

Alberta HR Trends Report **Spring 2017**

PURPOSE OF THIS REPORT

This semi-annual report is a tool for HR practitioners and departments in Alberta to make informed decisions using reliable information on what is occurring in Alberta workplaces. High-quality labour market information can help human resources practitioners make better decisions and augment the quality of the advice that they provide to their stakeholders.

The price of oil has remained low and the province may be in for a protracted period of slower economic growth, meaning that employers in Alberta face longer-term challenges.

HRIA commissioned this seventh report as part of a regular series to supplement other sources of labour information available to its members and to discover industry benchmarks that can help human resources professionals make better talent management decisions.

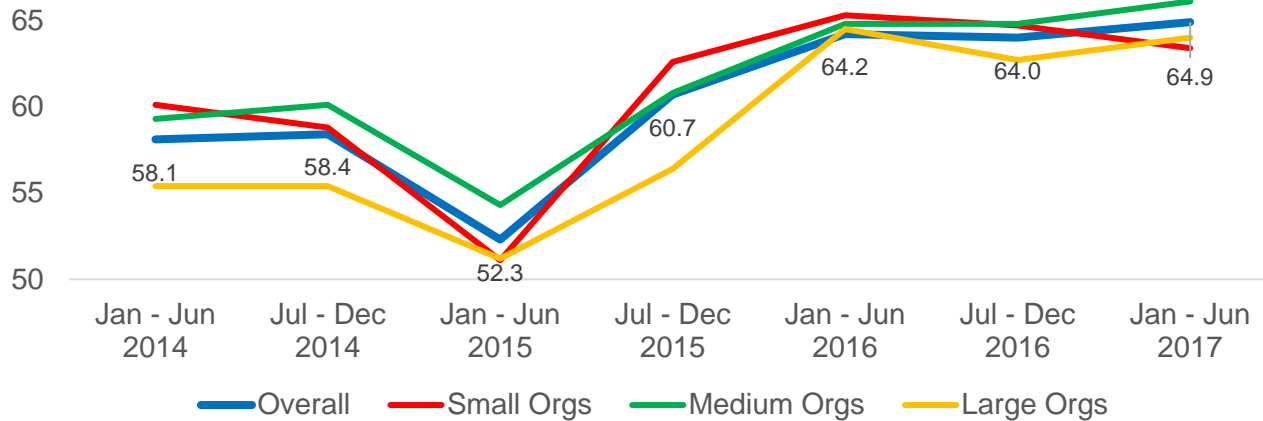
HIRING CONFIDENCE INDEX

HRIA's Hiring Confidence Index was created to measure how Alberta employers feel about hiring over the next six months. The index emphasizes how confident HR professionals are that they can hire the right people to fill vacancies; while also incorporating views on expected growth in the number of positions.

The index is made up of both an expectation of hiring levels over the next six months, but also the confidence the respondents have in finding the right people to fill vacancies. For the first time in a year and half both component measures moved in a positive direction – although the expectation of hiring is has only marginally improved. The scores have a maximum value of 100 and a minimum value of 0. Scores of more than 50 means HR professionals are more confident, than concerned, about hiring.

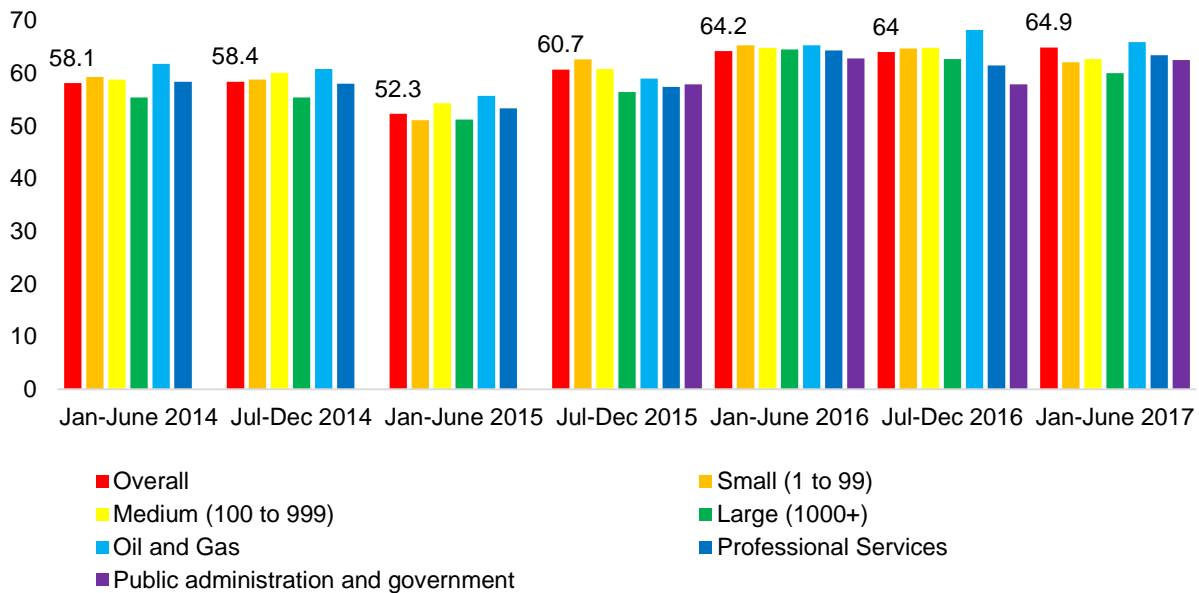


Hiring Confidence Index



Since the last report hiring confidence has stayed more or less flat, with a slight upward trend. Medium and large organizations are a little more confident in their hiring decisions and small organizations are slightly less so.

Hiring Confidence Index - Sector Breakdown



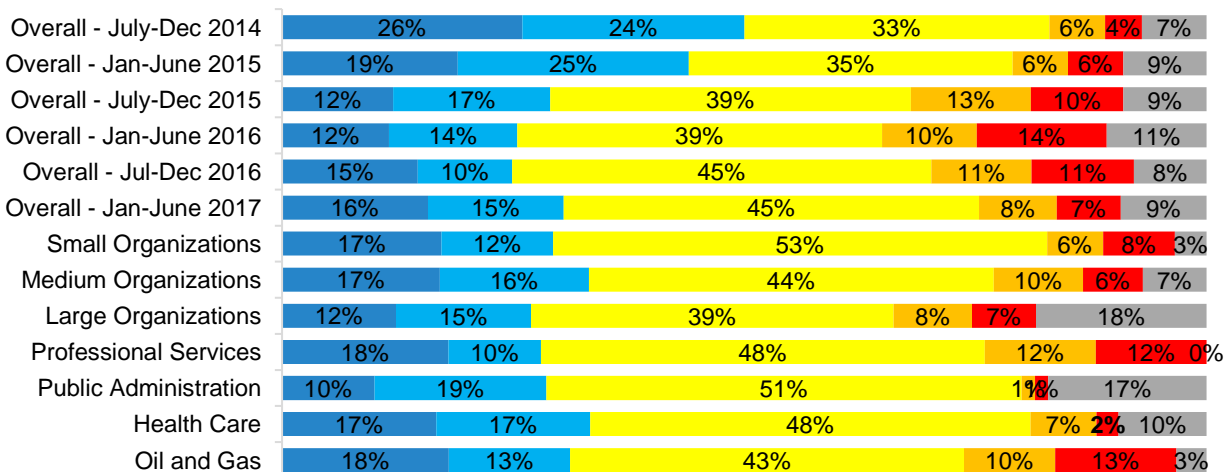
Following two periods of increasing HCI scores in the Oil & Gas sector, the HCI score has now dropped slightly, but still remains higher than all other sectors. Both the professional services and the public administration and government sectors saw their HCI scores improve.

THE 6 MONTH OUTLOOK

31% of organizations expect their total number of employees to increase over the next six months – the highest level in two years. This is an increase of 6% since the last report. As in the last report, the number of organizations expecting a decrease keeps shrinking. Those expecting their staffing to remain the same is unchanged since last time, at 45%.

The Public Administration and Government sector saw the largest increase in expected employment growth. In the last report, only 12% of respondents expected growth in the next six months, now this number has surged to 30%, in line with the provincial average. Other sectors saw significant increases like Professional Services (+8 to 28%) and Oil & Gas (+2 to 31%). Health Care saw a significant decline in expected growth to 34% from 43%, but it should be noted that it is still the most optimistic of all the sectors. Medium-sized organizations are now the organization size most likely to expect employment growth in the next six months (33%, up from 26%). Large organizations also are more likely to expect growth compared to the previous six months (27%, up from 23%), while only 29% of small organizations expect growth to their workforces, the same percentage as last year.

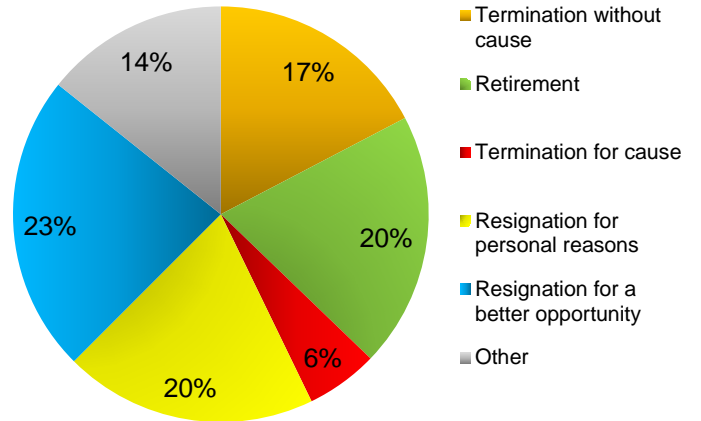
Expected Change in Employment



■ Increase By More Than 5%
 ■ Increase By Less Than 5%
 ■ Stay The Same
■ Decrease By Less Than 5%
 ■ Decrease By More Than 5%
 ■ Don't know

The expectation of large layoffs in Alberta appears to have diminished. In the previous report, 33% of respondents said they expect termination without cause to be the biggest reason to lose staff. That has now dropped to 17%, the same level as in late 2015. Another sign that the economy is improving is that the most common reason is now resignation for a better opportunity (23%, up from 18%). Retirement and resignation for personal reasons also saw growth from the last report.

