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EXECUTIVE SALARIES

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COMPENSATION

YEAR OF THE VIRUS

EXECUTIVE SALARIES ARE HOLDING STEADY

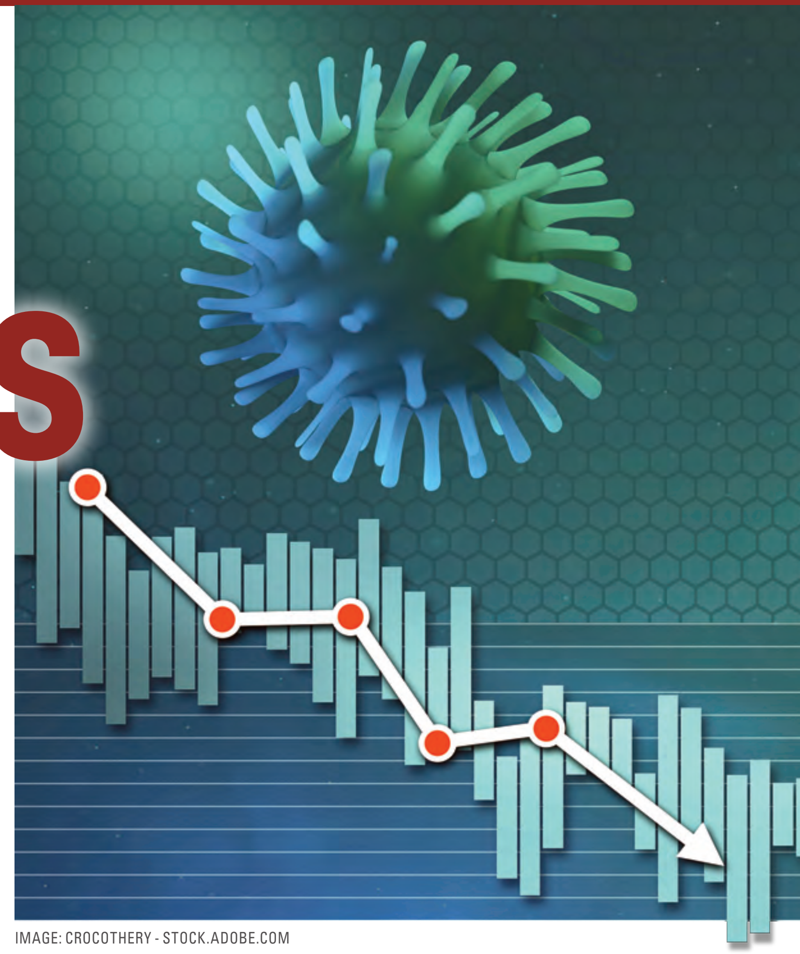


IMAGE: CROCOTHERY - STOCK.ADOBE.COM

The impact of COVID-19 fuels business uncertainty as manufacturers forge ahead.

BY JOE TERRETT, EDITOR

If it's not one thing, it's another. Into the fourth year of the Trump Follies and the US administration's various upsets to Canadian business and trade, with all the uncertainties they entailed, it was looking like conditions were settling down, at least a little, as 2020 began.

Tariffs on steel and aluminum were out of the way. As of January the US and China were attempting to cool a tariff war that was disrupting global trade flows. And with the NAFTA redo complete, Canada ratified what it's calling CUSMA (Canada US Mexico Agreement) on March 18 – but a week after the World Health Organization declared COVID-19 a pandemic. Boom!

It soon became evident as the number Canadian (and global) COVID-19 cases mounted, the country would be in lockdown, slowing economic activity to a crawl. Federal and provincial governments declared states of emergency and placed restrictions on civilian and business activities, and have continued with a gradual loosening starting in June.

For manufacturers, plagued by uncertainties since US President Donald Trump's antics began right after the 2016 US election, COVID-19 is shaping up to be a bigger calamity than the financial crisis/recession of 2008-09. Economic growth was soft in 2019 (1.9%) but disappears down a virus hole at a projected -6.8% this year, according to the federal government's latest fiscal snapshot.

This was the backdrop as the 2020 EMC-**PLANT** Manufacturing Salary Survey went into the field between March and May. This annual national benchmark study was conducted by **PLANT** Magazine, an Annex Business Media publication, and the Excellence in Manufacturing Consortium (EMC), a not-for-profit organization based in Owen Sound, Ont. EMC helps manufacturers achieve operational excellence.

A total of 766 executives and senior managers contributed to the study, 508 sharing personal information about what they're paid, bonuses and how their businesses are faring. Most of the respondents (77%) come from small and medium-sized enterprises.

When asked about pay, most representatives from executive and manager ranks reported increases that track slightly above inflation (1.95% in 2019, according to Statistics Canada and projected by the International Monetary Fund to be 0.6% this year) – some significantly more – while some saw decreases.

