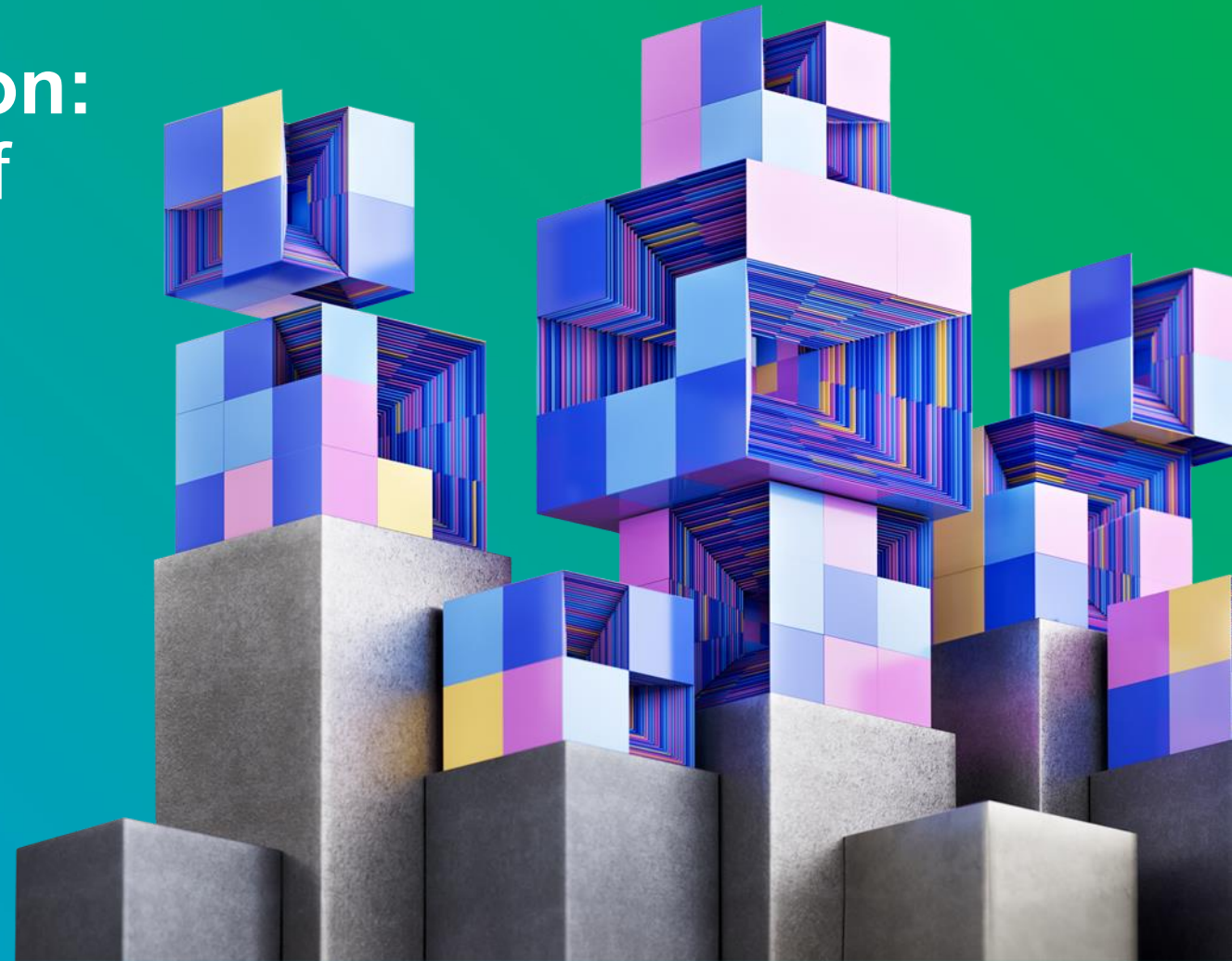


Competing On Compensation: Unintended Consequences Of Competing On Pay In A Fast Moving, Skills Driven, Transparent, Environment

October 2025
Liz Elliott, Mercer
Jenn Kwong, Mercer

A business of Marsh McLennan



Today's Presenters



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What happens when the hiring environment changes?

As Canada's tech industry continues to mature we are experiencing economic cycles, government policies and shifting landscapes that challenge how we compensate and incent our employees. All in the midst of a new transparent environment that pressure tests our internal structures, processes and programs. In this session, Mercer's Liz Elliott and Jennifer Kwong contrast the current state of tech against other industries that have precedent undergoing significant shifts. We will highlight examples of resilience, hard decisions and innovation that drive strength through change and discuss unintended consequences that we only saw in hindsight.

The discussion will be fueled by data, including Mercer's salary planning forecasts going into 2026 and a summary of this year's hottest jobs.

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Compensation Trends
Canada and US

2

Unintended
Consequences

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Questions

Agenda

Compensation Trends

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Technology Industry Trends



The high demand for critical tech skills continues despite layoffs, as tech employers and non-traditional tech companies vie for the same talent.



Compensation increases including mid year increases are settling out and becoming more focused on crucial and hard to find skills.



Tech companies lead other industries in the development of global pay transparency strategies as they brace for the EU Pay Transparency Directive and potential similar future regulations in APAC.



Job security and the ability to cover monthly expense continue to spur financial well-being and mental health needs.



Employees want workplace flexibility with hybrid employees reporting the highest level of engagement.



Government scrutiny is marked by an enhanced focus on digital infrastructure, strict controls on mergers, more rigorous antitrust enforcement, AI, data privacy, and cybersecurity.

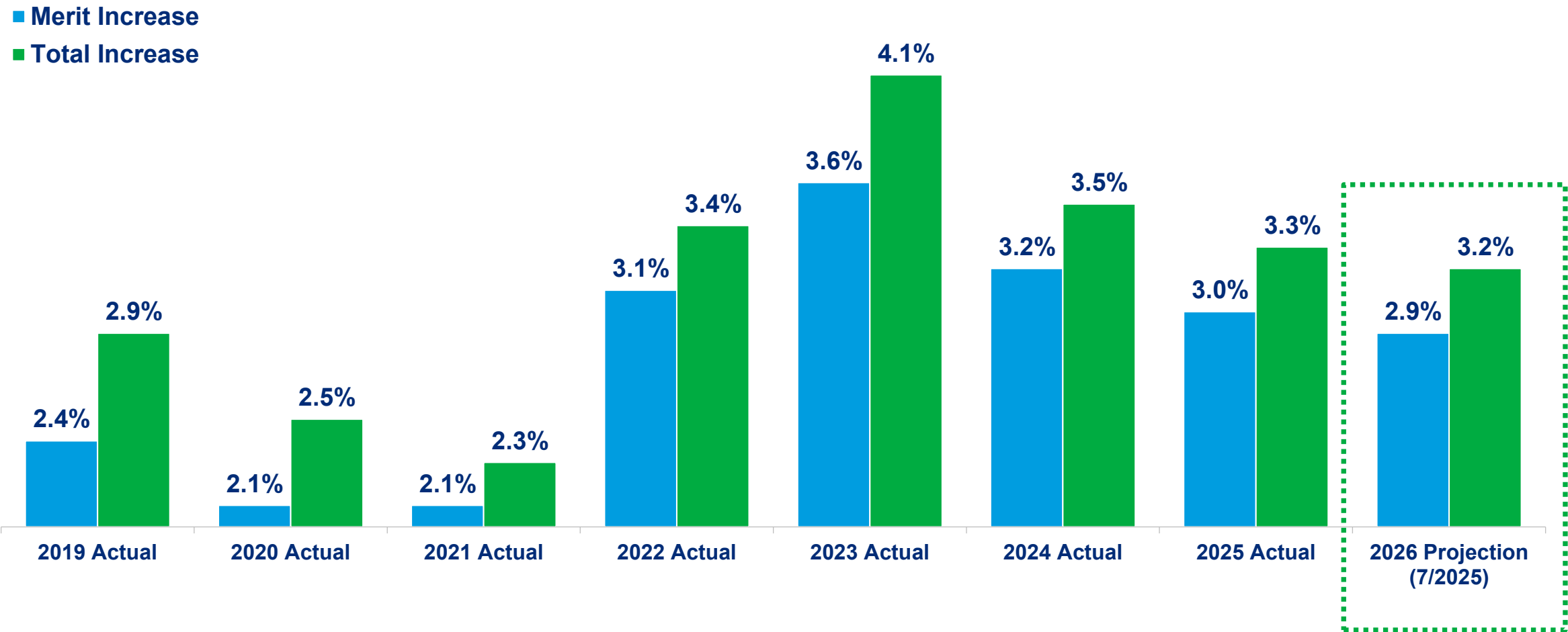


Public perception of AI displacing jobs is a story line that may have political implications for pace of growth and adoption.