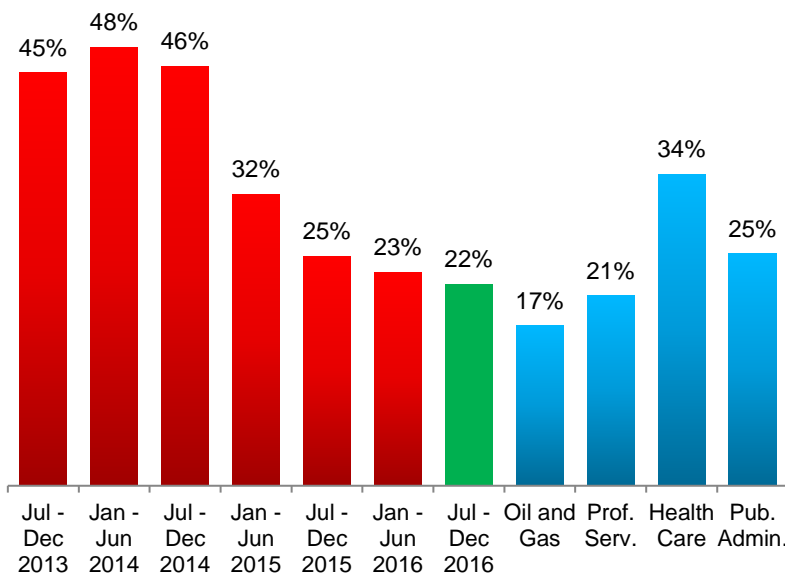
Expectation for the biggest reason to lose staff in the next six months



CURRENT TRENDS

In the second half of 2016, nearly a third (31%) of organizations reported a shrinking headcount, and only 22% said they gained employees. This is the fifth report in a row where the percentage of organizations reporting an increase in employees has declined. The good news is that the trend is clearly bottoming out and it is unlikely that this trend will continue to a sixth report.

Percentage of Companies Reporting net increase in employment



Small and medium-sized organizations both reported about 24.5% of their number seeing a growth in the number of employees. Like in past reports, large organizations were the least likely to have seen a growth in employees.

The Oil & Gas sector's numbers were pretty dire during the latter half of 2016 - 52% said they lost employees; while only 17% reported a gain, but this does represent a significant improvement from the last report, when only 11% of Oil & Gas sector organizations grew their headcount. The opposite is true for organizations in the public administration sector, where the

percentage saying they grew their number of employees has dropped (from 34% to 25%) since the last report. The Professional Services and Health Care sectors reported non-material changes from the first half of 2016, with about a third and a fifth of organizations reporting higher headcounts, respectively.

The pattern of exact numbers of employees and contractors joining and leaving organizations show the same results. While the net employee and net contractor numbers were negative in all sizes of organizations, the trend is that they were not as negative as in the last report. The one exception was the net contractor count in small organizations, which was worse than the previous report. That result notwithstanding, the decline in headcounts certainly seems to be slowing down.

Like in the last two reports, large organizations continue to see outside contractors as an easy place to cut, with the net numbers being more negative for contractors than employees.

Employees	Small organizations	Medium organizations	Large organizations
Joined in last six months	4.9	29.9	105.3
Left in last six months	-6.7	-40.1	-125.0
Net Employees	-1.8	-10.2	-19.7
Contractors			
Joined in last six months	6.6	2.6	55.4
Left in last six months	-7.2	-4.3	-84.8
Net Contractors	-0.6	-1.7	-29.4

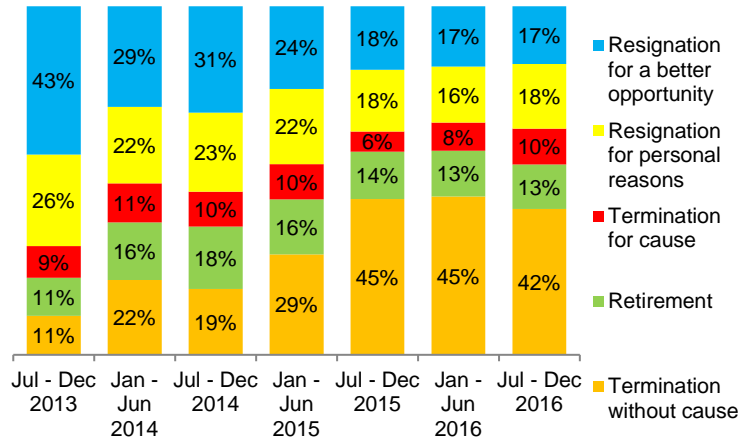
TERMINATION CAUSES

For the past two years, organizations have reported that *Termination without cause* was the leading cause for loss of staff. It remains the most common reason to leave an employer for every single category of employee -even executives. However, it should be noted that the percentage of employees who left due to *Termination without cause* dropped for the first time since the first half of 2014. It was only a small decline (from 45% to 42%), but perhaps it represents a sign that the worst days of job losses in Alberta are in the past.



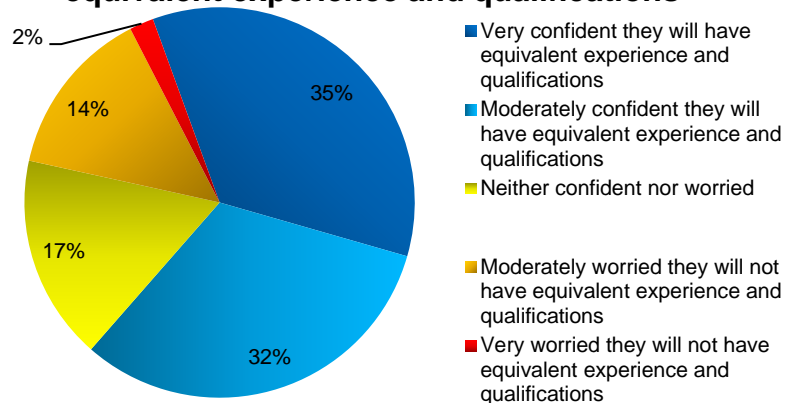
Category of Employee	Most Common Reason to Leave
Executives	Termination without Cause
Managers	Termination without Cause
Professionals (i.e. engineers, accountants, HR)	Termination without Cause
Technical Staff (i.e. designers, technicians)	Termination without Cause
Tradesperson or Journeypersons	Termination without Cause
Administrative or support staff	Termination without Cause

Most Common Reasons for Leaving



67% of HR practitioners are now confident they can fill vacancies with workers of equivalent experience and qualifications. This is an increase of 6% from the last report, primarily due to a jump in respondents who are “very” confident. Only 2% are very worried about finding qualified replacements. As was noted in the previous three reports, there is no doubt this is driven by the higher unemployment rate resulting from the large number of the terminations without cause conducted by employers when the price of oil dropped precipitously. With more qualified people looking for a job, it is easier for HR practitioners to be confident they will find workers with the qualifications they are seeking when recruiting..

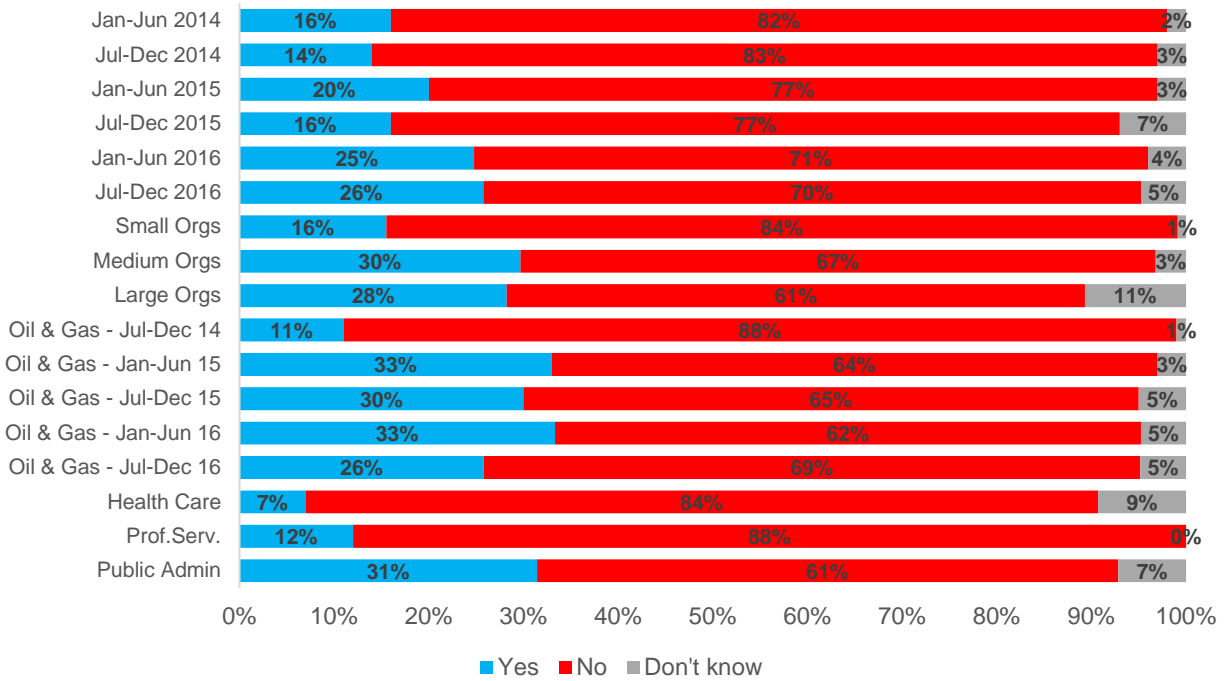
Confidence in replacing workers with equivalent experience and qualifications



TEMPORARY LAYOFFS

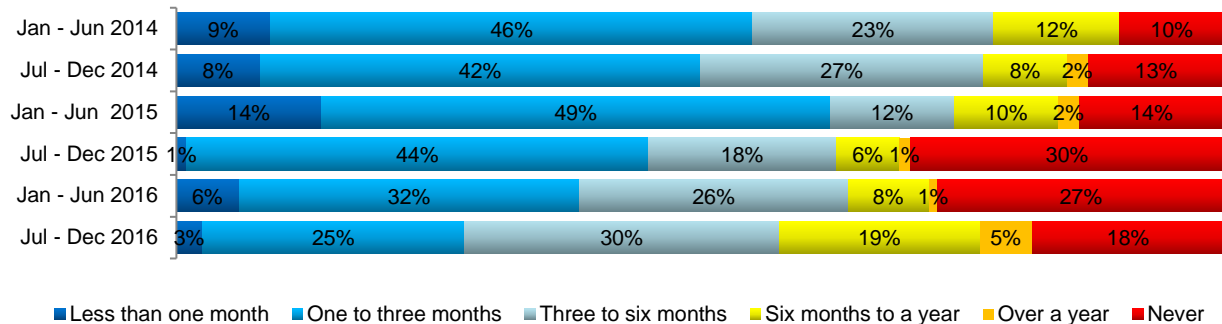
About a quarter of organizations (26%) engage in temporary layoffs, meaning they layoff some staff with the intention of bringing them back to work in the near future. The frequency of this practice did not substantially change in Alberta in 2016. It was considerably less common with small organizations than with medium or large ones. Temporary layoffs became less popular in the Oil & Gas sector, but significantly more popular in the Public Administration sector.