Each year's sample is different for a variety of reasons (employment churn, variances in bonuses, number of responses), so results don't always align with the previous year's unique group, but the responses do provide a general measure that will give you an idea how your compensation compares.

Business forecast

Are manufacturers feeling confident? As resilient as companies may be, COVID-19 has punched a hole in the business forecasts they were working toward when the year began and that pressure certainly had an impact on this year's final survey tally.

"COVID-19 has really been a bit of a moving target. What happened in March and April was a shock, a shutdown. We're in a different world now," says Jean-Pierre Giroux, EMC's president. "Moving into summer, we'll see how small and medium companies get through the hit. There's a lot of talk about a three- to four-month window for cash flow. That will be the real test in August, whether they still have a market."

Along with that is the US, which has been an unpredictable trading partner at the best of times under the Trump regime (at this writing, potential aluminum tariffs…again), but as most developed countries are seeing coronavirus numbers declining, America's are raging. The Canada-US border remained closed (so far, until Aug. 21) to non-essential travel and uncertainty prevails as companies speculate on how the situation will impact business.

"So much production relies on access to the US and the supply chains, ensuring those connections aren't disrupted becomes an issue," notes Scott McNeil-Smith, EMC's vice-president, manufacturing sector performance.

Little wonder respondents are less optimistic about earning higher revenues this year – 39% see improvement over 2019 revenues compared to 54% last year – and 35% are looking at a decrease from 2019 compared to 24% the year before who anticipated fewer sales.

Brighter side, McNeil-Smith

cites Statistics Canada's April manufacturing sales: $98.4 billion in unfilled orders. "That's almost three months of (April) sales, so manufacturers that have orders on the books can work through those and hopefully the impact (from the economic shutdown) will be short term."

Manufacturers caught a bit of a break when federal and provincial governments declared manufacturing essential and allowed companies to operate as restrictive measures were put in place for businesses and services declared nonessential. Nonetheless, there were closures, layoffs, cash flow problems, supply chain disruptions and workforce issues to deal with. Some companies shut down and there have been significant job losses. The federal government is helping with wage subsidies (CEWS) and interest free business loans (CEBA), while many companies have jumped on opportunities to produce protective gear, sanitizers, ventilators as well as other products geared to the new realities of the plant workspace.

Busy as they must have been, manufacturers who responded to the survey offered some valuable insights. This year's sample shows average remuneration across manufacturing (all categories) hasn't moved much. It rose 1.9% to $123,422 (compared to 3.5% from 2018 to 2019). Most respondents (48%) are making more than $110,000 a year and 70% project their compensation will increase over the next three years, most (39%) in the 1% to 3% inflation range; 15% in the 3% to 5% range; and 10% in the 5% to 10% range. Six per cent expect increases of more than 10% and 4% expect a decrease.

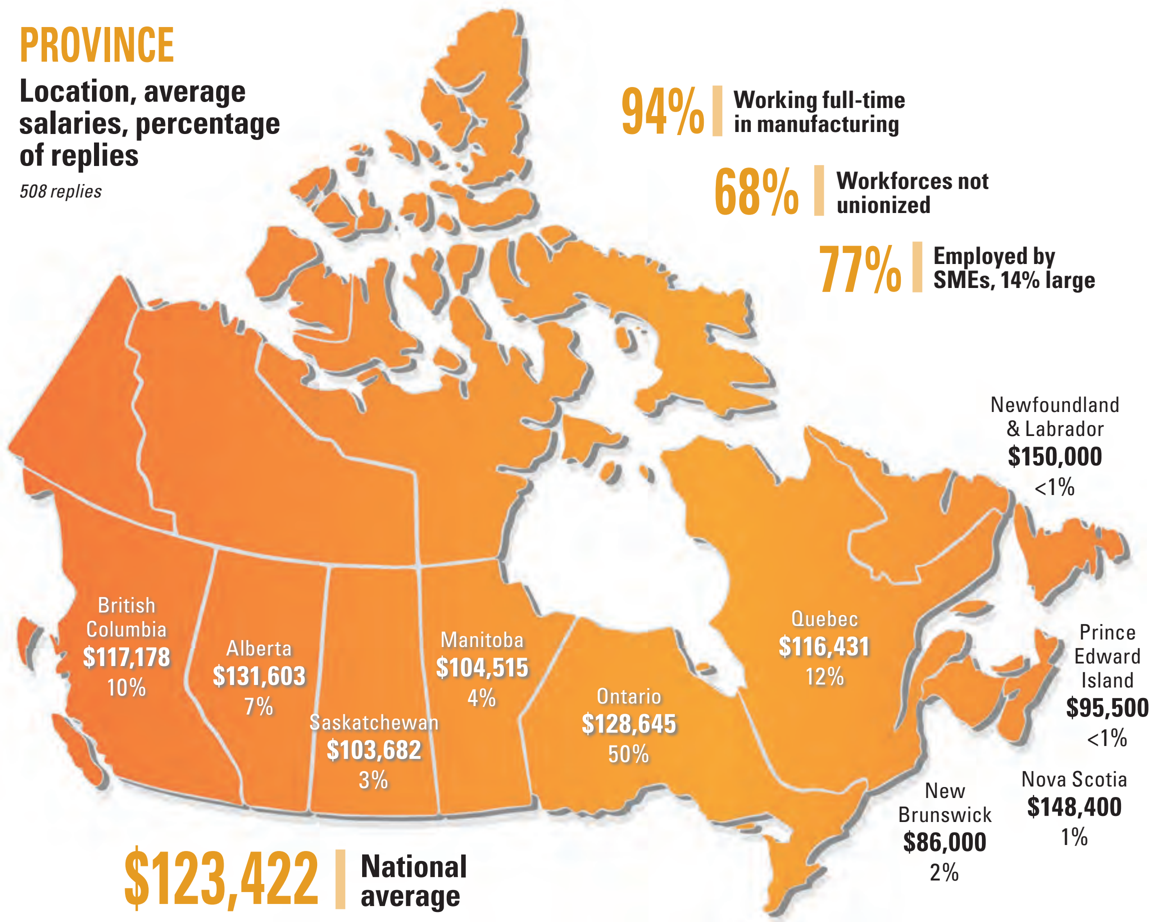
The survey also provides a profile of typical manufacturing leaders. They're overwhelmingly male (78% based on 506 replies), 64% are between 46 and 65 years of age; and 65% have management roles rather than ownership or partnership positions. The typical manufacturer has