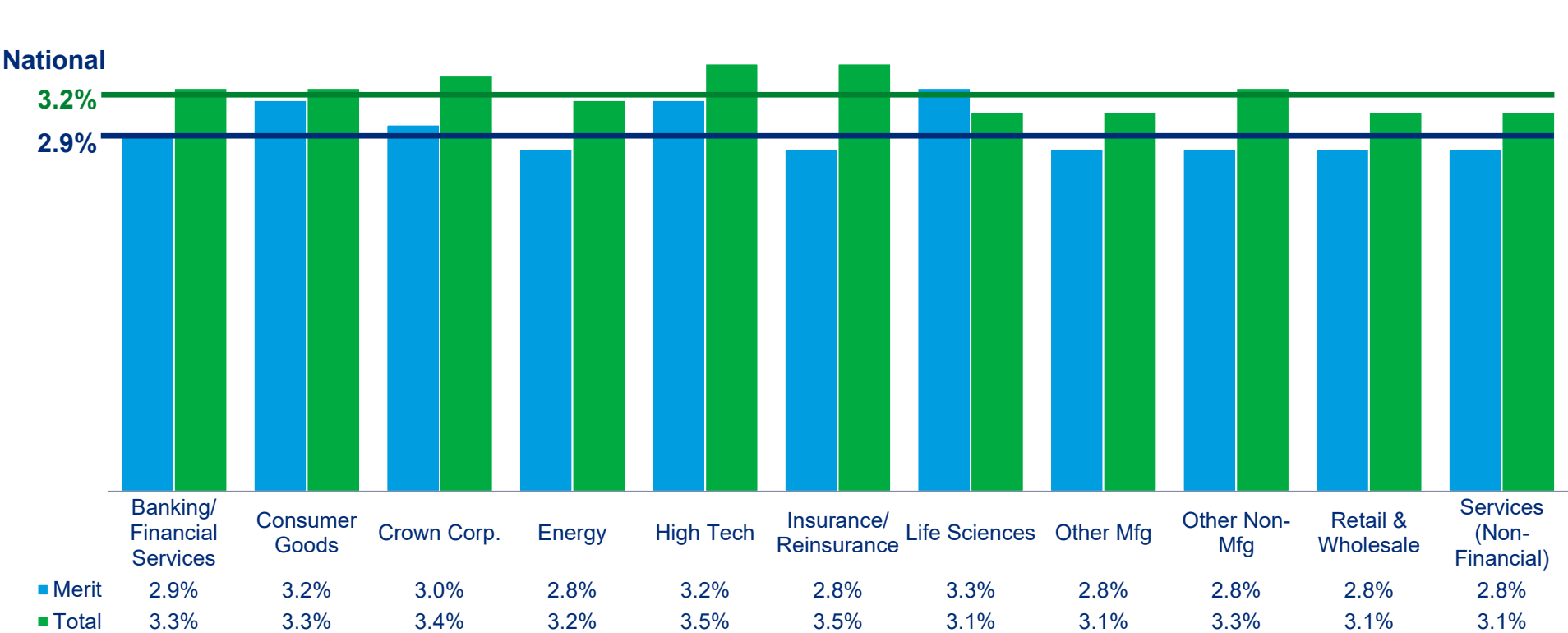
Canada Wide – Cross Industry Compensation Budget Forecasts

Merit and Total Increase (Including Freezes)



Minor Variations by Industry

2026 Projected Merit and Total Salary Increase Averages



**High Tech &
Insurance**
have the highest
total increase
budgets at 3.5%

4 M

Incumbents

26.5K

Incumbents

900+

Subscribers

206

Organizations

114+

Countries

98

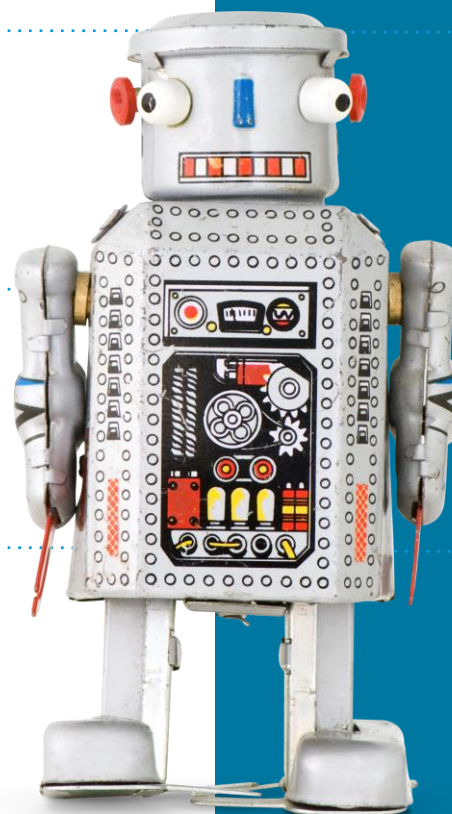
Median Number of FTEs

4

Data Updates Per Year

240

Reportable Jobs



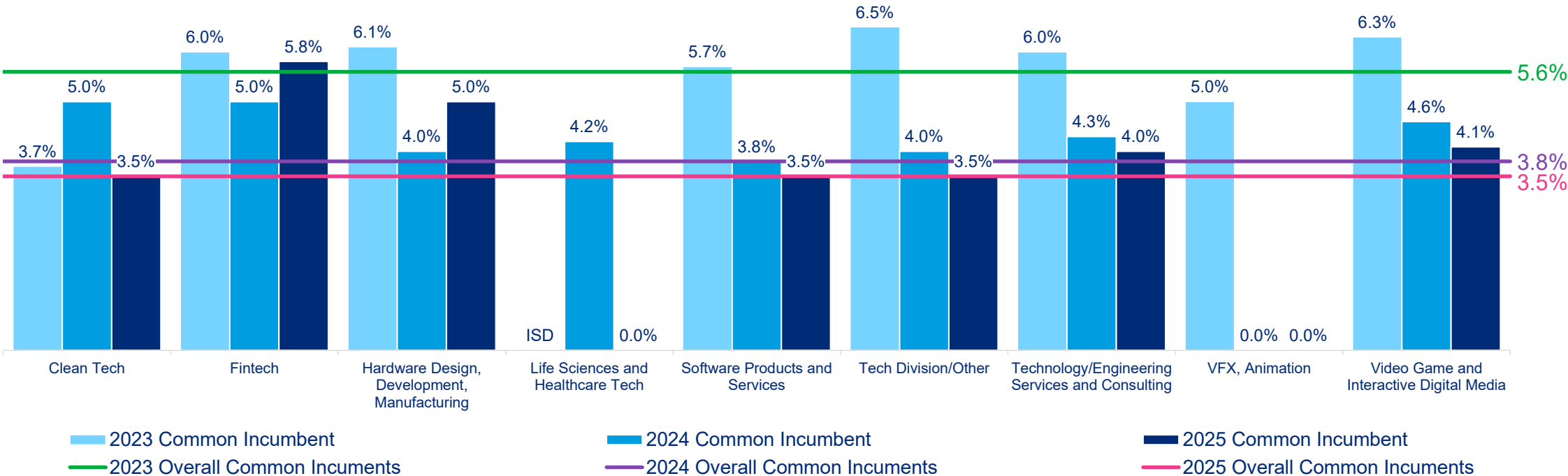
Canada Tech Sector Actual Year Over Year Salary Movement

3.5%

Median Salary Increase for employees at the same company in the same job YOY

In 2025 we saw 3.5% actual increase which aligned with forecasted budgets at 3.5% – the result of reduced reliance on off-cycle pay increases.