Temporary Layoffs in the last Six Months



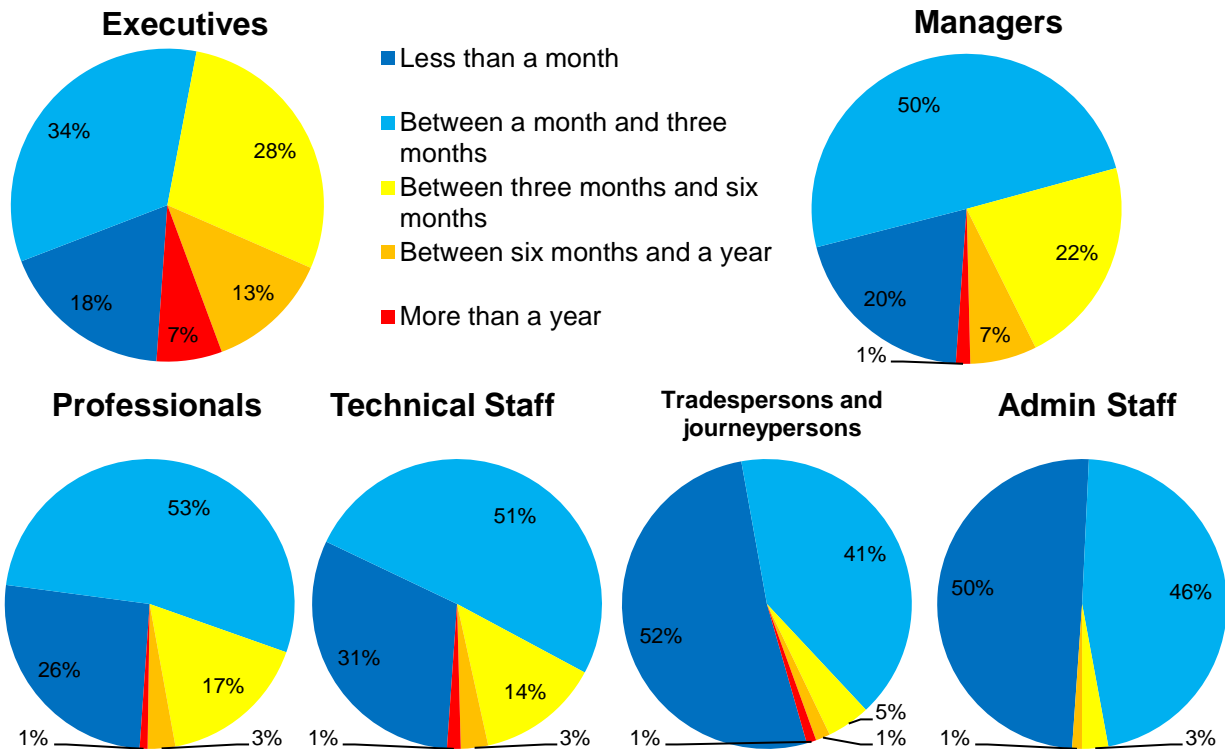
The goal of temporary layoffs is for the layoffs to be truly temporary in nature. There are two competing trends at work, the good news is that fewer employees are never being called back to work (18%, down from 27%), while those that are returning are going back after being laid off for a longer period of time. In the previous report, 38% of workers returned to work in less than three months, but now that number has dropped to 28%.

Length of time laid off before being typically called back to work



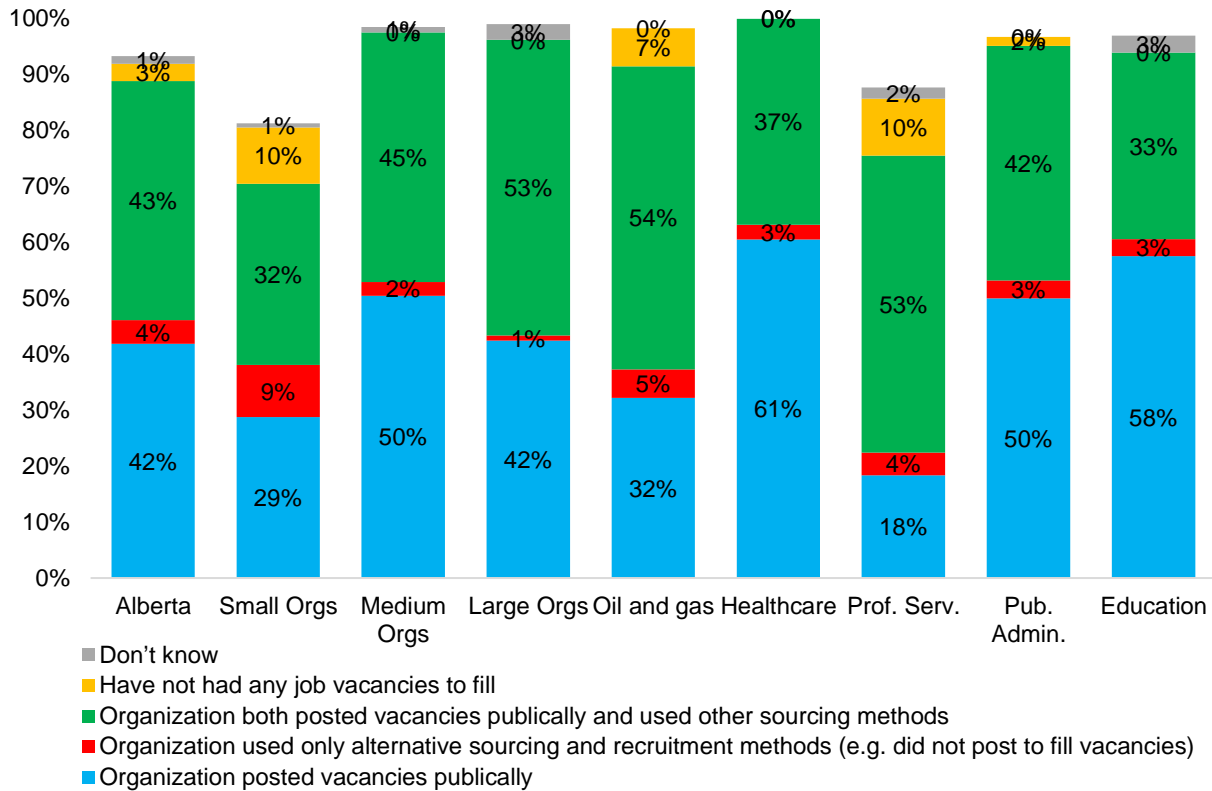
FILLING VACANCIES

Despite Alberta’s challenging labour market, this report saw remarkably few changes in how long it takes to fill vacancies. More specialized jobs take longer to fill, as always. 56% of executive positions (a decrease since the last report) and 70% of managerial positions are now filled within less than three months and 82% of vacancies for technical staff are being filled within three months, however this rate has slowed since the first half of 2016.



In the last year, 43% of organizations in Alberta have filled their vacancies by both posting job vacancies publicly and using other sourcing methods. An almost identical share (42%) relied on only public posting. The public administration, healthcare and education sectors are more likely to rely on only public posting, and in some cases may be required to do by collective agreements, regulations or legislation. Overall public posting dominates as the most common way to fill vacancies, but most organizations supplement this with other methods.

How do you fill vacancies?



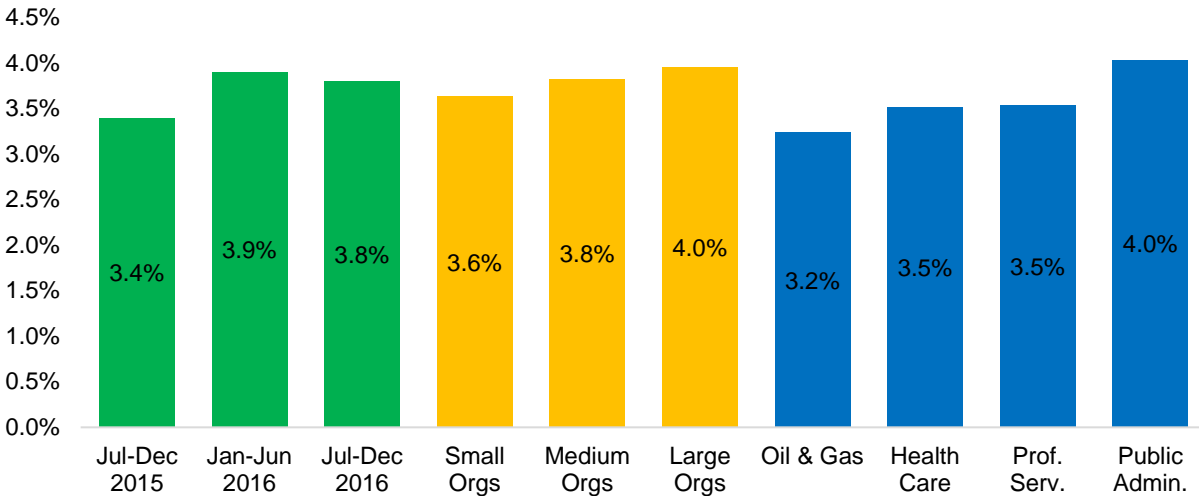
HR TEAM RATIO

Respondents were asked to provide an approximate ratio of HR employees to overall employees in their organizations. The ratio is very dependent on the size of the organization, with small organizations having one HR person per 39 employees and large ones having a ratio of 174 to 1. Medium-sized organizations had an average ratio of 109 to 1. These ratios were extremely stable overall throughout 2016.

LEARNING AND DEVELOPMENT

On average, organizations seem to be investing 3.8% of their total budget towards learning and development. This is essentially unchanged from the last report. Large organizations allocated a greater fraction of their budget to learning and development than small ones. Oil & Gas, Health Care, and the Professional Services sector all saw decreases in their learning and development budgets, while in the Public Administration sector budgets grew.