Demographics

PROVINCE

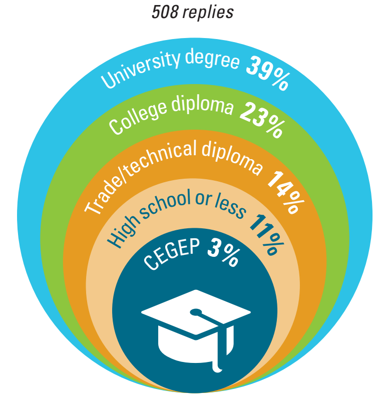
Location, average salaries, percentage of replies

508 replies



EDUCATION

508 replies



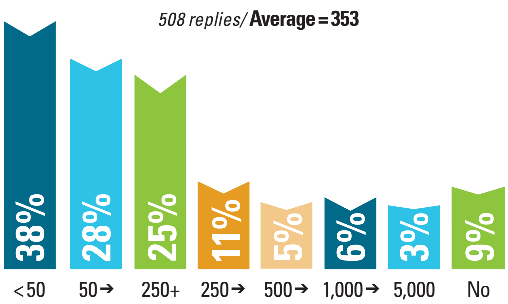
REVENUES

508 replies / **Average revenues $145M**

$1M → <$5M	22%
$5M → <$10M	13%
$10M → <$30M	19%
$30M → <$50M	6%
$50M → <$100M	10%
$100M → <$250M	7%
$250M → <$500M	4%
$500M → <$1B	4%
$1B plus	4%
Did not answer	11%

