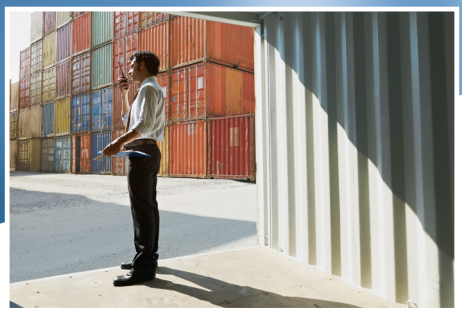
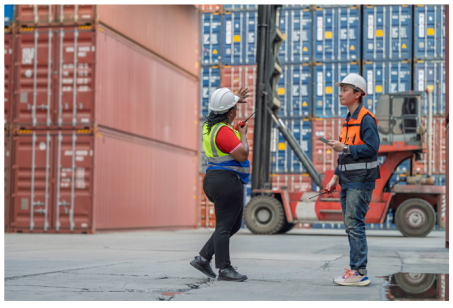
BALANCING PRODUCTIVITY PAY (CPU) WITH FAIR COMPENSATION IN CANADIAN WAREHOUSES AND DISTRIBUTION CENTRES





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Across Canada's warehousing and logistics industry, operators are under consistent pressure to move product faster, reduce costs, and retain a reliable workforce — all at the same time. For many distribution centres and third-party logistics (3PL) providers, the traditional labour model simply isn't built for those demands.

Enter Cost-Per-Unit (CPU) productivity pay — a performance-based compensation structure that ties worker earnings directly to output rather than time on the clock. It's a model that, when implemented thoughtfully, can deliver exceptional results for both the business and its workforce. But it also raises legitimate questions, like: Does performance-based pay create unfair pressure? Does it put lower-performing workers at a disadvantage? And how do Canadian employers stay compliant with provincial employment standards while operating under CPU?

This article explores the balance between operational performance and fair labour compensation and makes the case that, with the right partner and structure, the two are not in conflict.

KEY PERFORMANCE BENCHMARKS

25%
average productivity increase across Eclipse Advantage CPU operations

↑35%
higher effective hourly pay for workers — at no added cost to employers

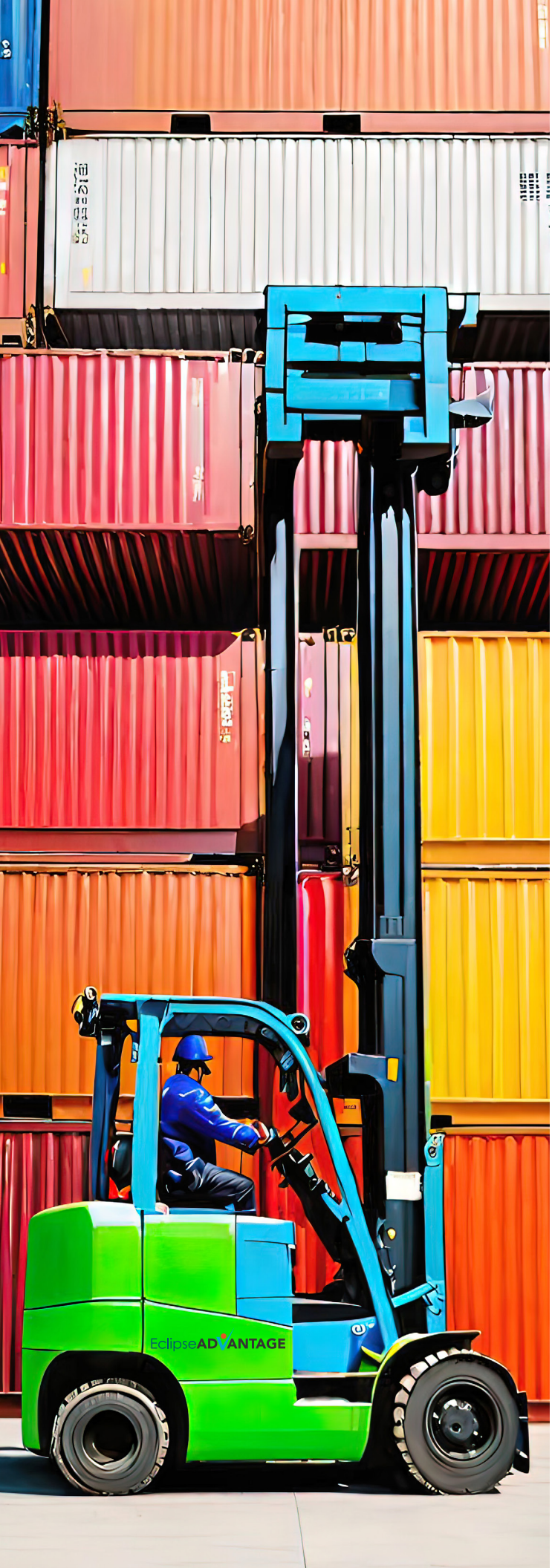
2 Hour
average reduction in daily close-out times across Eclipse Advantage CPU operations