Year over year median base salary % change by industry



ISD = Insufficient Data

Hot and Cold Jobs, Base Salary Increase

Top 10 jobs Same employee, same company yoy median base salary increase

Product Marketing Manager - Intermediate	7.2%
Data Scientist - Entry	7.1%
User Experience (UX) Researcher	6.3%
Recruiter - Intermediate	6.2%
Technical Customer Support Manager	5.8%
Creative Director	5.3%
Technician B - Intermediate	5.2%
2D/3D Concept Artist - Senior/Lead	5.0%
Assembler B - Senior/Lead	5.0%
Hardware/Electrical Engineer - Fully Competent	5.0%

Note: Represents the same organizations participating in the survey two years in row, matching the same employees to the same job year over year.

Jobs with fewer than 10 organizations in the sample were excluded.

Jobs in the Executive / Corporate job family were excluded.

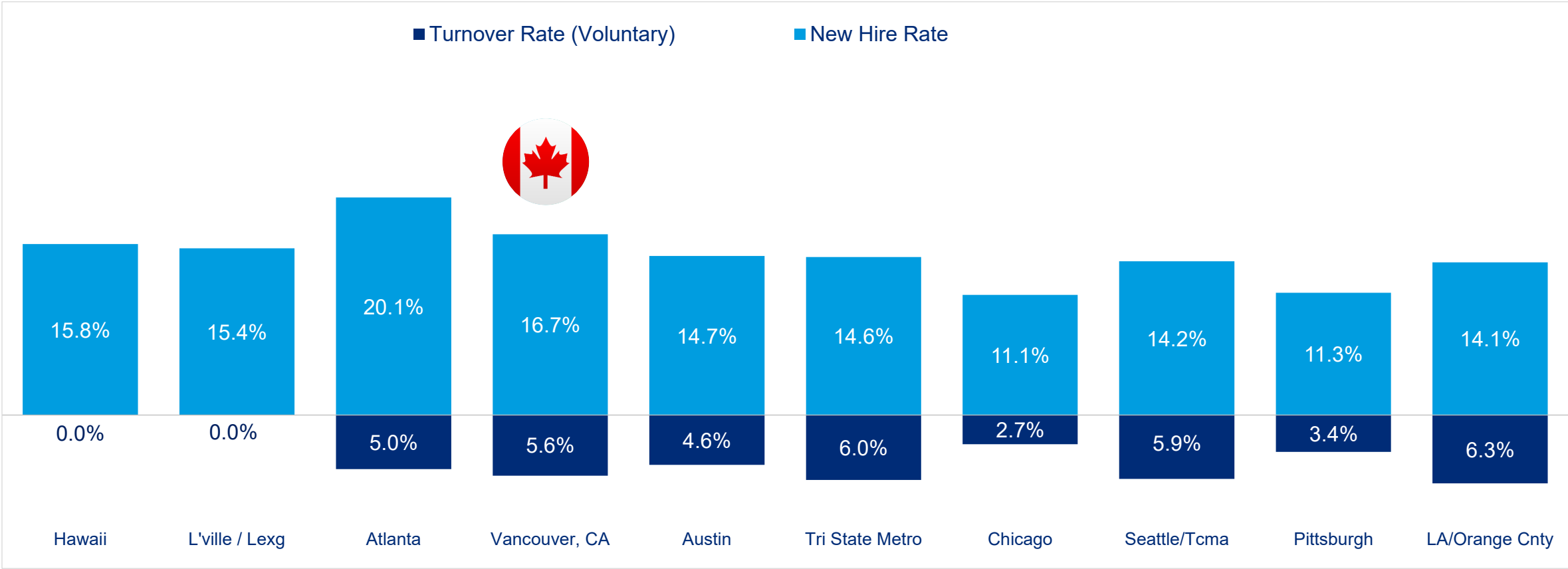
Top 10 jobs Common job year over year employee count increase

National/Major Account Representative	58.5%
Firmware Engineer - Intermediate	53.4%
Director, Software Engineering/Development	52.5%
Purchasing Manager	50.0%
Data Architect	37.5%
Technical Customer Support Representative - Entry	37.4%
UI/UX Designer - Senior/Lead	35.3%
Marketing Communications - Senior/Lead	34.6%
Demand Generation Manager (Growth Marketing)	30.4%
Inside Sales Representative	30.1%

Note: Represents the same organizations participating in the survey two years in row, matching to the same job year over year.

Jobs with fewer than 10 organizations in the sample were excluded.

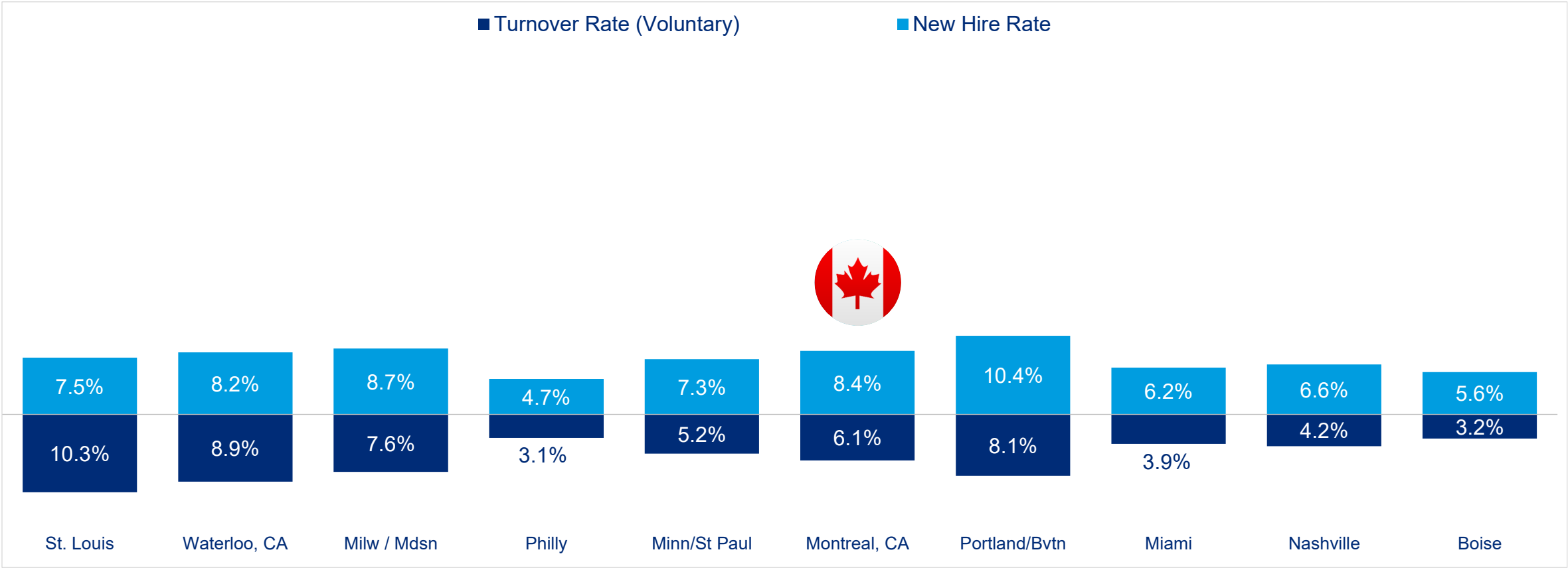
Turnover (Vol.) vs. Hiring – Software Engineering by Location



N.A. Locations with **Fastest** Growth in Tech Jobs

Source: Mercer | Comptryx – Q3 2025

Turnover (Vol.) vs. Hiring – Software Engineering by Location

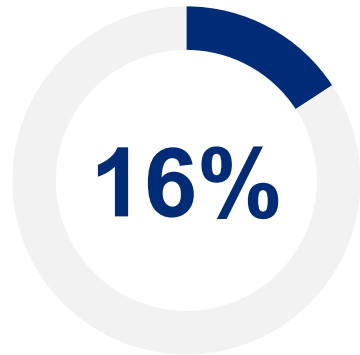


N.A. Locations with **Slowest** Growth in Tech Jobs

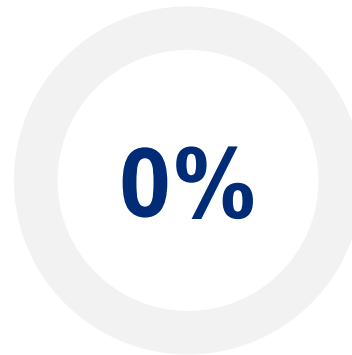
Source: Mercer | Comptryx – Q3 2025

“Hot Location” for Tech Jobs in North America

Hawaii, the United States



Hiring Rate



Voluntary Turnover



New Hire Pay Premium

Unintended Consequences

Unintended Consequences

When market rate compensation is moving faster than annual salary increases.