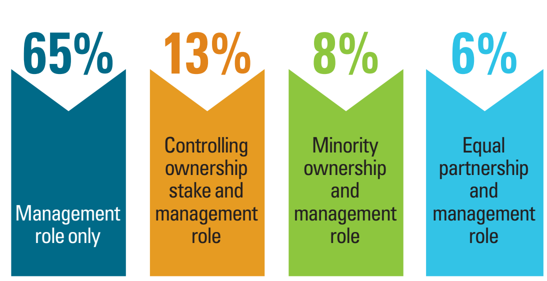
EMPLOYEES

508 replies/ **Average = 353**



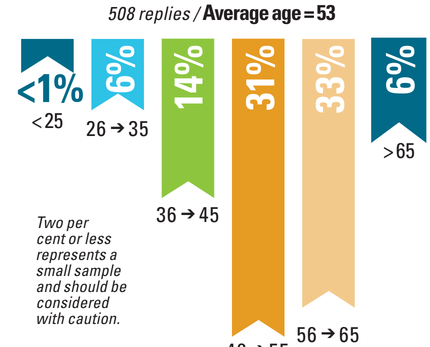
ROLE IN THE COMPANY

504 replies



AGE

508 replies / **Average age = 53**



Salary Comparisons

JOB TITLE

506 replies

	2020	2019	2018	%	Hours/ Week
Vice-president	$167,116	$168,997	$162,600	6%	52.3
CEO/President	$163,609	$152,615	$150,633	9%	52.5
Director	$142,347	$139,886	$133,270	8%	48.7
Owner/Partner	$132,807	$140,328	$127,639	14%	50
Plant manager	$130,908	$126,504	$121,755	9%	49.4
Maintenance manager	$128,895	$119,485	$133,014	6%	47.1
Purchasing/Supply manager	$118,424	$115,276	$109,124	4%	46.2
Plant engineering	$117,707	$112,867	$110,904	6%	47.4
Design engineering	$111,092	$108,271	$106,465	3%	44
Quality assurance manager	$104,546	$98,511	$91,616	4%	47.9
Logistics manager	$103,143	$93,186	$88,914	1%	48
Production/Operations manager	$101,532	$99,714	$97,559	12%	50
Technician/Technologist	$98,256	$96,106	$94,139	4%	40.3
Materials manager	$89,000	$93,583	$94,500	1%	47.6
Safety manager	$87,718	$81,582	$78,364	2%	44.4
Administrative management	$85,033	$84,209	$79,078	9%	46.1
Average	$123,422	$121,126	$116,889		48.5

No response from 1%. Two percent or less represents a small sample and should be considered with caution.

GENDER

506 replies

INDUSTRY

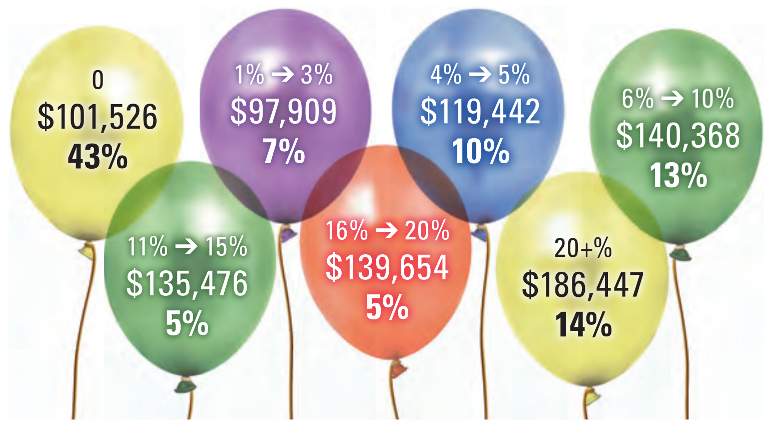
506 replies

	2020	2019	2018	% replies
Aerospace product and parts	$113,643	$113,929	$111,600	3%
Beverage and tobacco product	$78,000	$100,000	$100,000	<1%
Chemical	$149,578	$151,478	$156,922	2%
Clothing manufacturing	NA	[$71,380]	[$82,640]	1%
Computer and electronic product	$118,000	$111,124	$109,538	3%
Durable goods industries	$102,667	$101,433	$96,733	1%
Electrical equipment, appliance & component	$132,373	$116,364	$113,150	7%
Environmental	$149,333	$140,000	$130,333	1%
Fabricated metal product	$126,450	$131,417	$120,038	14%
Food manufacturing	$111,641	$106,674	$103,778	6%
Furniture and related product	$122,236	$132,427	$113,655	2%
Leather and allied product	NA	[$89,846]	[$87096]	1%
Life Sciences (such as Biopharma/ Pharmaceutical, medical devices)	$94,300	$89,200	$82,400	1%
Machinery	$109,733	$109,956	$102,754	5%
Miscellaneous manufacturing	$108,732	$104,271	$101,478	9%
Motor vehicle	$145,444	$138,667	$132,000	2%
Motor vehicle body and trailer	$112,700	$123,700	$113,500	1%
Motor vehicle parts	$141,805	$142,250	$142,760	3%
Non-durable goods industries	NA	[$100,500]	[$99,500]	<1%
Non-metallic mineral product	$213,817	$219,425	$196,600	1%
Paper manufacturing	$163,336	$150,100	$162,096	6%
Petroleum and coal product	$138,375	$148,000	$142,813	2%
Plastics and rubber products	$119,526	$118,169	$109,878	8%
Primary metal	$132,800	$132,133	$123,717	1%
Printing and related support activities	$91,067	$88,567	$86,100	6%
Railroad rolling stock	$135,000	$128,000	$124,000	<1%
Ship and boat building	$205,000	$149,000	$149,000	<1%
Textile mills	NA	[$224,033]	[$209,183]	1%
Textile product mills	$292,500	$256,500	$269,000	<1%
Transportation equipment	$96,400	$102,200	$91,400	1%
Wood product	$116,380	$113,240	$115,357	6%

No response from 10%. Two percent or less represents a small sample and should be considered with caution. Square brackets, last year's survey sample.

2020 BONUSES & INCENTIVES

506 respondents / No response from 4%



REVENUE

506 replies

	2020	2019	2018	%
$1M → <$5M	$90,606	$87,595	$84,656	22%
$5M → <$10M	$117,212	$120,723	$108,122	13%
$10M → <$30M	$129,036	$122,157	$117,119	19%
$30M → <$50M	$137,212	$133,021	$126,948	7%
$50M → <$100M	$126,419	$125,626	$122,249	10%
$100M → <$250M	$171,009	$166,770	$162,353	7%
$250M → <$500M	$135,095	$139,464	$138,541	4%
$500M → <$1B	$138,411	$132,819	$131,438	4%
$1B plus	$139,287	$143,041	$132,621	4%

No response from 11%. Two percent or less represents a small sample and should be considered with caution.

