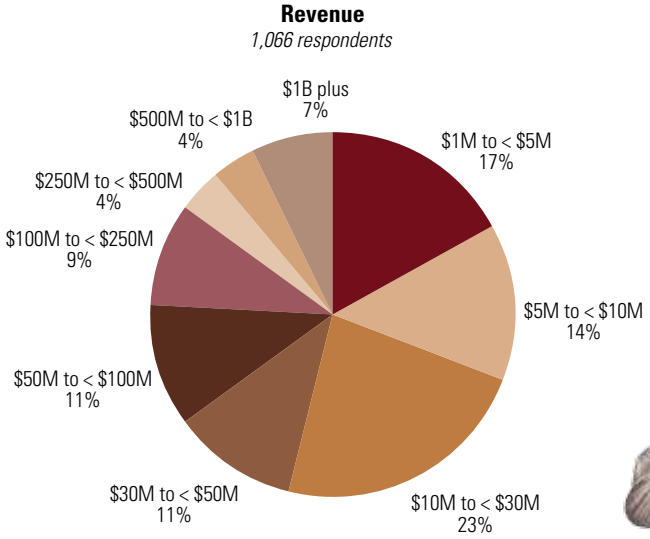
"I believe that a lot of industry was struggling to survive, and when you look at the cost of an apprentice program…we deferred it and just committed to another millwright apprentice in 2013."

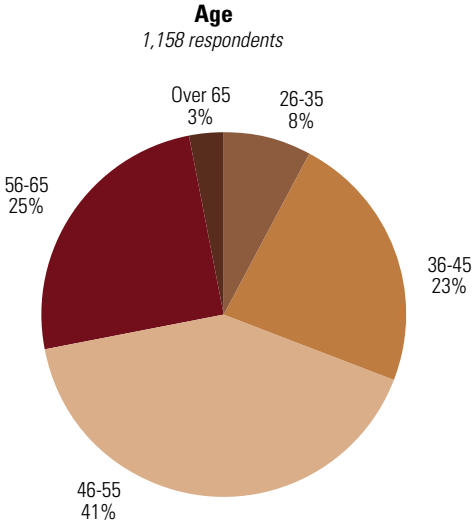
More interest in training

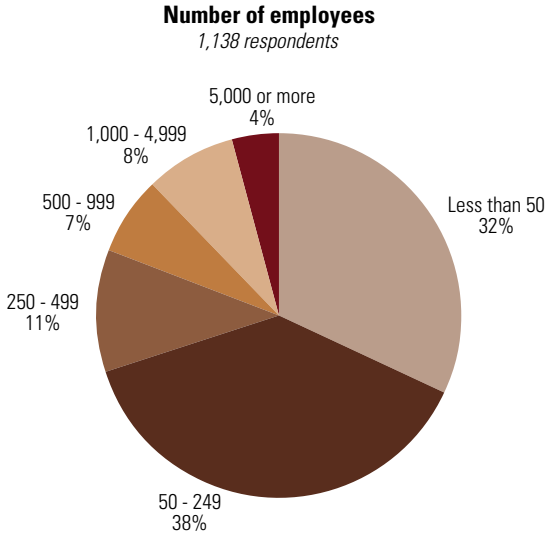
But there's another issue. A late 2012 labour report for the Wellington-Waterloo region in southwestern Ontario noted Conestoga College suspended several skilled programs related to manufacturing because of disinterest. Programs such as general machinist, tool and die maker and millwright have seen 45% to 65% fewer applications since 2008. One of the reasons cited is young people being told manufacturing is a dying industry, despite its growth in the region and employers who are desperate for people with the right skills.

When times are tough, often companies will cut training, among other things. "But some companies are doing quite an update; they rec-









ognize the need to do something and do it fast," says Diggins.

EMC is seeing more interest in its certification programs and the rapid delivery of training online, in addition to more traditional on site, classroom activities. It partners with Harvard Business Publishing to deliver a supervisory certificate program during the spring and fall. So far 100 people have completed it.

"A lot of those companies are very busy, and they have to more with less. That kind of training is essential to be successful," says McNeil-Smith. "They're also doing lean and productivity training, but cost is key – not having employees out of production while they are taking the training."

No question conditions are tough for manufacturers. Many EMC members have been wooed to move their operations to the US. But Diggins says plants are becoming a lot more efficient with highly knowledgeable and skilled workforces, which wouldn't be available in southern US states that are offering the attractive incentives. "We'll still have plant closures; that's a fact of life, but manufacturers are always looking for other ways to do things and be successful."

This entrepreneurial energy will eventually deliver greater certainty that will guide compensation levels in the years ahead.

Comments? E-mail jterrett@plant.ca.