Internal inequities can be apparent if your organization is not conscious to review active employees against market.



Compression can occur between levels of responsibility challenging your pay progressions.



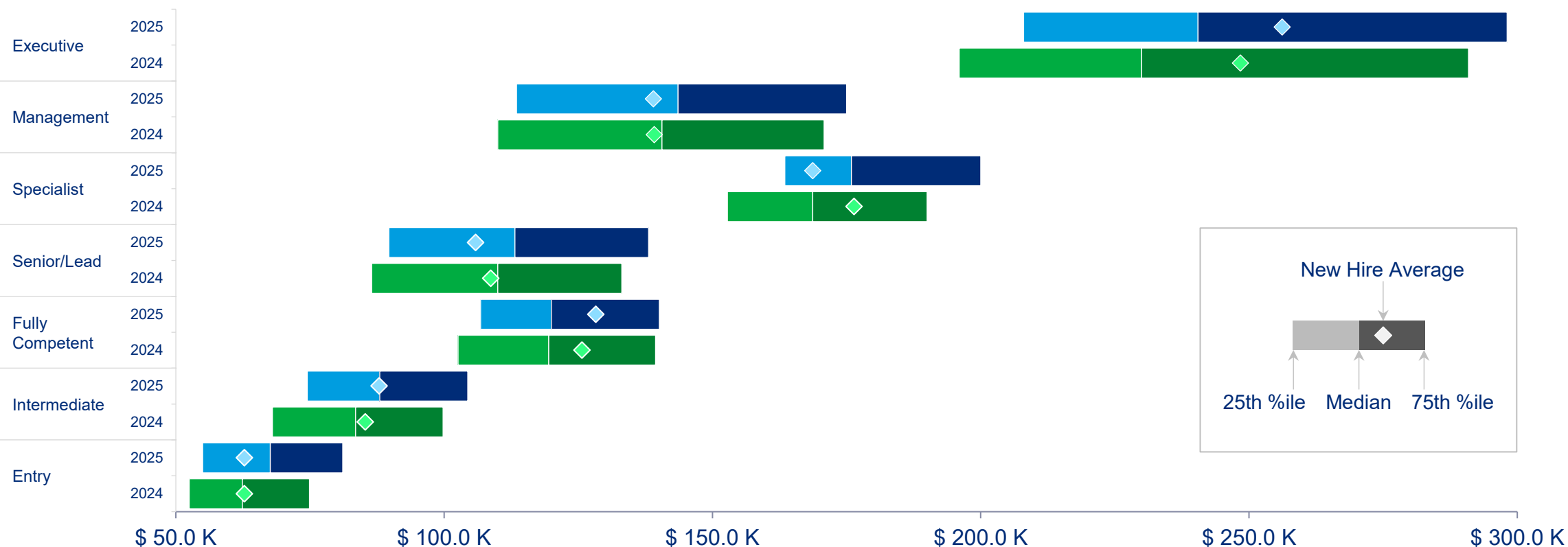
Voluntary turnover increases as employees leave for pay increases, when employers are more likely to prioritize market rate at hire.



New Hires – Common Incumbents Vs. New Hires by Level

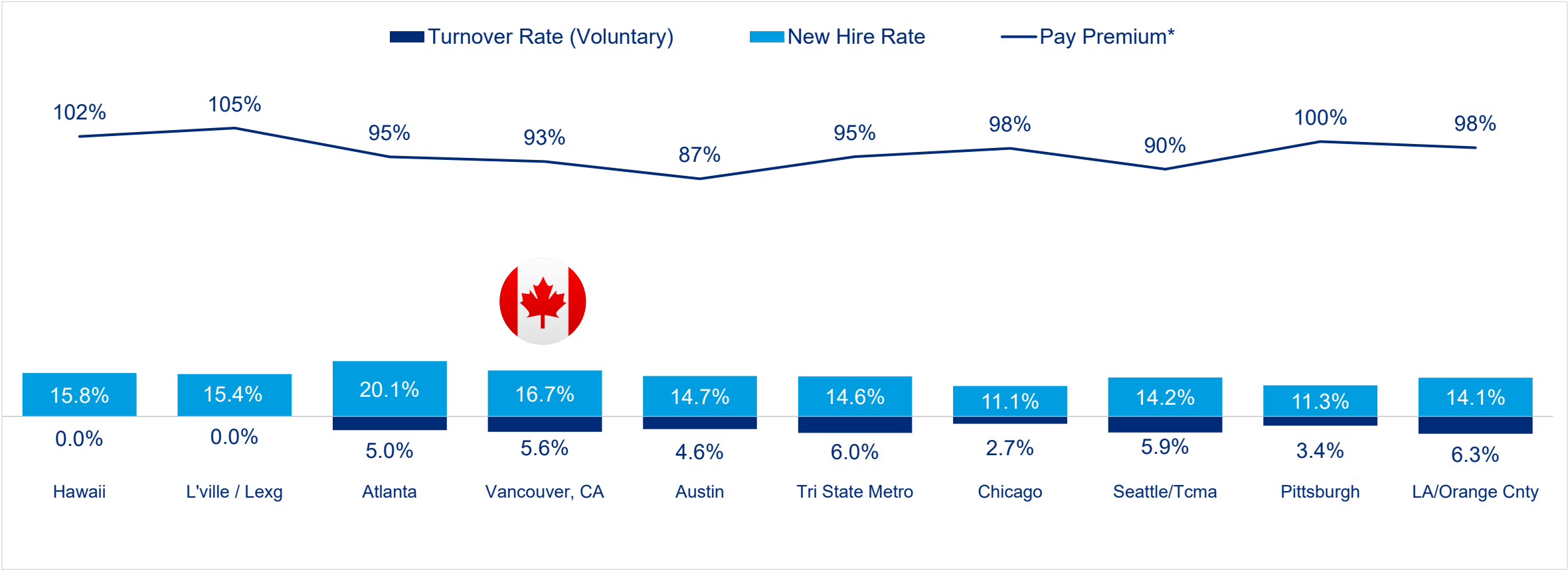
Average new hire salaries come in near the 50th percentile for common incumbents, which may bring future compression issues and noise with the arrival of pay transparency.

Base Pay: Common Incumbent vs Average New Hire



Common incumbent analysis includes same organization, same job, same incumbent in both years.
New hires includes employees hired in current and previous year.
Source: TAP Network Policy & Practices Survey 2024-2025

Turnover (Vol.) vs. Hiring – Software Engineering by Location



Top N.A. Locations Including Pay Premium

Source: Mercer | Comptryx – Q3 2025

*New Hire Base Salary as % of Existing EE Salaries

Unintended Consequences

When employees stay longer and turnover slows.



Career paths

become a priority to keep employees engaged, motivated and fulfilled.



Upskilling within your own organization can help create job mobility and challenges for employees in careers that are driven to be at the forefront of new technology.



Performance and productivity can stall for employees who have typically moved every few years. It's a culture challenge to keep employees excited about their jobs and contributing effectively.