EDUCATION

506 replies

	2020	2019	2018	%
University degree	$134,757	$131,827	$123,697	39%
CEGEP	$129,429	$133,143	$119,714	3%
College diploma	$115,475	$112,863	$108,919	23%
Trade/technical diploma	$128,608	$123,107	$126,685	14%
High school or less	$93,886	$93,877	$95,634	11%

No response from 9%.

YEARS OF EXPERIENCE

506 replies

	2020	2019	2018	%
1 → 4 years	$134,545	$126,320	$117,568	2%
5 → 9 years	$107,451	$98,936	$91,129	7%
10 → 14 years	$103,386	$101,060	$94,851	9%
15 → 19 years	$119,878	$116,422	$115,376	7%
20 → 24 years	$115,687	$119,325	$114,030	17%
25 → 35 years	$126,391	$125,660	$119,199	39%
36+ years	$144,958	$137,172	$141,459	16%

No response from 2%. Two percent or less represents a small sample and should be considered with caution.

AGE

506 replies

	2020	2019	2018	%
Under 25	$65,500	$60,000	$55,000	<1%
26 → 35	$85,179	$79,499	$74,241	6%
36 → 45	$115,544	$114,367	$109,240	14%
46 → 55	$115,898	$112,704	$109,420	32%
56 → 65	$140,448	$140,369	$135,833	33%
Over 65	$132,560	$120,197	$117,794	6%

No response from 10%. Two per cent or less represents a small sample and should be considered with caution.

been in the business almost 26 years, 17 of those at his/her current company and 13 in the same job.

Breaking down age in more detail, 31% of respondents are 46 to 55, 33% are 56 to 65 and 6% are older. Fourteen per cent are in the 36 to 45 group and just 6% are 26 to 35. Under 25s account for less than 1% of the total.

Most respondents (60%) report no change to their employment situation, but 19% say more responsibilities have been added to their workload because of reduced staff, which is consistent with previous surveys. Most (36%) have a university degree that's likely a bachelor of arts (52%) and their average workweek is 47.3-hours.

Aside from those who have a management role only in their companies (65%), 13% have a controlling ownership stake, 6% are equal partners and 8% are minority owners.

Predictably, top executives and senior managers put in the most time. Vice-presidents average almost 51 hours per week; owners, partners, CEOs and presidents more than 50; plant production/operations managers 50; maintenance managers almost 50; plant managers and directors 49.

Decrease for owners

Owners and partners are taking less money out of their businesses for compensation. They show a decrease of 5.3% compared to a 9.9% increase last year. Vice-presidents are down 1.1% compared to a 3.9% increase last year. CEOs and presidents are ahead 7.2%, compared to 1.3% the previous year. Plant managers will get a 3.5% increase compared to the 3.9% they received in 2019. Directors are expecting 1.8% following a 5% increase last year.

Other management titles show maintenance managers with a 7.9% increase followed by quality assurance managers (6.1%), plant engineers (4.3%), purchasing/supply managers (2.7%), design engineers (2.6%), technicians/technologists (2.2%), production operations managers (1.8%) and administrative management (1.1%).

Results for logistics managers (10.7%), safety managers (7.1%) and material managers (-4.9%) are based on too small a sample and should be viewed with caution.

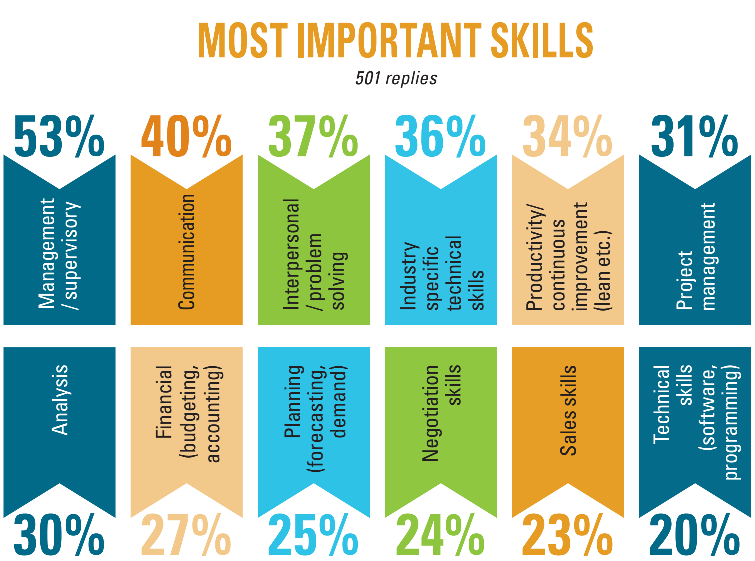
Seventy per cent of manufacturing executives are more optimistic about their prospects over the next three years. They foresee an average increase of 2.9%.