WHAT IS A CPU PRODUCTIVITY PAY MODEL?

The **Cost-Per-Unit (CPU) model**, also referred to as productivity pay or performance-based labour pay, compensates workers based on measurable output: cases picked, pallets built, trailers loaded, or containers unloaded. Rather than paying by the hour regardless of throughput, employers pay a fixed rate per unit of work completed.

At Eclipse Advantage Canada, the CPU model has been refined across hundreds of job sites. This approach links pay directly to output, aligning incentives between the business and its Industrial Athletes, the skilled warehouse workers who power Canadian supply chains.

The premise is straightforward: when productivity rises, so do earnings for employees, while operating costs for the business remain fixed and foreseeable. This differs from traditional staffing, where a slow shift costs the same as a high-output one.



WHY CPU WORKS FOR CANADIAN OPERATIONS

Canadian distribution centres face a uniquely challenging labour market. Seasonal volume swings, high worker turnover, and increasing client expectations around speed and accuracy make managing hourly labour a constant challenge. CPU addresses each of these pain points with structural clarity.

PREDICTABLE, OUTPUT-TIED LABOUR COSTS

Under a CPU model, labour costs scale precisely with throughput. Whether a facility processes 5,000 or 50,000 units in a shift, the cost-per-unit rate remains constant. This gives finance and operations teams accurate budgeting visibility, a major advantage in today's volatile supply chain environment.

FASTER THROUGHPUT, SHORTER CLOSE-OUT TIMES

When earnings are tied to results, motivated workers naturally optimize their workflows. Eclipse Advantage clients have seen an average two-hour reduction in daily close-out times since implementing CPU, a significant operational gain that compounds across hundreds of shifts per year.

A SELF-MANAGING PERFORMANCE CULTURE

CPU environments create inherent accountability. Workers who understand their paycheque reflects their effort tend to maintain consistency, show up reliably, and take pride in their output.

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CPU BENEFITS AT A GLANCE:

- **Fixed-cost labour** tied to units handled, not time spent
- **25% average productivity increase** across operations
- **Two-hour average reduction** in daily close-out times
- Up to **35% higher effective hourly earnings** for workers — at no added cost to employers
- Built-in accountability that drives **consistency and performance**
- Improved morale, lower absenteeism, and **stronger retention**

THE WORKER CASE: IS PERFORMANCE-BASED PAY ACTUALLY FAIR?

This is where the conversation gets nuanced and is where many employers and workers alike have legitimate questions. Critics of productivity pay models point to historical abuses: workers pushed beyond safe limits, earnings that fall below minimum wage, and performance metrics designed to benefit the employer at the worker's expense.

These concerns deserve a direct response, because they reflect real experiences in poorly designed systems. The answer isn't to abandon performance pay — it's to structure it correctly.

THE EARNINGS UPSIDE IS REAL

A well-designed CPU model doesn't suppress earnings, it amplifies them. Eclipse Advantage's data shows that workers operating under CPU earn up to 35% more per hour in effective wages than comparable hourly positions, without any increase in cost to the employer. This is possible because higher throughput reduces the time required to complete work, which translates directly into better hourly value for the worker.

Put simply: a skilled Industrial Athlete who loads a trailer in six hours under CPU earns the same unit-based pay as one who takes eight. Their effective hourly rate rises in proportion to their efficiency.

CANADIAN LABOUR LAW SETS A FLOOR — NOT A CEILING

A common concern with productivity pay is whether workers are guaranteed a minimum wage. In Canada, provincial employment standards legislation is clear: regardless of compensation structure, workers must earn at least the applicable minimum wage for every hour worked. A well-structured CPU model guarantees this floor while offering meaningful upside beyond it.