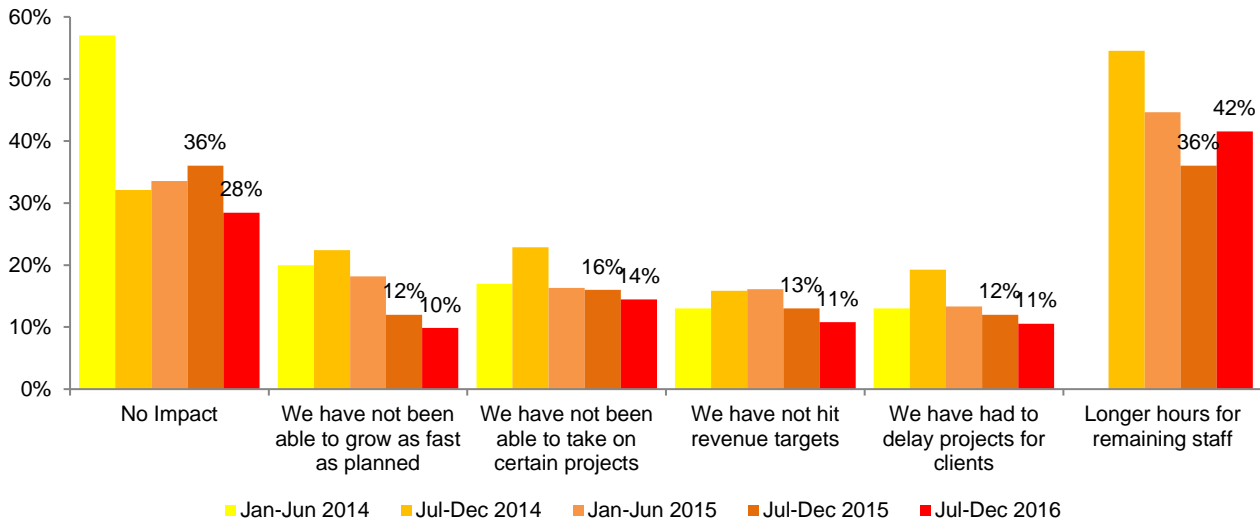
% of Budget Allocated to Learning and Development



TURNOVER COSTS AND RESPONSE

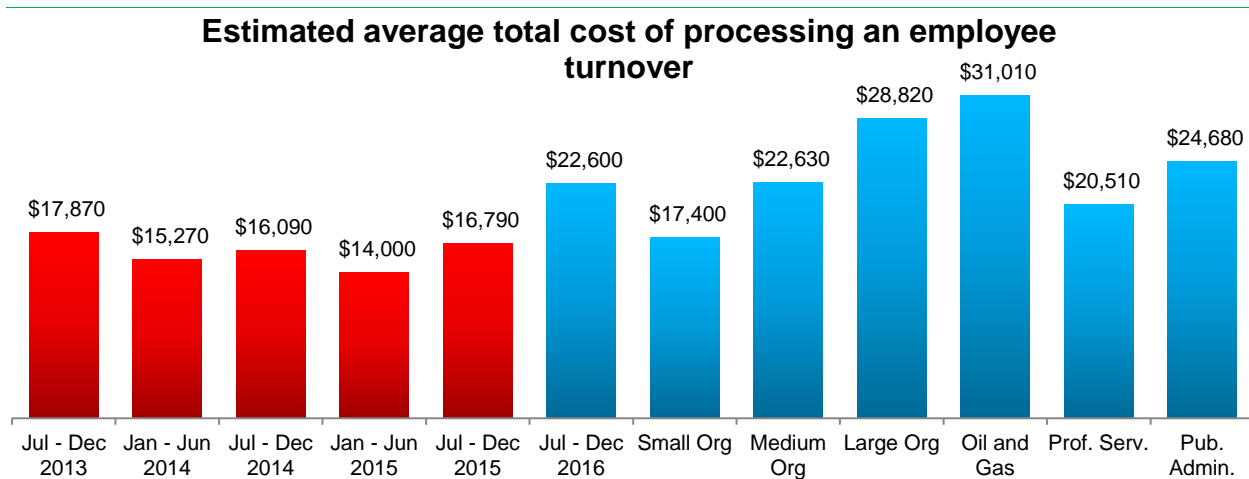
Over the past few years, the number of organizations impacted by employee turnover in Alberta has increased. Now only 28% say there has been no impact on their organizations in the last year. While most impacts became slightly less common, longer hours for the remaining staff became even more common, being reported by 42% of organizations.

Impact of turnover in the last year



All the layoffs in Alberta over the last year are clearly having an impact on organizations across the province. Even though turnover may be expected or even planned because of layoffs, it is clear that the remaining employees are feeling the effects, particularly as they work longer hours in order to keep up with similar workloads when there were more staff.

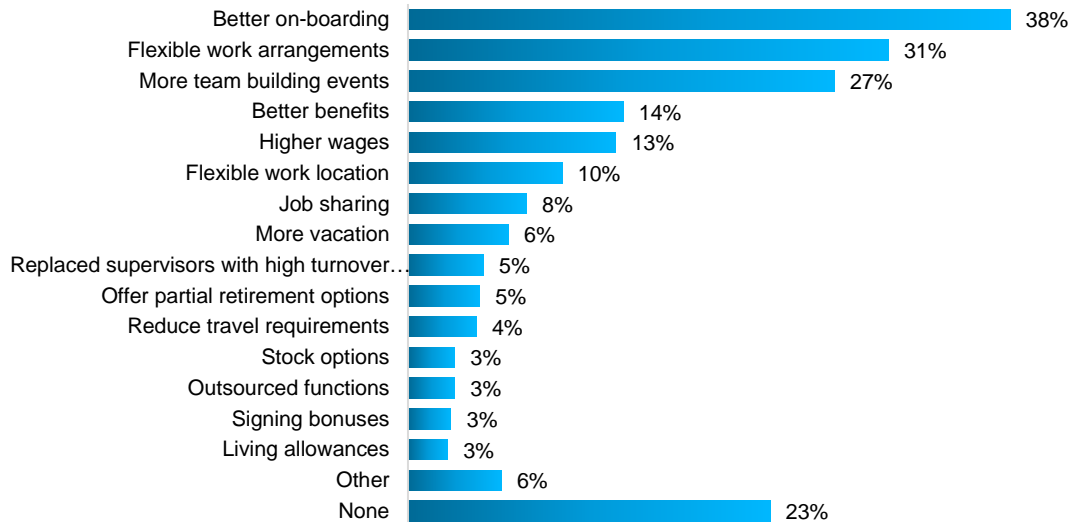
Employee turnover is expensive and getting more so. In Alberta, the costs saw a significant increase over the last year from \$16,790 to \$22,600, an increase of nearly \$6,000. The processing cost includes the time of the HR team, severance, separation pay, working with recruiters, the interview process and assorted regulatory requirements. The cost of processing is highest among large organizations (\$28,820). It is also significantly above average in the Oil & Gas (\$31,010) and Public Administration sectors (\$24,680). The significant increase in the cost is present across all sectors and organization sizes.



With turnover impacting so many organizations and costing them so much it is interesting that 31% of respondents said they do not take any action to reduce turnover. This number increased from 22% from the last report, no doubt due to the number of layoffs as turnover was inevitable in many organizations.

The most popular actions organizations reported taking to reduce turnover include better onboarding, flexible work arrangements and more team building events. These most common actions have not changed in a meaningful way in the last year. It is very interesting that the most popular actions taken to reduce turnover are essentially non-monetary. Employers clearly believe that better processes when an employee is hired and listening to their employees' need for flexibility is more effective than higher wages or better benefits. The popularity of better onboarding, in particular, speaks to intelligent HR practices - that an employee who is set up to succeed at the outset is far less likely to leave.

Actions taken to reduce turnover for any reason

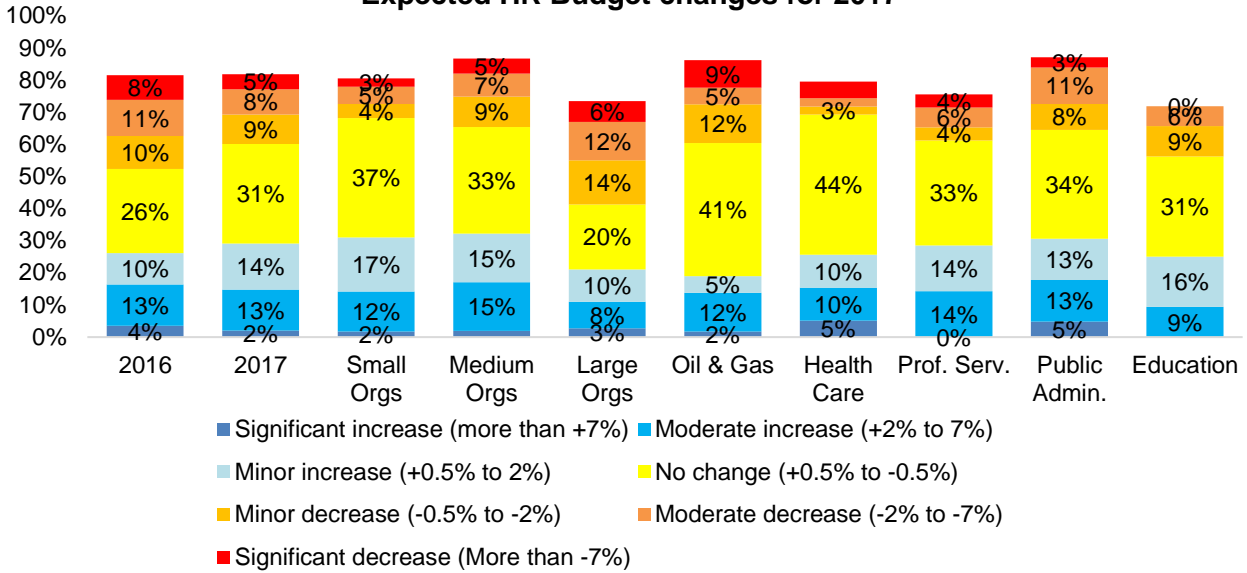


HR BUDGET CHANGES

HR departments are generally optimistic in Alberta about their HR budgets, with a couple of significant exceptions. 29% expect their HR budget to increase in 2017, while 22% expect their budget to shrink. This is an improvement from 2016 when more organizations expected a smaller HR budget than a larger one.

The larger an organization becomes the more likely they are to expect a shrinking HR budget. Among organizations with more than 1,000 employees, 32% expect a smaller budget, and only 21% expect a larger one at the end of the year. The Oil & Gas sector is also pessimistic with more expecting cuts (26%) than a bigger budget (19%), but other sectors show what an exception the energy sector is. Health care, professional services, public administration, and education all have a broadly positive outlook.