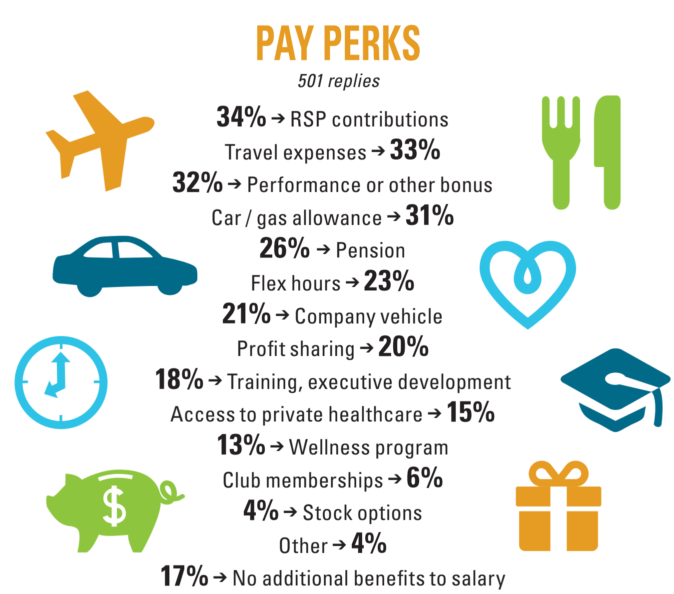
Thirty-nine per cent of respondents have a university degree, 23% have a college diploma, 14% a trade or technical diploma, 11% a high school education or less and 3% a CEGEP. Of those with degrees (385 respondents) most earned a Bachelor degree (42%), MBA (8%), other Masters (7%), PhD (1%) and professional designation (6%).

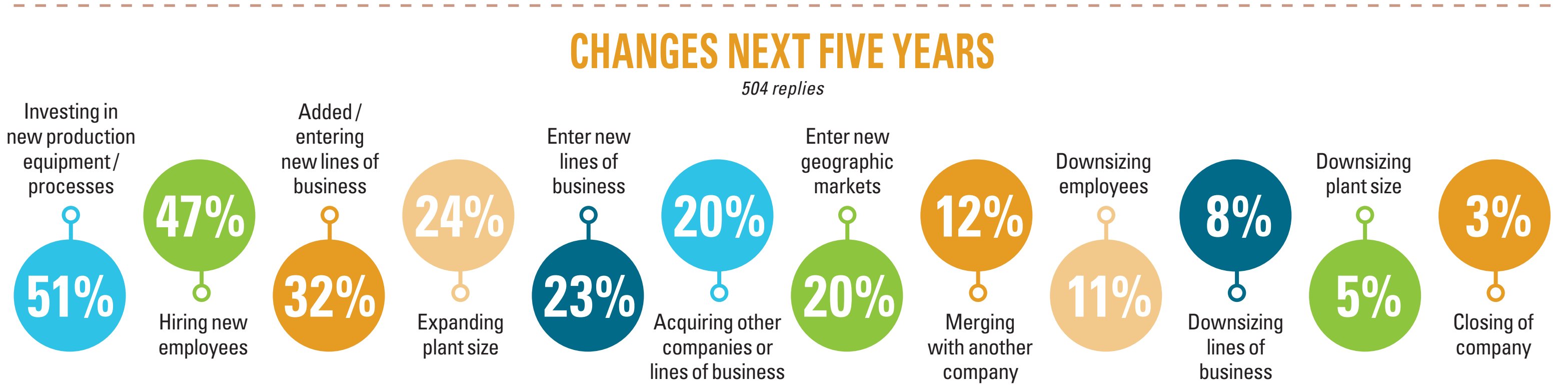
Higher education is good for income. University grads score the highest wage rate at $134,757, almost 4.1% ahead of the next best-paid group – college grads – at $129,429.

Owners, senior executives and senior managers top the $120,000 annual pay level. Vice-presidents are the highest earners averaging $167,116, followed by CEOs and presidents ($163,609), directors ($142,347), owners/partners ($132,807) and plant managers ($130,908). Fifty-three per cent of executives report bonuses and incentives as part of their pay, averaging 15%. Those showing the highest percentage (20% or more) are at a $186,447 pay level. Most are in the 6% to 10% range, with their pay averaging $140,368. There was no overtime pay for 90% but

Management Issues







those who did collect it averaged an extra 1.4%.

Of course, salary, benefits and perks help to keep key people engaged. McNeil-Smith doesn't anticipate too much change in compensation for executives and managers. Companies will continue to look at benefits packages with an eye on costs. Salaries will be guided by supply and demand, but generally continue to trend close to the cost of living.