Low Turnover

Productive Enthusiastic Employees

Career Paths

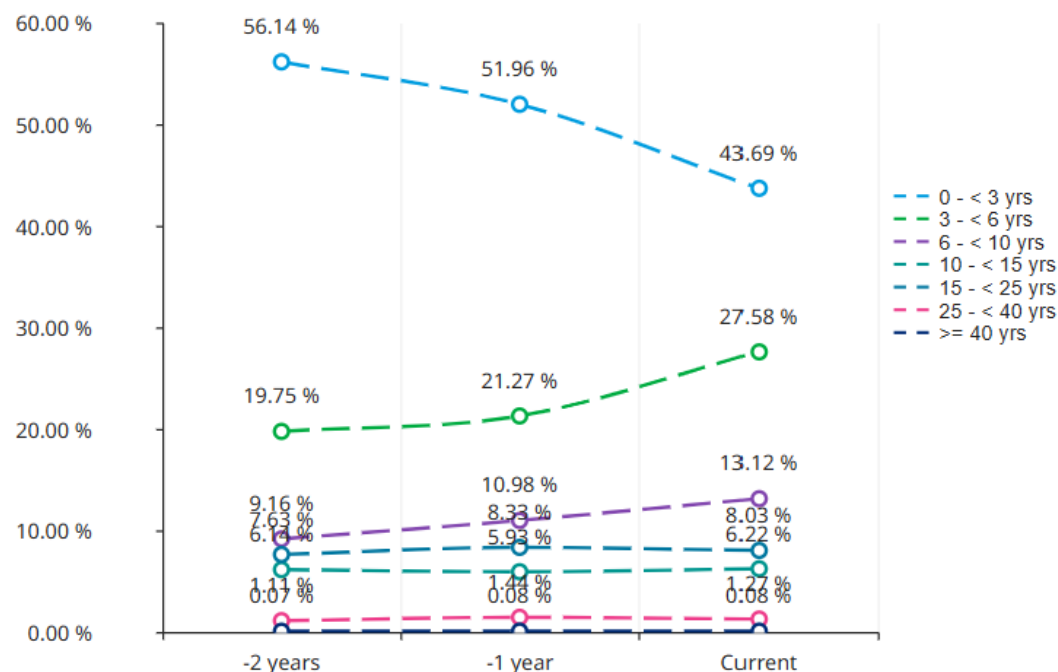
% of Employee Population by Years of Tenure at Company

Employees are staying at their companies longer with a notable increase in employees with tenure over three years. However the representation of employees with less than 3 years tenure is still very high.



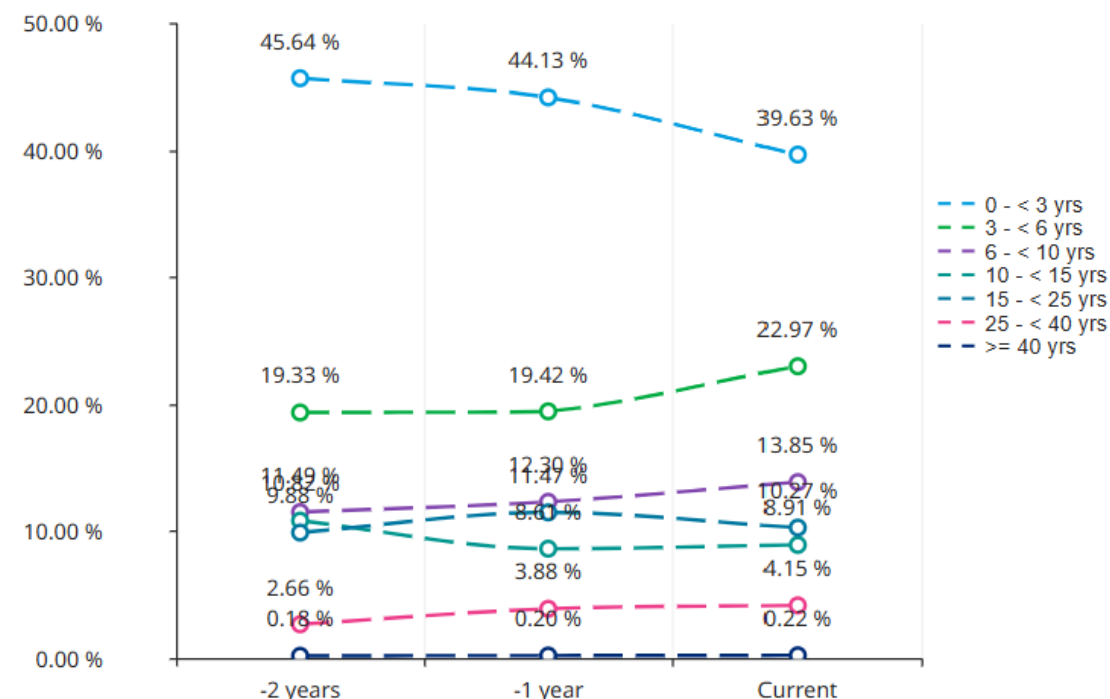
Vancouver

% Headcount of Population by Tenure
(CA: Vancouver, Across Functions, Across Levels)
Market View: All Companies, Used same set of Companies across a trend-line.



Canada

% Headcount of Population by Tenure
(Canada, Across Functions, Across Levels)
Market View: All Companies, Used same set of Companies across a trend-line.



Unintended Consequences

When industries don't collaborate to control their narrative.



Industry reputation in the news, media and social media play a crucial role in the perception of an employee's career experience in tech. It takes collaboration to intentionally manage.



Loss of Investments can be spurred from political views and influence that disrupt growth for industries. From funding, taxation and project approvals, immigration policies and tariffs.



Cancelled Degree Programs Universities build programs based on demand. If students are not selecting degrees relevant to your talent needs programs get collapsed.

Negative News

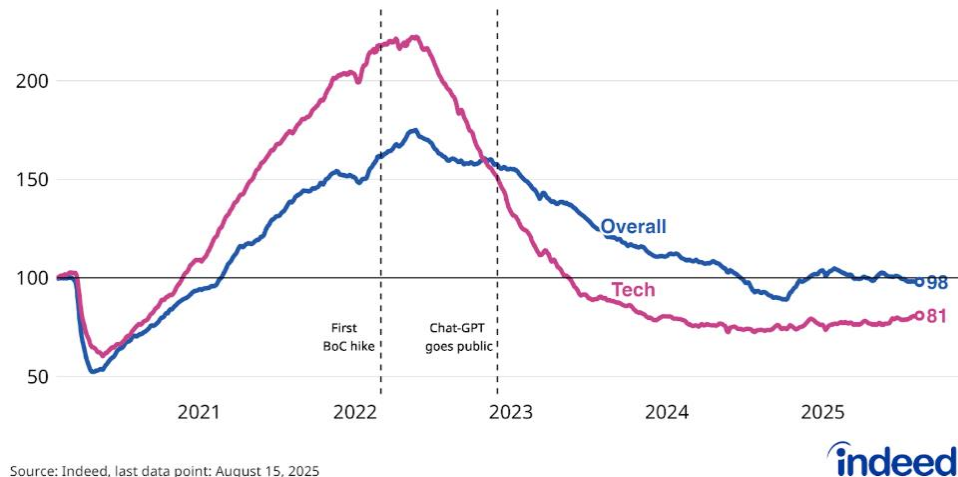
Loss of Investment

Industry Perception

As a Tech Community Collaborate to Drive Your Industry Narrative.

Canadian tech job postings have gone from boom to bust


Canadian tech job posting index (Feb-2020 = 100)



Canada's tech job market has gone from boom to bust in last five years: Indeed

By The Canadian Press

Published: August 26, 2025 at 10:33AM EDT

←  r/torontoJobs • 8mo ago
lordbeast1000

Tech Job Market is pretty bad especially for entry level

I was looking forward to a hiring event, HackerX where companies have little booth and you can talk to the people from that company. It was my chance to get my foot through the door. But the event got cancelled saying the economical climate is bad and they couldn't get enough companies to participate. I'm pretty devastated and lost my motivation to continue my job search. It's very hard...

How Will AI Affect Jobs – How many jobs will AI replace by 2030

The study raises an important question: How will this knowledge gap impact the future of our tech sector, its reputation and growth potential?