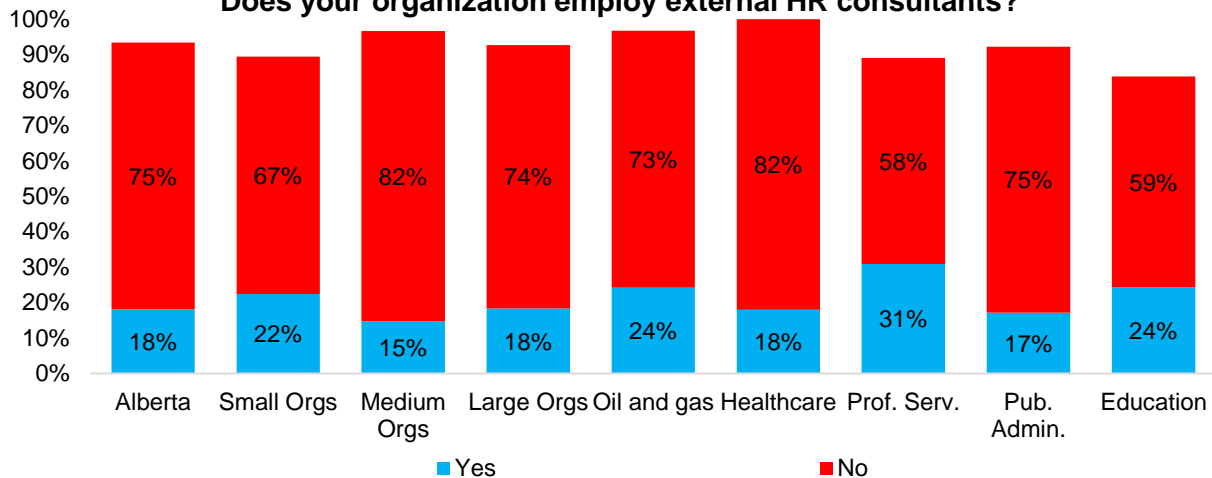
Expected HR Budget changes for 2017



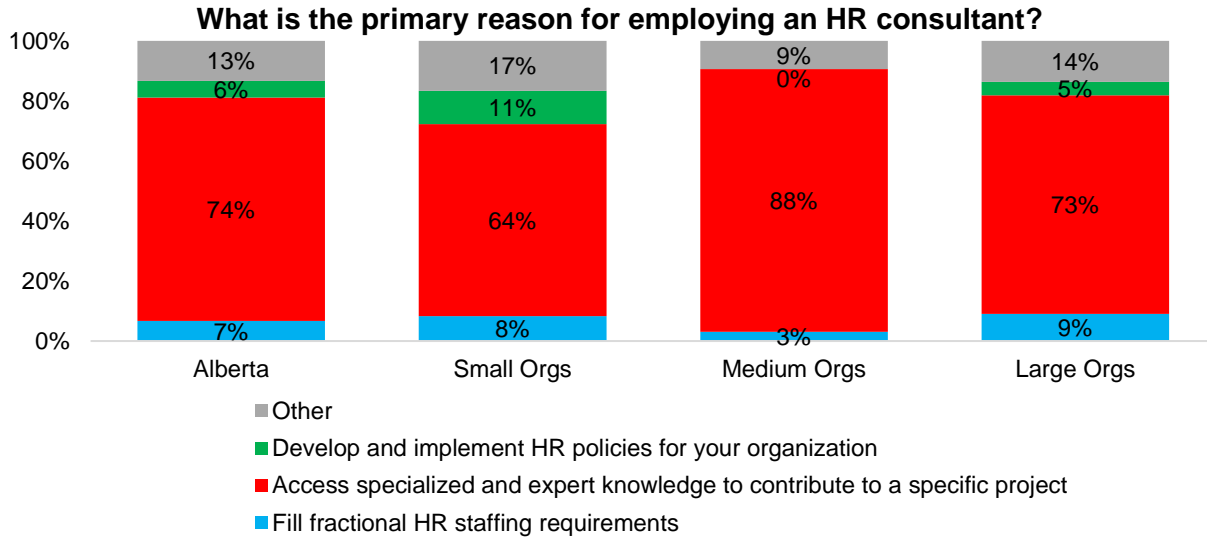
HR CONSULTANTS

Only 18% of organizations in Alberta that have an in-house HR practitioner employ external HR consultants. This does not vary significantly with the size of the organization. External HR consultants are also more common in the professional services, oil and gas and education sectors. It is possible that there are more Alberta organizations employing external HR consultants, in particular if they do not have an HR practitioner on staff, but these organizations would not have been respondents to this particular survey – thus resulting in a systemic bias from the survey respondents.

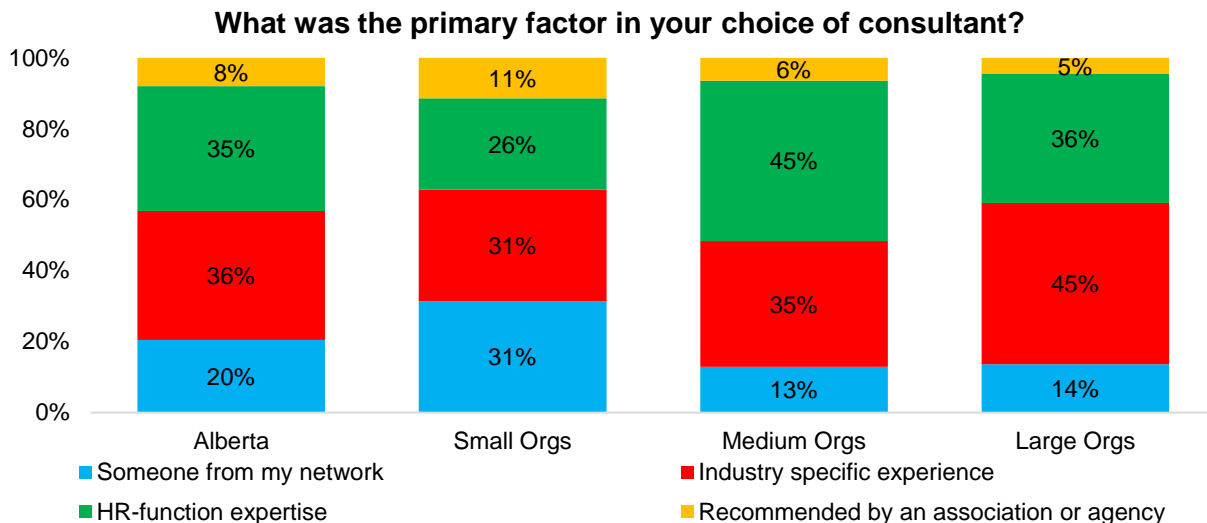
Does your organization employ external HR consultants?



Among those who use external HR consultants the primary reason they were employed was to access specialized and expert knowledge to contribute to a specific project (74%). They were rarely used to fill fractional HR staffing requirements or develop and implement HR policies for the organization. That said small organizations are slightly more likely to use an external HR consultant to develop HR policies, while large ones use them to cover fractional HR staffing needs.



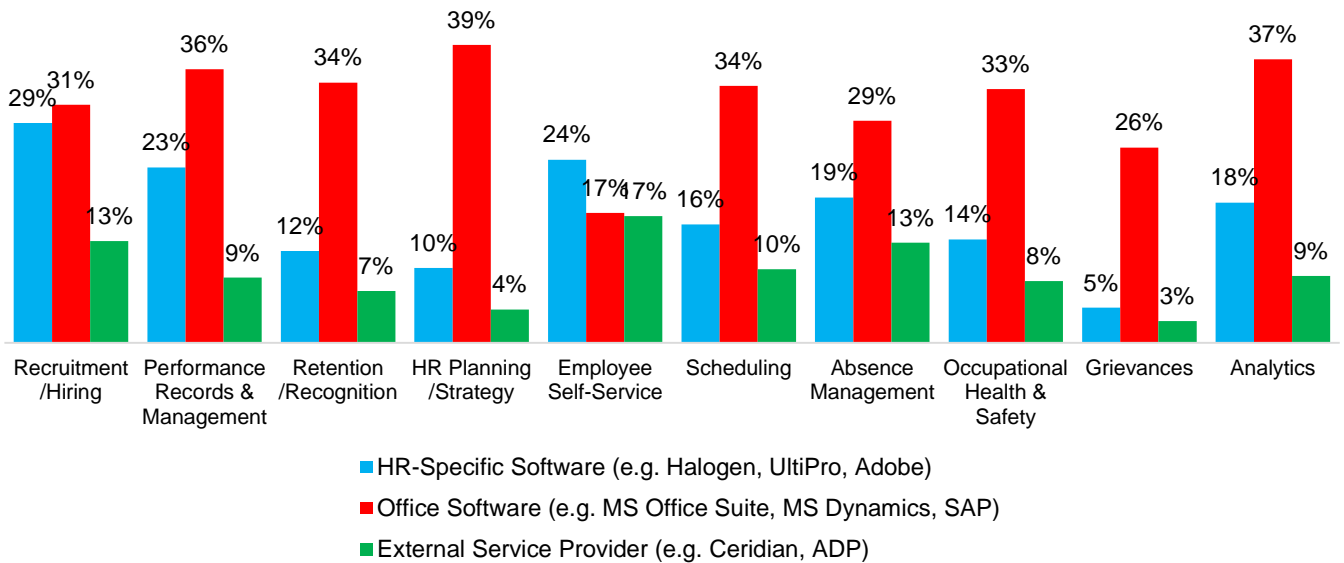
In Alberta, the most common factors considered by an organization when choosing a consultant were their industry specific experience (36%) and their HR-function expertise (35%), followed by someone from the respondent's network (20%). Network referrals are more common within small organizations, while large organizations are more likely to hire someone with industry-specific expertise.



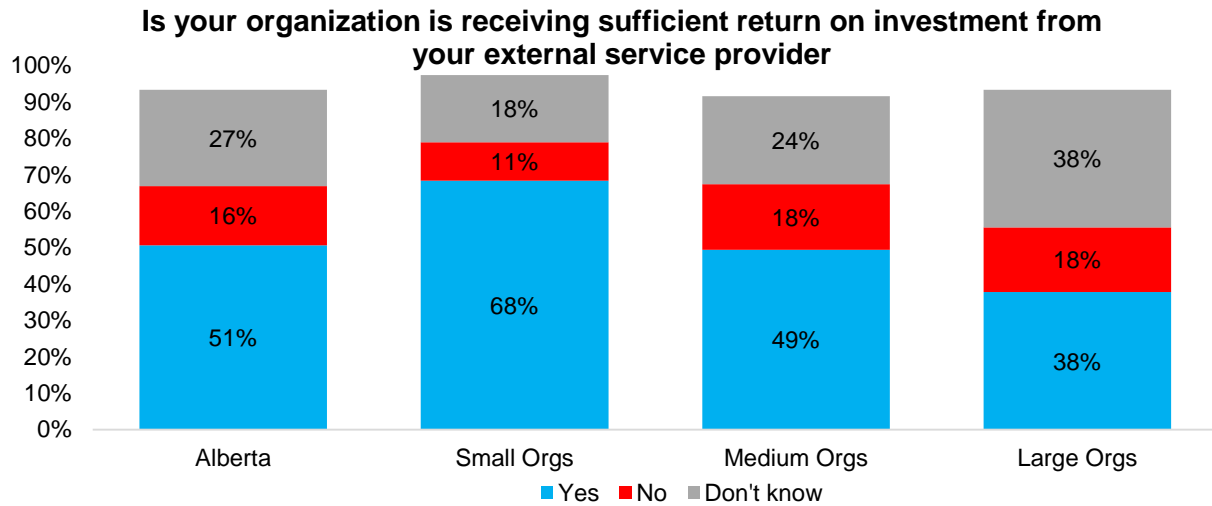
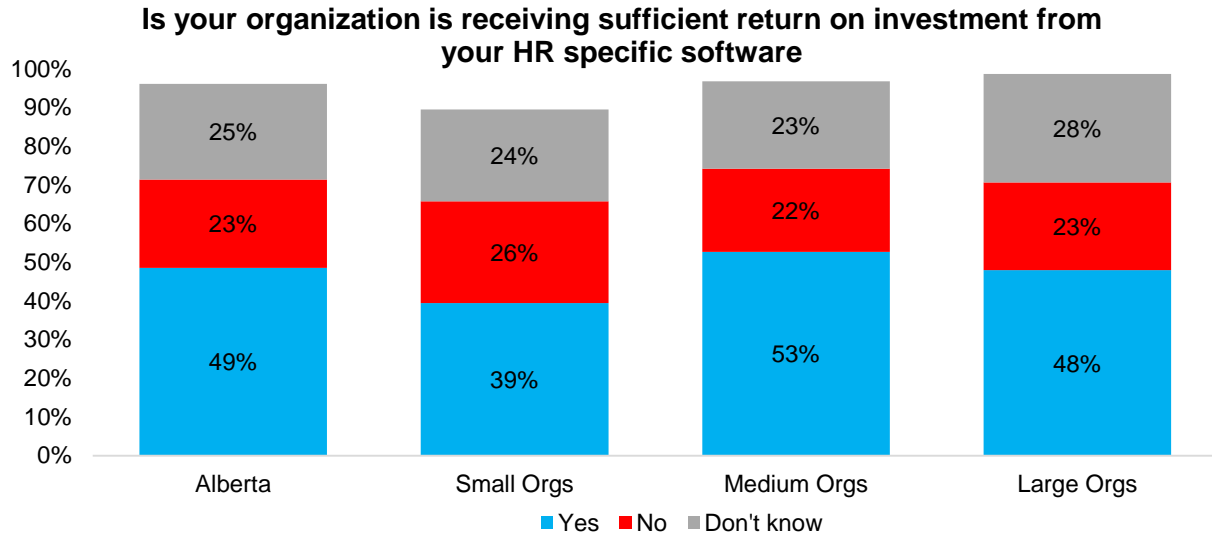
HR SOFTWARE AND ANALYTICS