Seventeen per cent get no perks or extras, but those who do cite RSP contributions (34%), travel expenses (33%), a car/gas allowance (31%), performance or other bonuses (32%), a car/gas allowance (31%), pension plans (26%), flex hours (23%), a company vehicle (21%) and profit sharing benefits (20%). Moving forward, some manufacturers will add working from home.

Almost two-thirds (60%) of the companies pay for educational courses, 49% cover memberships in professional associations and 43% pay for professional certification programs (but 26% don't pay for any of these).

Asked about what skills they need most to do their jobs, 53% of senior executives and managers cited management/supervisory, 40% identified communication followed by interpersonal problem solving (37%), industry-specific technical skills (36%) and project management (31%).

Skills in need of improvement are financial (32%), technical – software and programing (30%), followed by people skills, and productivity/continuous improvement (both 24%).

By the way, the skills shortage is still a top concern among executives and senior managers although it dropped to third place (43%) in this year's survey, behind COVID-19 (68%) and cost control (46%). No surprise the coronavirus has nosed its way into the first position. It may be settling down for now but until there's a vaccine business uncertainty will remain.

Traditional issues continue to be an ongoing concern, and they will reassert themselves when the virus runs its course, says McNeil-Smith.

Indeed, people shortages, whether its general labour or skilled trades are topping EMC's ManufacturingGPS (**www.emccanada.org/manufacturinggps**) tracking. The survey shows 51% will put money into new production equipment and processes, but 47% (high under the circumstances) intend to hire, while 32% are adding or entering new lines of business, and 24% are expanding their plants.

Lay-offs and hiring

National job losses through February to mid-April topped 3 million. Manufacturing showed some recovery (5.5%) from April to May that continued into June, but more than 236,500 jobs disappeared from May 2019 to May 2020, a decline of 13.5%.

EMC's monitoring of manufacturers shows about 30% indicating their intention to hire, while a lot of companies are anticipating lay-offs. The task, as Giroux sees it, is to match displaced workers with the manufacturers that are hiring by leveraging the group's local and regional connections. "That's very much part of EMC figuring out how to make the connection, ensure the proper onboarding and training, to quickly transition those people into a new job."

The pandemic has forced companies to adapt in ways that may carry on into the future. Temporary wage subsides are contributing to the people shortage as some workers feeling uncomfortable about being in a plant during the crisis are opting for the government cheque. The challenge for companies is to keep employees engaged. McNeil-Smith cites successful engagement initiatives that revolve around projects such as maintenance and continuous improvement.

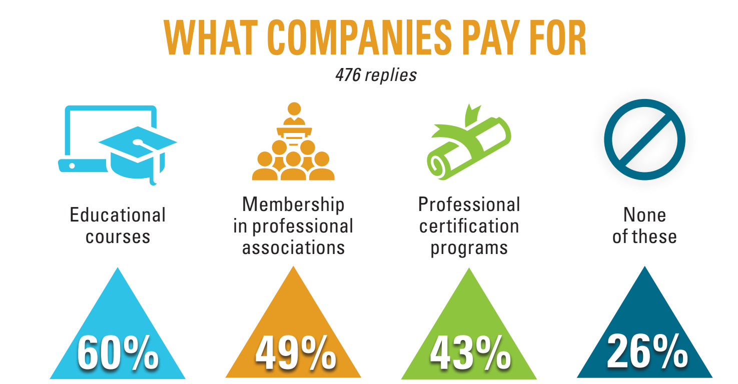
EMC opened up its Members Need Help (**www.emccanada.org/member-needs-help**) e-mail service to all manufacturers. Participants share insights and experiences, but a special COVID-19 section also offered current information, policies and procedures, assessments and communication tools.

"We got hundreds of companies that took advantage of the practical policies and tools that didn't come from consultants or government agencies, but direct from manufacturers," says Giroux. EMC is also looking at opening up Opportunity Alerts (**www.emccanada.org/opportunity-alerts**) to non-members for bidding and posting B2B opportunities.

Employee safety is the priority and companies have launched protocols that eliminate or limit visitors, conduct temperature checks of those who do enter the plant and activate technologies such as digital tags that alert team members when they're too close to others.

How employees are hired, onboarded and trained has also changed, and who would have thought shift supervisors managing teams from home?

Measures will certainly be necessary until vaccines are found and readily available. Will



these changes be transformational? In some ways.

EMC has offered online training/interaction for years, as well as in person sessions for initiatives such as continuous improvement, Six Sigma, lean and safety. In-person sessions were put on hold during the pandemic and some content is being adapted for online delivery.

Manufacturers are also turning to online channels for meetings, hiring, onboarding and training. COVID-19 has demonstrated there are opportunities for those in manufacturing to work from home.