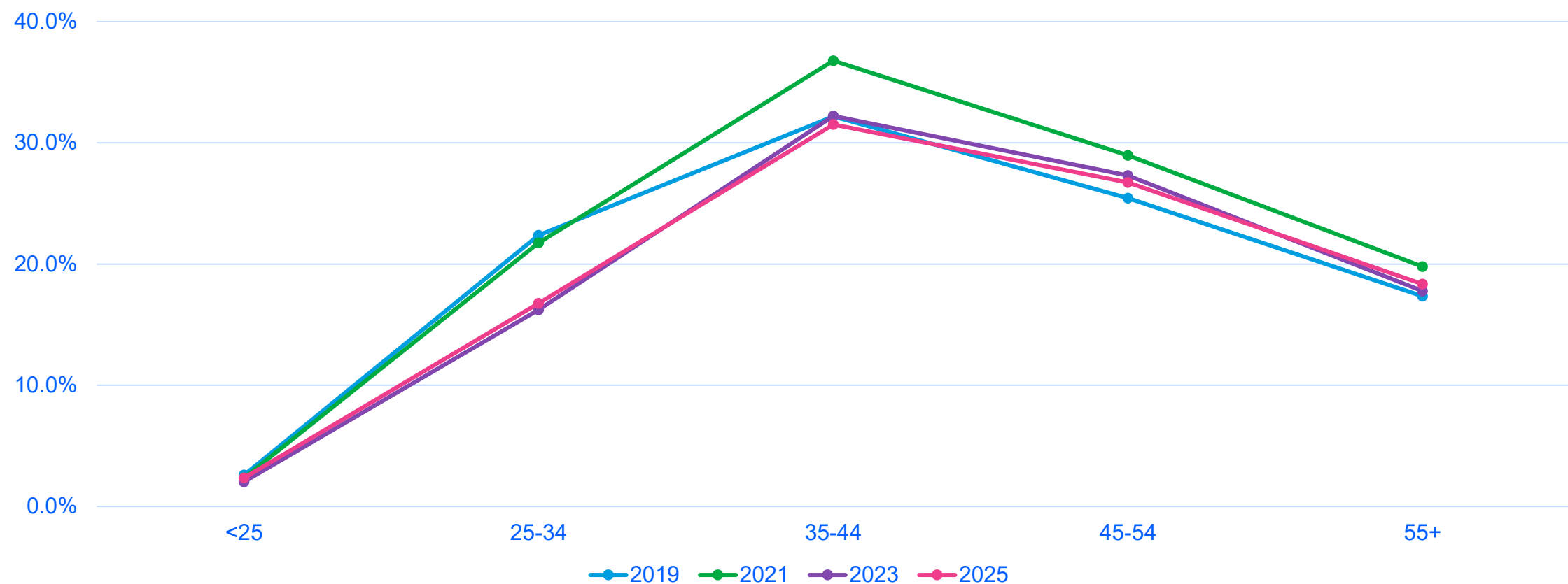
Earnscliffe's research further reveals that fewer than one-third (31%) of Canadians perceive the tech sector as offering more solutions than problems. More Canadians (37%) feel that the tech sector offers an equal mix of solutions and problems while another 17% feel that the problems it presents outnumber the solutions it provides. A perception likely influenced by recent mass layoffs, market fluctuations, few mergers and acquisitions, cryptocurrency volatility, and uncertainty about AI's impact on jobs and society. Or as a result of Canada's more "emotionally"-leaning reporting style that some say feeds into Canadians' "pride in schadenfreude."

Will AI help the world or hurt it?

\$64 billion of data center projects have been blocked or delayed amid local opposition

Age Distribution in Canada's Energy Sector - A Cautionary Tale

Canada's energy sector has an aging work force and a missing generation of workers to backfill retirements. This is due to negative energy and climate impact perceptions. As well as the collapse of programs for pipelines engineers and trades based on optimistic energy transition plans. Mercer is forecasting talent pipeline challenges for this group in upcoming years.



Unintended Consequences

When individual and/or company performance are not factored into the pay mix.



Layoffs can occur when a company finds itself overpaying for talent or not being able to afford talent through downturns. Using performance levers in pay ensures that employees win when the company wins.



Unmotivated employees result from missing correlations between their job, their contributions and their influence on company performance.



Losing talent at crucial moments can be minimized using LTI as an effective way to retain through project completion, mergers and acquisitions or investments in upskilling.



% of Employee Population Turnover by Level

Pay mix comes up often for executives in the Tech Space specifically for start ups and private companies.

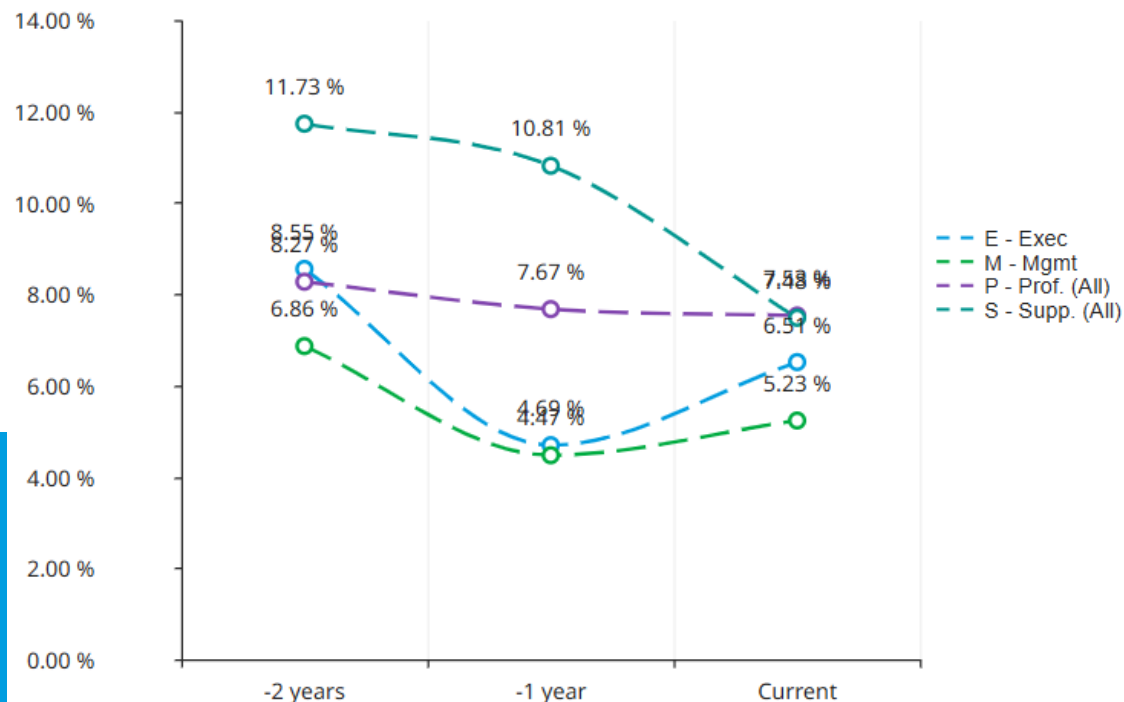


Canada

Turnover Rate (Voluntary) by Level

(Canada, Across Functions)

Market View: All Companies, Used same set of Companies across a trend-line.



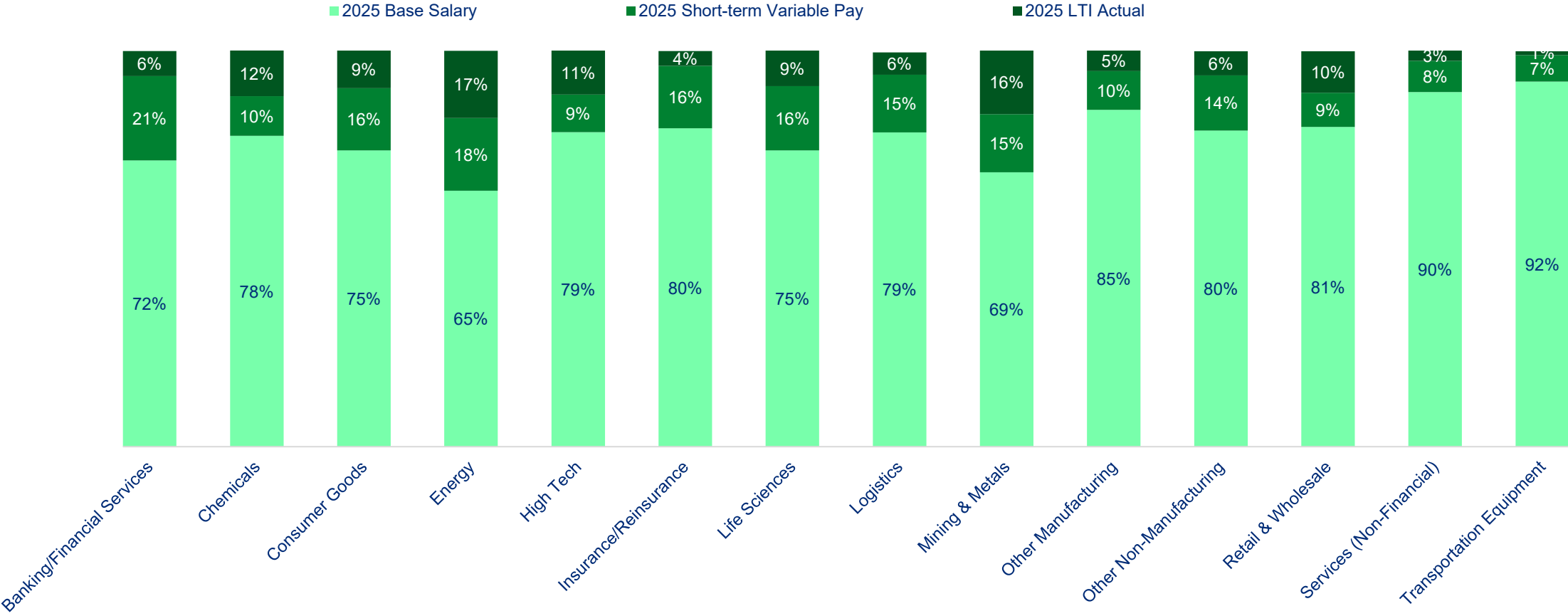
Losing leaders at crucial moments

The Canadian tech sector has articulated leadership roles as challenging to fill and retain in recent years.