HR-specific software like Halogen, UltiPro and Adobe is not that commonly used across organizations in Alberta. Only 29% report using it for recruitment or hiring, 24% for employee self-service, 19% for absence management. In contrast, office software like MS Office, MS Dynamics and SAP are most commonly used for nearly all tasks, even highly specialized HR tasks. External service providers like Ceridian and ADP are only used by a small minority of respondents, with the most common tasks being employee self-service (17%), absence management and recruitment (both 13%). With more generic office software being used for most HR tasks it shows there is room for significant growth in the use of HR-specific software.

Tools used for HR functions

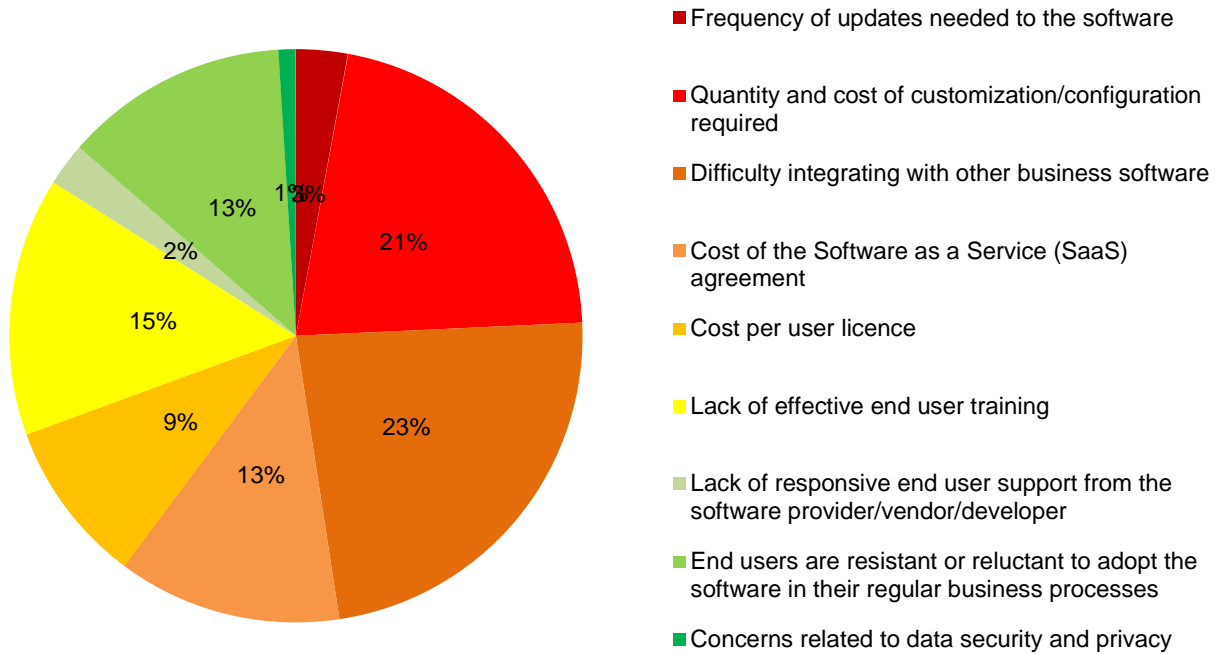


Even though HR-specific software is only used by a minority of respondents, the satisfaction levels are significant. 49% of respondents say they are receiving a sufficient return on investment, while only 23% feel they are not. Satisfaction is lower with small (39%) organizations, and is higher with large (48%) and medium-sized organizations (53%). In comparison, slightly more respondents feel they are getting a sufficient return on investment from their external service provider (51%). Small organizations (68%) are more satisfied and large organization are less likely to be satisfied (38%) and medium-sized organizations are more likely not to be sure (38%).



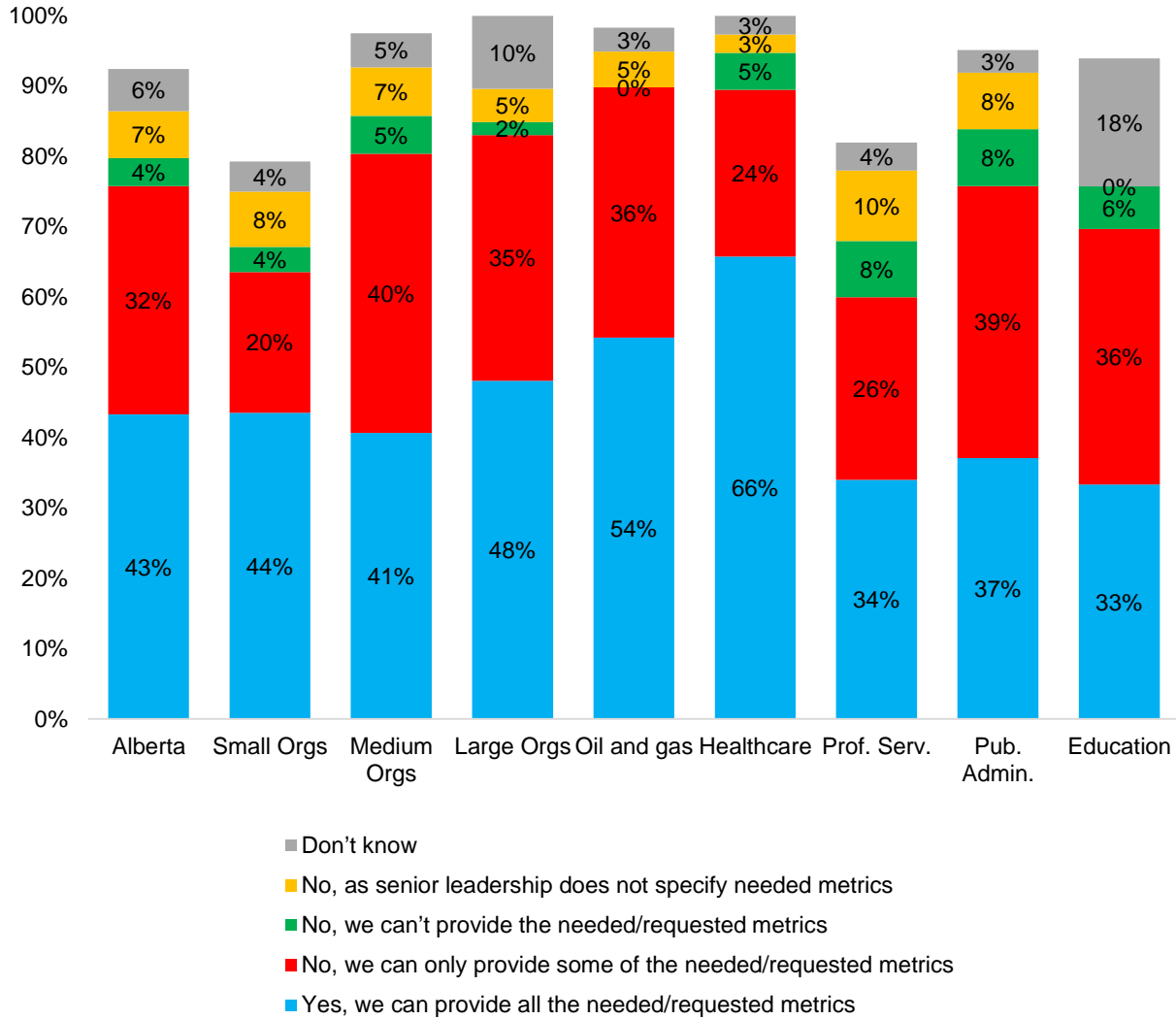
The most common barrier to effectively using their HR-specific software is the difficulty of integrating with other business software followed by the quantity and cost of customization required. This makes sense particularly in large organizations, where they are more likely to use more complex and custom business applications, which makes integration more complicated. Cost is also a significant factor for 13% of respondents, as is end users who are resistant to adopt the software in their regular business processes.

What is your organization’s biggest barrier to using effectively their HR-specific software?

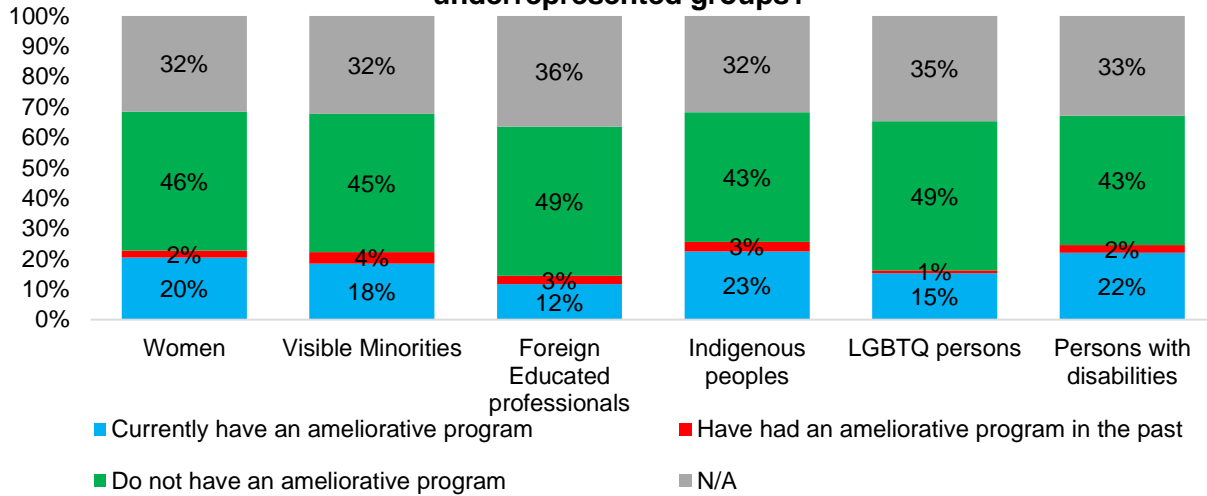


About two in five (43%) of organizations can provide all the needed metrics to senior leadership. Almost as many (32%) can only provide some of the metrics needed. Impressively only 4% cannot provide the metrics requested, a number which drops to only 2% in large organizations, and 0% in the Oil and Gas sector. Large organizations and those in the oil and gas and healthcare sectors are more likely to be able to provide all of the metrics needed.