"There has been a shift," says Preeti Dayal, senior business manager, manufacturing and supply chain, Hays Specialist Recruitment, Canada. "Most positions not working from home are doing so, except frontline people actually needed on the shop floor."

Others, such as supply chain and planning people, are also working from home, she says.

"Conventional thinking that if you're not here, you're not working, is gone." But she notes some managers find it difficult to manage a team remotely, especially when the people haven't met in person and have not established a personal relationship.

Another shift is hiring. "More hiring managers are open to remote interviews, which was unheard of before." And remote onboarding is "huge," she says.

Skills still short

Companies deemed not essential have held up hiring to curtail costs, but certain industries have actually picked up, such as food, where there is a serious shortage of candidates, she says. "That part is hot." But she's not seeing a lot of displaced workers from other industries accepted for food jobs.

She identifies ongoing shortages of skilled people such as millwrights and electricians, and there's a shortage of supply chain people that has put companies behind their deadlines for hiring. There's also demand for hourly workers. Some have not felt safe and have opted for federal assistance. Supervisors are also in high demand. "There's a huge backlog in warehouse, distribution logistics and transportation."

Senior planning jobs are still "very hot" for cost curtailment, demand planning, forecasting and supply planning. She says companies want to tighten up on how much stock to hold and inventory to keep. "A lot of things need to be planned differently now."

How do respondents feel about their employment? Job security ranks high for 59% followed by compensation (53%), a comprehensive benefits package (50%) and vacation time (49%). Forty-four percent are very satisfied with their job security, 35% with the job overall and 34% with their vacation time. Most respondents (70%) put work-life balance ahead of all other desired employment conditions, but only 30% are very satisfied with the level they have achieved.

With all the uncertainty and disruption to business plans, manufacturers are likely finding there aren't enough hours in the day, and that will be part of the "new normal" as the world contends with COVID-19. Uncertainty will continue until there are viable vaccines that can be produced in sufficient quantity. And who knows what the business-economic future holds? Currently, America's COVID-19 exposure is accelerating upwards, which doesn't bode well for an open US economy, or for reinvigorated trade across the border.

Executives and managers should brace themselves, satisfaction with work-life balance might be taking another hit.

Comments?
E-mail jterrett@plant.ca.

SALARY FEEDBACK

Executives and senior managers responding to the 2020 EMC-PLANT Manufacturing Salary Survey were invited to add comments about compensation issues and like last year's survey, their remarks covered a range of topics. Almost 91% of those commenting specifically on compensation level noted salaries were rising or static. Only 9% complained of decreases. COVID-19 was cited as a culprit. But there were also interesting observations about trends, incentives, skills and comments about current business conditions. Here are some of the almost 250 insights provided by respondents:

Trends

- Becoming more IT driven. More people in the industry with less knowledge about machinery and more about the computers that drive them.
- Manufacturing in Canada, Ontario especially, is getting tougher. It's becoming a do-more-for-less environment, slash costs, improve productivity, but no capital.
- There is a greater need for staff that understands how to link issues, analysis and the need for communication and a willingness to try new ideas when presented with a problem.
- Need to keep up to date with evolving technologies involving new software and automation, and migrate your organization towards world-class processes, such as continuous rolling forecasting.

Salaries

- Outsourcing has had a huge impact. If jobs start to flow back into the market, salaries will increase by at least 10%.
- Salaries continue to rise at an average of 3%; the cost of skilled labour is rising at up to 5% a year.
- Salaries are mainly based on company performance as a whole and personal performance goals are interrelated to the company goals.
- This company is conservative. Salary raises are kept low, but employees are kept as happy as possible, although our responsibilities have more than doubled. Employee turnaround is low. The production support department has only three employees and has remained that way for the last 15 years. Skills stay with one person. There is almost no cross training.

Attitudes

- Compensation expectations are inflated and suffer from an entitlement mentality rather than accomplishment and team dynamics. Interpersonal skills are diminishing quickly. Communication is becoming the weakest link in many organizations.
- Salaries need to be tied to the value that one brings to the organization. The only way to make more is to know more. Skills needed: able to see the big picture from multiple perspectives; open mind; willing to learn.
- The gap between executives and mid management is getting bigger. Now managing a plant is more about the financial aspect than productivity itself.

Skills

- Hard to find reliable workers. Skills can be taught, however the workers must be willing to show up to work.
- I feel there is a higher demand for a wider range of all skills rather than being focused on a specialty. Salaries seem to be keeping pace in our industry.
- The field is evolving. We get a lot of engineering applicants but not many with skills needed to hit the ground running.

Incentives

- Salaries have plateaued, extra compensation/perks are being cut back as things slow down and I don't think they will come back.
- Not getting much for yearly increases. Profit sharing is always the same no matter what happens during the quarter.
- We used to have an evenly distributed profit sharing program. Salaries evolved to be based more on merit and hard work. This is much better for encouraging a better work ethic.