Looking at turnover trends we see evidence of high turn over rates among management and executives which are often single incumbent roles.

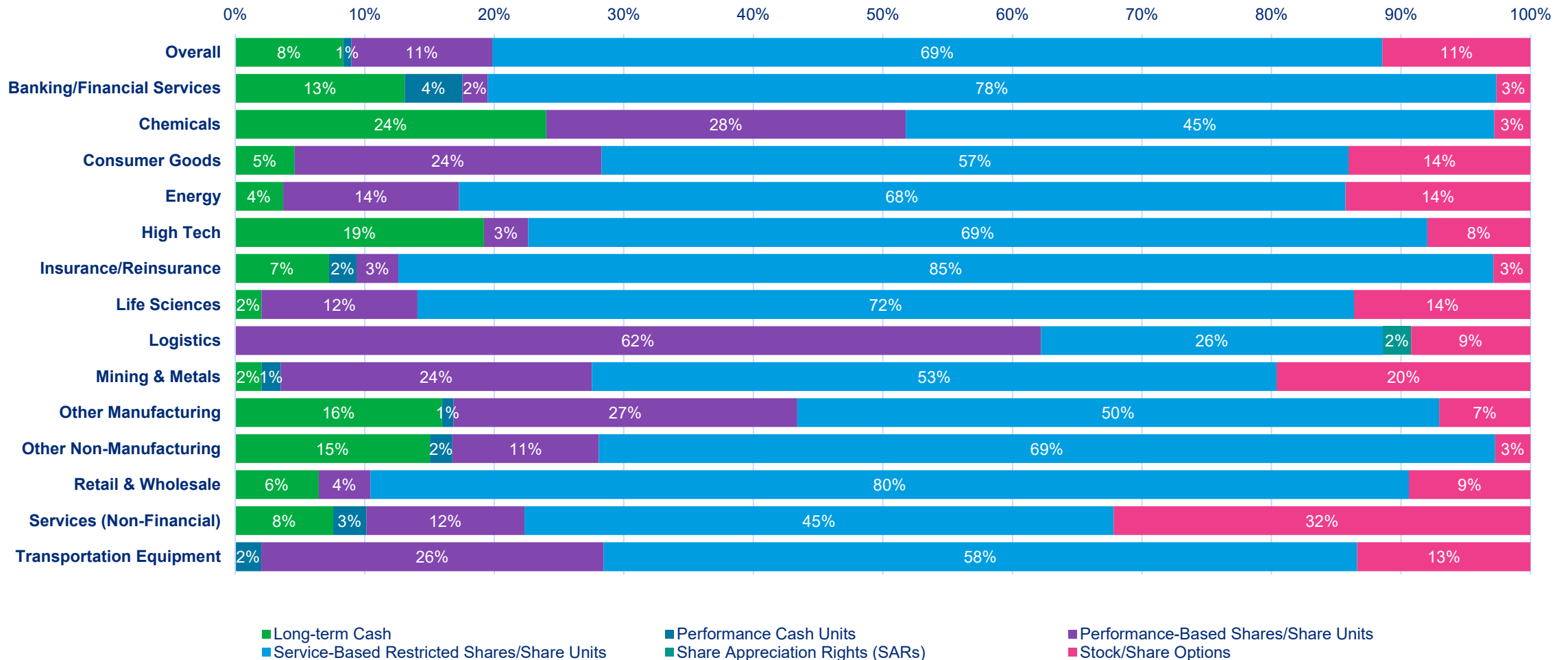
2025 Pay Mix (Actual) – M5 to ET1 by Super Sector

Pay attention to the pay mix and total direct cash of industries competing for similar talent. Both the value of incentives and the eligibility of employees vary by industry.



2025 LTI Plan Types by Super Sector

Among LTI receivers



Unintended Consequences

When transparency is mandated and companies need to decide how transparent to be.



Compelling pay in posts needs to be a priority in this hot market for key talent, but prospective employees typically want top dollar if you offer a range. How you articulate your pay and potential earnings matters.



Internal equity and “fairness”.

The definition of fairness relies on your strong foundations of understanding the jobs, qualifications and value to the organization. In a hot market ‘fair’ is harder.



Defendable Pay Decisions

Managers need to be armed with the right foundations and knowledge to effectively manage their employees understanding and perception of pay internally and externally.

Transparency Philosophy

Trust

Defendable Decisions

Pay Transparency Spectrum – A Cheat Sheet from Mercer

	Comply with Legislation	Share Foundational Frameworks	Share Pay Ranges			Share Pay Positioning	Full Transparency
	Share pay range of postings	Disclose principles	Disclose range midpoint	Disclose individual range	Disclose all ranges	Disclose market rate	Disclose ranges and related pay information
Description	Comply with legislation	Pay management principles published or explained to employees	The midpoint of the range is disclosed for each grade	The full range is disclosed for each grade including range minimum and maximum information	Specific ranges are disclosed for each grade	The external market rate for the role is provided to the employee at pay review	Share all ranges internally and externally, career pathing, development and progression opportunities
Strengths	<ul style="list-style-type: none"> • Mitigates legal risks • Strengthens ability to attract top talent if pay ranges are perceived as competitive 	<ul style="list-style-type: none"> • Confirms to employees that pay decisions are based on a well thought out rationale • Flexibility for pay management / avoid the need to defend decisions 	<ul style="list-style-type: none"> • Employees gain greater clarity about their pay positioning • Employees are able to make informed judgments about their position relative to midpoint 	<ul style="list-style-type: none"> • Employees have clarity about their position in the salary range and the maximum pay available at their contribution level 	<ul style="list-style-type: none"> • Employees feel a sense of internal equity • Employees have greater insight into the external market • Managers have good data to base pay discussions around 	<ul style="list-style-type: none"> • Employees understanding their own position against the market • Increased level of trust between employer and employee 	<ul style="list-style-type: none"> • Employees understand how they can influence their pay and progression within the organization • Increased level of trust between employer and employee
Limitations	<ul style="list-style-type: none"> • Potential for perceived pay inequities • Does not address employees' desire to understand how they can influence their compensation and career development 	<ul style="list-style-type: none"> • Employees may be suspicious of internal inequities • Principles must be communicated effectively to ensure understanding 	<ul style="list-style-type: none"> • Employees are likely to request further information about range minimums and maximums • Managers need to be skilled in handling difficult pay conversations 	<ul style="list-style-type: none"> • Motivational issues where certain roles will not reach top of range due to job grade variations • Employees near the minimum feel under valued • Employees push for promotions as they know monetary value 	<ul style="list-style-type: none"> • May create unease between colleagues in different grades, lower paid grades may feel under valued • Motivational issues where certain roles will not be able to reach top of the salary range 	<ul style="list-style-type: none"> • Market data must be up-to-date and accurate • Complex and high administration • Well thought out expectations of employees positioning must be available 	<ul style="list-style-type: none"> • Managers will face difficult pay discussions where anomalies exist • HR will be under pressure to justify / remove anomalies

Wrap Up and Questions

Your Dedicated Relationship



Liz Elliott
Career Product Market Leader

Liz.Elliott@mercer.com
403.464.7043

We help clients drive their performance through talent. From strategy to implementation, we work closely with our clients to help them:



Forecast *their talent needs*



Reward *performance*



Mobilize *their workforce*



Engage *their employees*



Assess *talent*



Develop *employee skills*

Providing the most comprehensive information and analytical tools to help organizations with all of their talent needs, keeping them ahead of the market.