Can the HR team provide the HR metrics needed by senior leadership

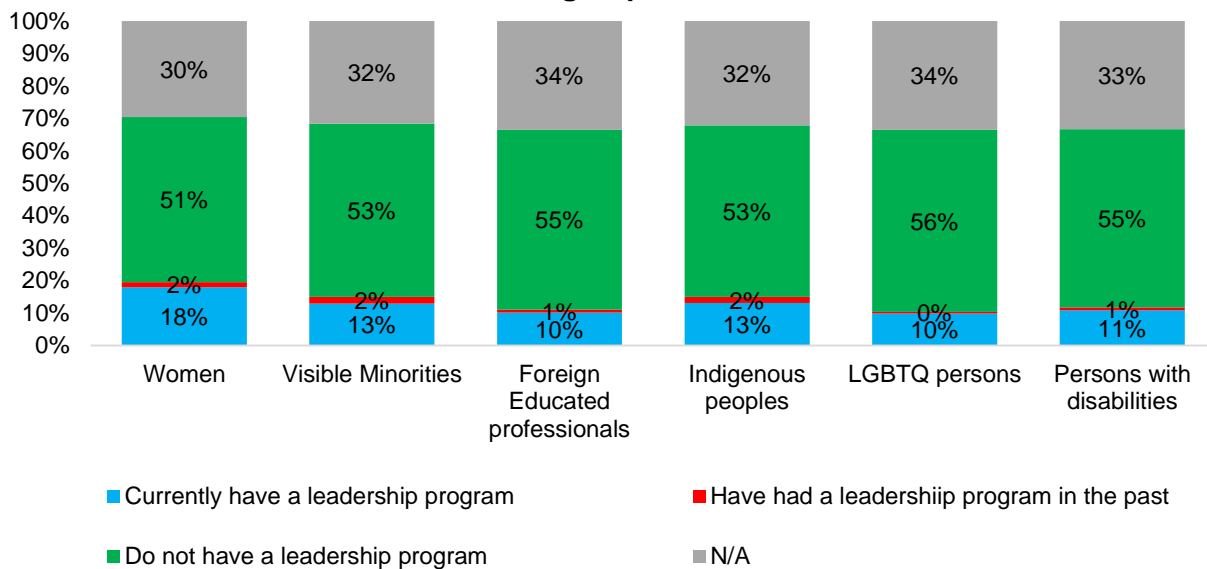


Do you have an ameliorative program for the following underrepresented groups?



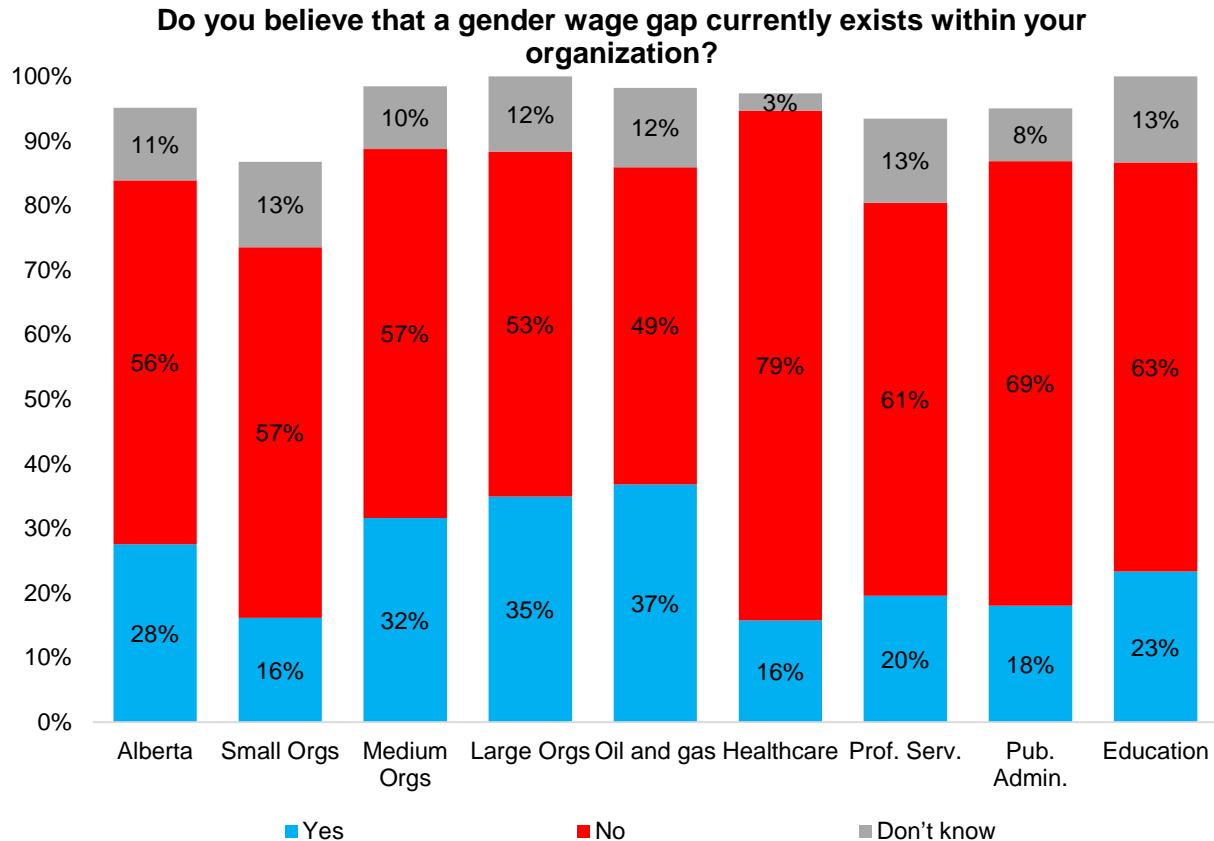
Ameliorative programs for underrepresented groups are not very common in Alberta organizations. No matter the group, at most 23% of organizations have an ameliorative program. The most common beneficiaries are indigenous peoples (23%), persons with disabilities (22%), and women (20%). Leadership programs for these same groups are even less common. 18% of organizations have a leadership program for women, and 13% have one for indigenous peoples or one for visible minorities.

Do you have a leadership program for the following underrepresented groups?



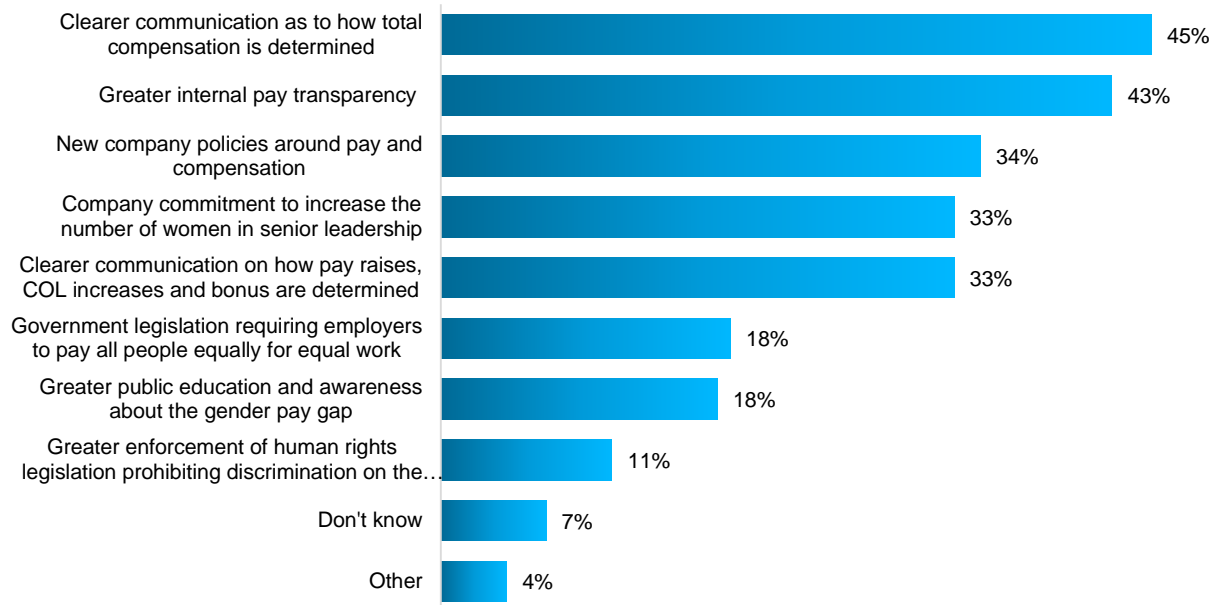
PAY EQUITY

28% of respondents believe their organization has a gender wage gap. This belief increases with the size of the organization. The gender wage gap is perceived to be higher in the education sector than in other sectors.



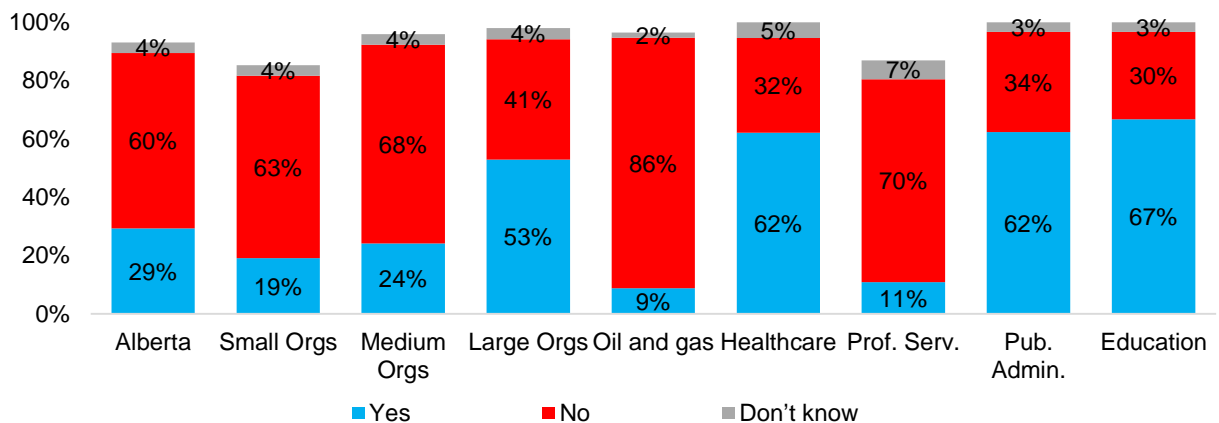
The top 3 actions that respondents believe that can improve pay equity are primarily about communication. Both the most commonly recommended action - clearer communication on how overall compensation is determined (45%) and greater internal pay transparency (43%) are both easily implemented, but requires organizations to get over the taboos on talking about compensation at a group level. It is also worth noting that 34% believe new formal policies around pay and compensation will make a difference, as well as increasing the number of women in senior leadership positions (33%).