Responsible employers using performance-based labour pay should build explicit wage-floor guarantees into their CPU agreements and ensure tracking, reporting, and settlement processes are transparent and auditable. This is a legal obligation across every Canadian province.

TEAM CPU VS. INDIVIDUAL CPU: MATCHING THE MODEL TO THE ENVIRONMENT

TEAM-BASED CPU PAY

- Teams earn collectively based on shared productivity metrics
- Encourages collaboration and adaptability
- Reduces pressure on individual pace
- Ideal when workloads fluctuate across a shift
- Distributes risk and reward evenly
- Suits mixed-skill or cross-trained crews

INDIVIDUAL CPU PAY

- Each worker earns based on personal output
- High performers earn more
- Fosters motivation, pride, and healthy competition
- Ideal where personal output is easily tracked
- Naturally surfaces top talent
- Suits experienced, consistent workforces

Eclipse Advantage offers both structures, allowing operations to choose the CPU model that best matches their environment, workforce composition, and culture. Many clients use individual pay for inbound **container unloading** and for case picking or pallet building, where personal pace is the primary driver of throughput.

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ADDRESSING THE EQUITY QUESTION DIRECTLY

Here are the questions every Canadian employer should ask before implementing a CPU model:

Are performance standards achievable for the full workforce?

CPU benchmarks should be based on realistic, observed performance data. Standards set too aggressively effectively penalize average workers and create an unsustainable work environment. A responsible operator sets CPU rates that allow a competent, reasonably fit worker to earn meaningfully above minimum wage on a consistent basis.

Are safety and quality maintained under performance pressure?

The fastest warehouse operation is worthless if it produces damaged product or injured workers. Eclipse Advantage places quality and safety at the forefront of every shift — a non-negotiable principle within our CPU programme. Well-structured productivity pay should never sacrifice safety or accuracy for speed; instead, quality metrics should be built directly into the performance framework.

Is there transparency in how units are counted and pay is calculated?

Reputable workforce partners provide clear, accessible reporting so workers understand exactly what they've earned and why.

CPU in Practice: Services Where It Delivers

Eclipse Advantage applies the CPU model across a range of warehouse and distribution services, each with its own performance metrics and unit definitions:

Inbound Receiving

From unloading containers and trailers to sorting and staging freight, **inbound operations** benefit enormously from CPU-driven motivation. When every case off-loaded counts toward earnings, dwell time drops and dock efficiency climbs.

Outbound Shipping

Case picking, pallet building, and trailer loading are high-frequency, measurable activities that align perfectly with individual or team CPU pay. Accurate, efficient **outbound operations** reduce carrier wait times and support on-time delivery metrics across the supply chain.

Value-Added Services

Labelling, restacking, repacking, and other **value-added tasks** can also be structured under CPU where volumes and task definitions allow. This extends the productivity pay model's benefits beyond the dock and deeper into the warehouse.

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THE CANADIAN CONTEXT: WHY THIS MATTERS NOW

Canada's warehousing and logistics sector is navigating a period of significant structural change. E-commerce growth has shifted fulfilment expectations dramatically — faster delivery windows, higher order accuracy, and more complex value-added requirements are now the norm rather than the exception.

At the same time, labour market tightness in major centres — particularly in the Greater Toronto Area, Vancouver, and Calgary — has made worker retention a top strategic priority.

CPU productivity pay, when implemented transparently and equitably, addresses both sides of this challenge. It offers workers a genuine path to higher earnings without requiring employers to inflate base wages across the board. It aligns incentives and creates the kind of performance culture modern supply chains require to remain competitive.

Choosing the Right Partner for CPU Implementation

The success of a CPU programme depends heavily on the expertise of the workforce partner behind it. Poorly administered productivity pay creates compliance risk, worker grievances, and operational instability. Getting it right requires deep experience in performance measurement, wage compliance, safety management, and workforce culture.

Eclipse Advantage brings decades of experience across 125+ locations in Canada and the United States, placing more than 25,000 Industrial Athletes annually for leading food service, retail, and manufacturing operations. Our CPU model has been tested and refined across hundreds of client engagements.

Ready to build a fairer, faster workforce? Discover how Eclipse Advantage's CPU productivity pay model can drive results for your Canadian warehouse operation without compromising on worker equity or compliance.