Total Rewards

- Compensation Surveys
- Benchmarking
- Mercer | Comptryx
- Global Data Memberships
- Custom Surveys
- Compensation Analytics Bundle
- MarketPay

Employee Research

- Census & Pulse Surveys
- Digital Focus Groups
- Preference Research (Unmet Needs, Rewards Preference Assessment, Total Rewards Optimization)
- Engagement Snapshot

Assessments

- 360 Assessments
- Digital Career Pathing
- Skill and competency assessments
- Reskilling & upskilling

Workforce Mobility

- Policy and program guidance
- Reliable data (COL, Tax, Housing, etc.)
- Domestic Mobility
- Flex Working
- Policy Design, Benchmarking and Update
- Mobility Management Platform

Global Publications

- Benefits Practices
- Turnover/ Severance Reports
- Policies and Practices
- Car Reports
- DEI
- LGBT
- Compensation Planning
- TAAP+

Workforce Transition

- Career Transition Coaching
- Executive Coaching
- Outplacement Support

Supplementary Information

Mercer Supports Clients with Solving Critical Questions on Rewards

Contact: Liz.Elliott@Mercer.com



Job and Compensation Design

- Is your job architecture effective for the purposes of managing compensation and pay equity?
- Are your pay structures competitive and designed to support internal and external transparency?



Executive Compensation

- Is your executive compensation strategy aligned with your company's long-term business goals and shareholder expectations?
- How competitive is your executive pay compared to industry benchmarks and peer companies?



Pay Equity & Transparency

- Do you have a process for assessing and managing pay equity that's sustainable in Ontario, Quebec and federally?
- Do you have a pay transparency strategy and roadmap to respond to increasing legislation and employee pressures?



Employee Communications

- Are you making any changes to your compensation program? Do new laws require you to be more open in communicating pay decisions?
- Do you have professional communication materials for new hires, recruiting, benefits education, and wellness?



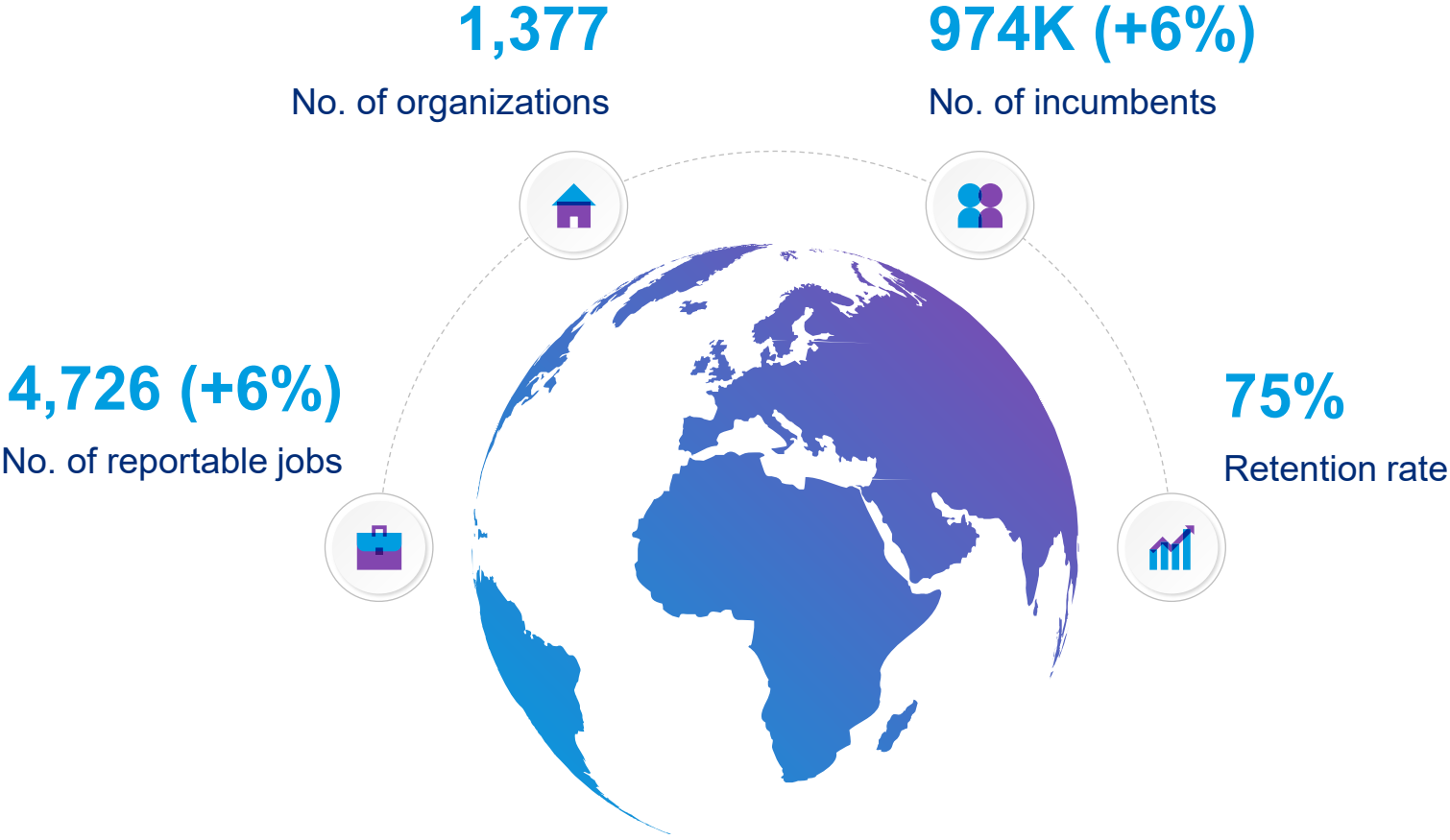
Need help with making pay decisions?

In Canada, Mercer has leading industry compensation surveys, including:

- Tech
- Retail
- Energy
- Mining
- Life Sciences

2025 CA Mercer Benchmark Database

Published
September 5



3.2B

Participant organization
average net sales revenue
(CAD)

3,151

Participant organization
average FTE

Cross Industry

Data from all industries
across Canada

Mercer | Comptryx Global Tech Data

A Holistic View of your Workforce



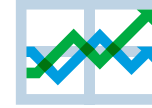
Global Pay Data

Compensation data of over 4 million employee records allows you to conduct pay analysis for all jobs across the globe



Workforce Metrics and Pay Equity

Compare the size, shape, mix and demographics of your organization to the competition by accessing benchmarking data on gender, age, ethnicity, turnover, span of control and much more



Data Trends

Multiple years of trend data are available for a wide variety of pay information and workforce metrics.



Labor Cost Modeling

Deciding where to hire talent? Design virtual organizations and get an instant calculation of payroll costs in potential locations around the world.

Main Cash Components

- Basic Salary
- Fixed Base
- Total Cash – Target
- Total Cash – Actual
- Total Direct Compensation

Variable Pay

- STI Target (total, >0, %)
- STI Actual (total, >0, %)
- LTI (total, >0)

Allowances and Benefits

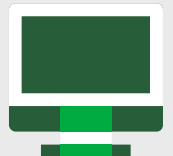
- Allowance Total
- Allowance – Car
- Benefits Fringe

Eligibilities and Receipt Rates

- % Eligible for STI
- % Eligible for Car
- % Eligible for LTI
- % Receiving STI
- % Receiving LTI
- % Receiving Promotion

Promotion

- Promotion Amount
- Promotion as % of Base



2025 TAP Network Survey overview

26.5K Incumbents
(-3.4%)

206 Organizations
(+2.0%)

98 Median Number of FTEs
(-3.9%)

240 Reportable Jobs
(-3)

TAP Network is a non-profit association for People and Culture professionals in Canada's tech sector, providing members with the data, connections, and insights to make strategic decisions, accelerate effectiveness and shape the future of work in tech.

Our association's 1,000 members lead and influence the People and Culture practices at 250 tech companies spanning numerous subsectors, including Software Products and Services, Fintech, AI, Data Science, Robotics, Quantum Computing, Life Sciences and Healthcare Tech, Clean Tech, AgTech, VFX and Animation, Video Game and Interactive Digital Media, Hardware Design, Development and Manufacturing and more.