Top 3 actions you believe that can be taken to improve pay equity

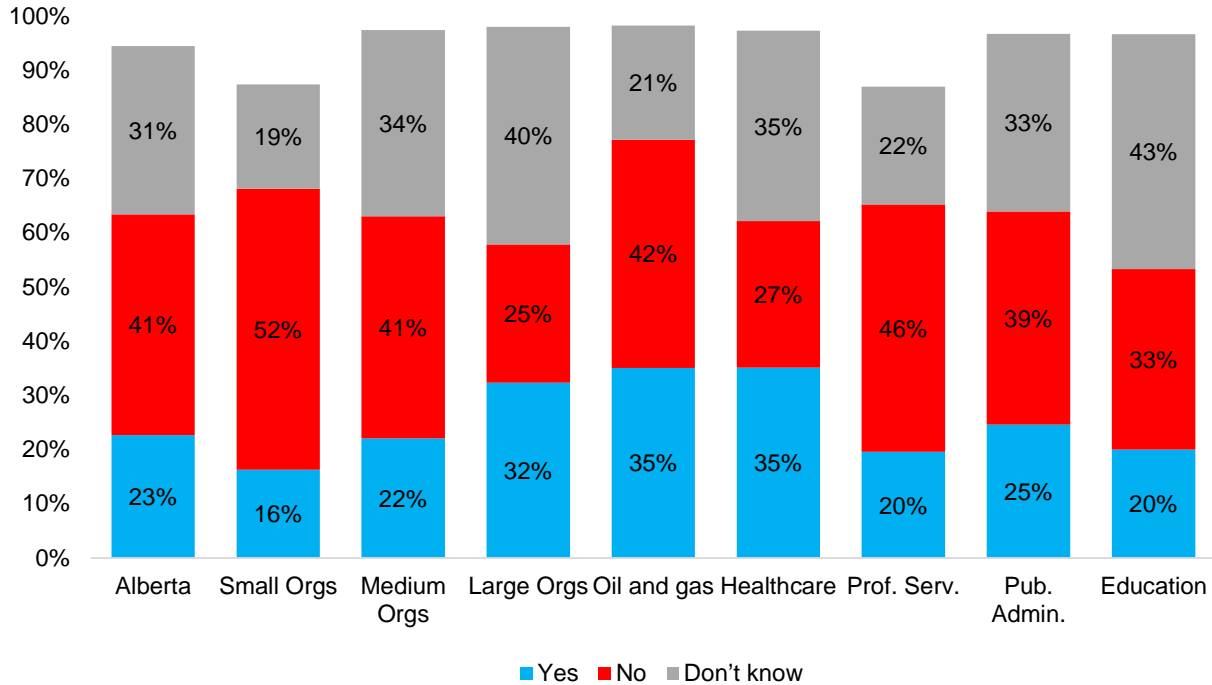


Speaking to that need for clearer communication, only 29% of organizations report making pay-bands/pay ranges for all organizational roles available to all employees. This practice is much more common among large organizations and those in the broader public sector. In the same vein, only 23% of organizations have ever conducted a pay equity audit, which perhaps belies the large number of respondents who do not think their organization has a gender wage gap. Pay equity audits are more common among large organizations and in the health care and oil and gas sectors.

Does your organization internally make available to employees the pay-ranges for all organizational roles?



Has your organization ever conducted a pay equity audit?



TRENDS IMPACTING HR

Respondents were also asked to identify trends impacting their work in HR including government policies. While there were too many to enumerate, here are the most popular and significant:

- The generally poor economic conditions
- The low price of oil and delayed pipeline approvals
- Minimum wage hikes
- The Alberta Carbon Tax
- Immigration

METHODOLOGY

This survey was conducted online between November 30 and December 22, 2016. 5,062 members of HRIA were invited to participate via an email. Of these 856 completed enough of the survey for their responses to be useable, a response rate of 16.9%. 432 respondents completed every question, a completion rate of 8.5%. The margin of error of this survey varies depending on the number of completions each question received. The margin of error varies between +/-3.1% nineteen times out of twenty and +/- 4.5% nineteen times out of twenty.

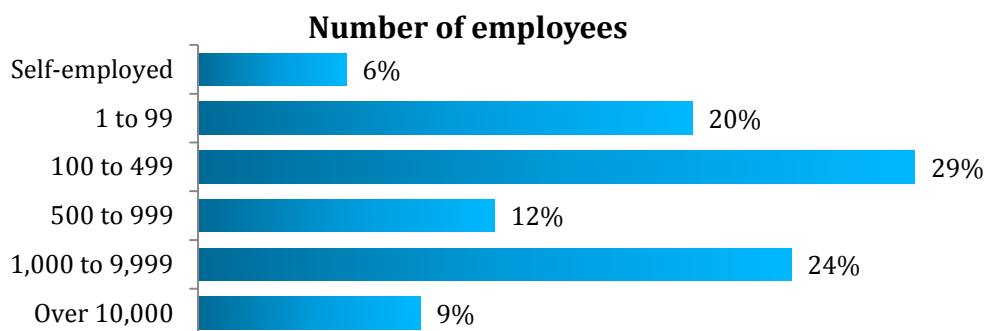
The previous reports were based on data collected in June 2016, November and December 2013; in May of 2014; in November and December 2014; in May of 2015; and in November and December 2015.

RESPONDENT PROFILE

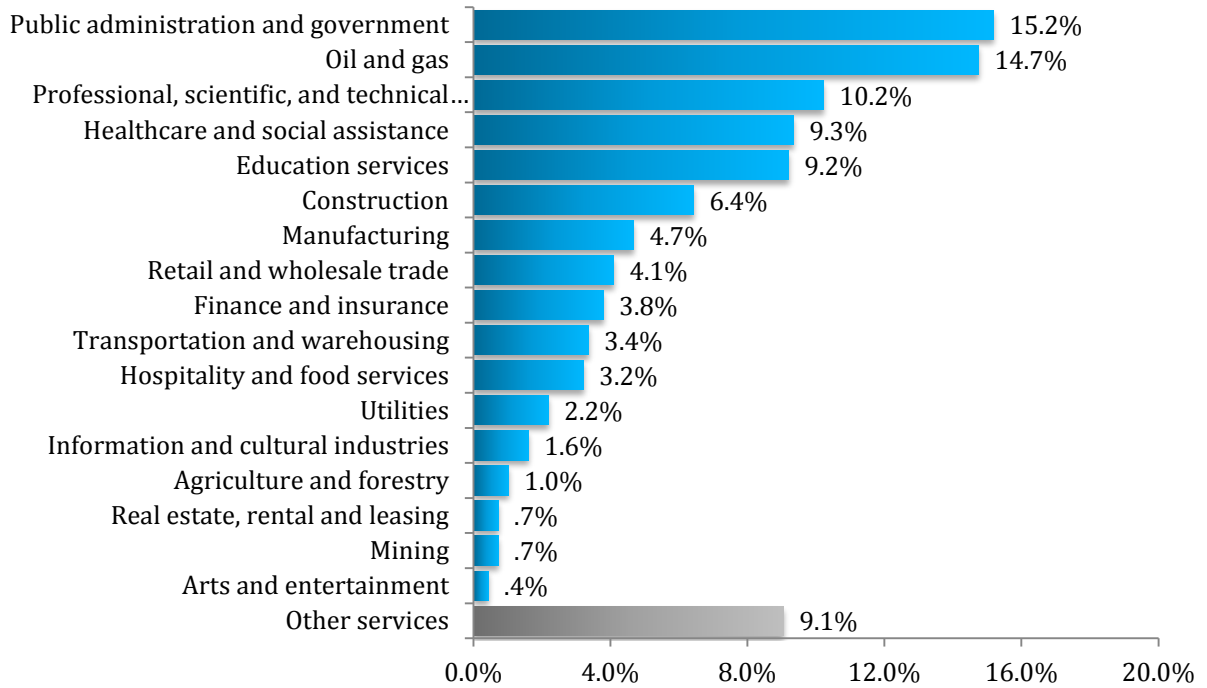
The respondents come from organizations of all sizes from sole proprietors to multinational corporations. The median number of employees in Alberta per organization is 400 and the average number of employees is 4,870.

In this report, small organizations are ones with fewer than 100 employees, medium have between 100 and 999 and large have 1,000 or more employees. Respondents were also distributed across a wide range of sectors.

Respondents were also distributed across a wide range of sectors. Due to the sample size, the only sectors that can be broken out with separate results are Public Administration & Government; Professional, Scientific & Technical Services; Health Care; Oil & Gas; and Education Services.

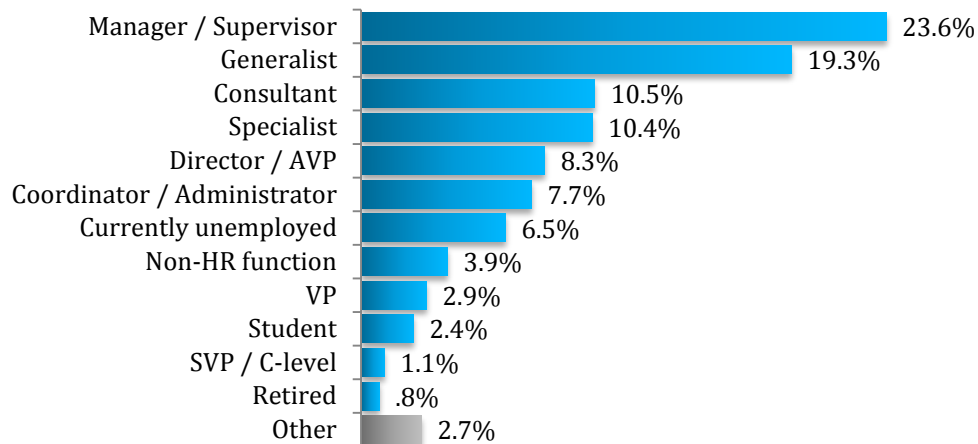


Distribution by Sector



Respondents work in a variety of HR roles within their organizations, but generalists and managers were by far the most common.

Distribution by Role



FURTHER INFORMATION

The Human Resources Institute of Alberta was founded in 1984 and is the governing body for the training, certification and promotion of Alberta's human resources professionals. With over 6,000 voluntary members, HRIA is Alberta's only human resources professional body with six chapters across Alberta providing support to members in every major urban centre.

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