Alberta HR Trends Report

March 2015

Purpose of this Report

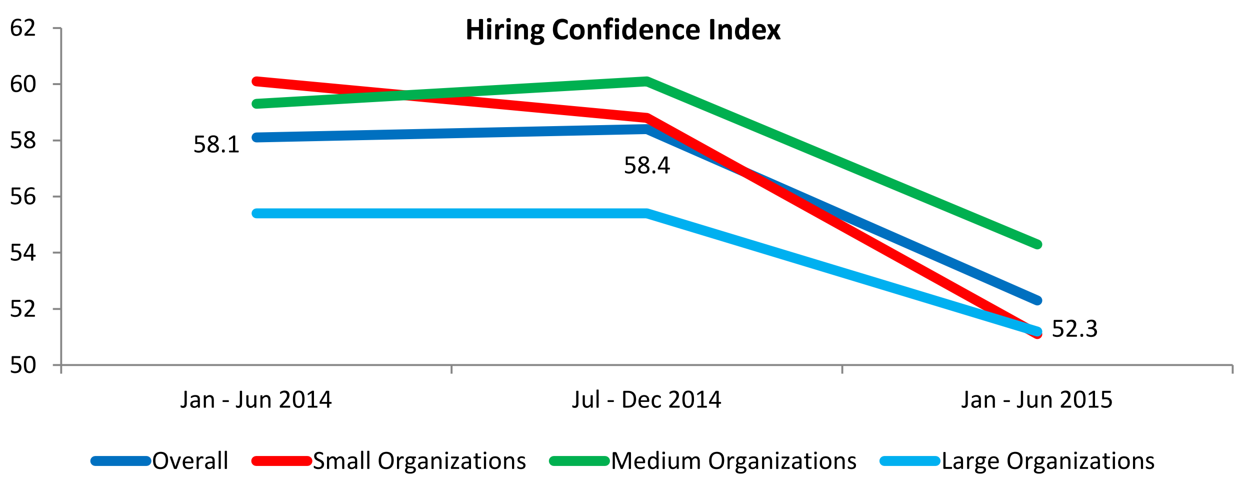
This report is a regular tool for HR practitioners in Alberta to make informed decisions with practical information on what is occurring in Alberta workplaces. Good labour market information can help human resources practitioners provide more strategic and better informed advice to their stakeholders.

Alberta companies have been facing a significant labour and skills shortage. With the price of oil dropping Alberta companies are now faced with a new set of challenges related to dropping revenues, deferred projects and revised revenue forecasts. Many are anticipating a pause in hiring along with a review of total compensation and organizations for savings to ensure the continued health of their organizations. Some organizations have prepared better than others in the good years post-Great Recession and will find opportunities to grow their talent pool, upgrade their work teams and broaden the products and services they provide to their clients and stakeholders.

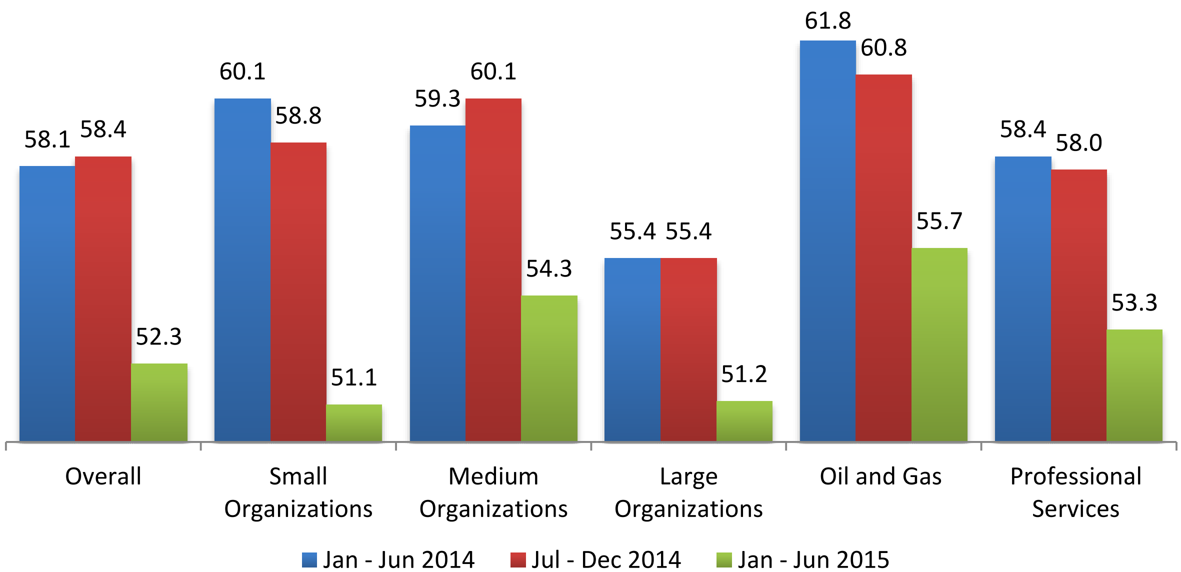
HRIA commissioned this third report as part of a regular series to help fill the labour information void for its members and to discover industry benchmarks that can help human resources professionals make better talent management decisions.

Hiring Confidence Index

HRIA has created a measure of how Albertan employers feel about hiring and the index reflects the forecast over the next six months from the time the survey was taken. The index emphasizes how confident HR professionals are that they can hire the right people to fill open positions; it also incorporates views on growth or decline in the number of positions.



Across the board there has been a significant decline in the Hiring Confidence Index for the first part of 2015. Economic commentators and elected officials are avoiding using the "R" word, recession, although the significant drop in hiring confidence is a good indicator that HR professionals at least expecting the early part of 2015 to be difficult in finding the right people for the work available. At least one major Canadian bank has indicated the risk of a recession in Alberta as well as Newfoundland noting how sharp the decline in the growth outlook is to be in 2015.[1] The scores in all sectors and company sizes are still over 50, which indicate HR professionals are still slightly more confident than worried about their ability to hire the right people.



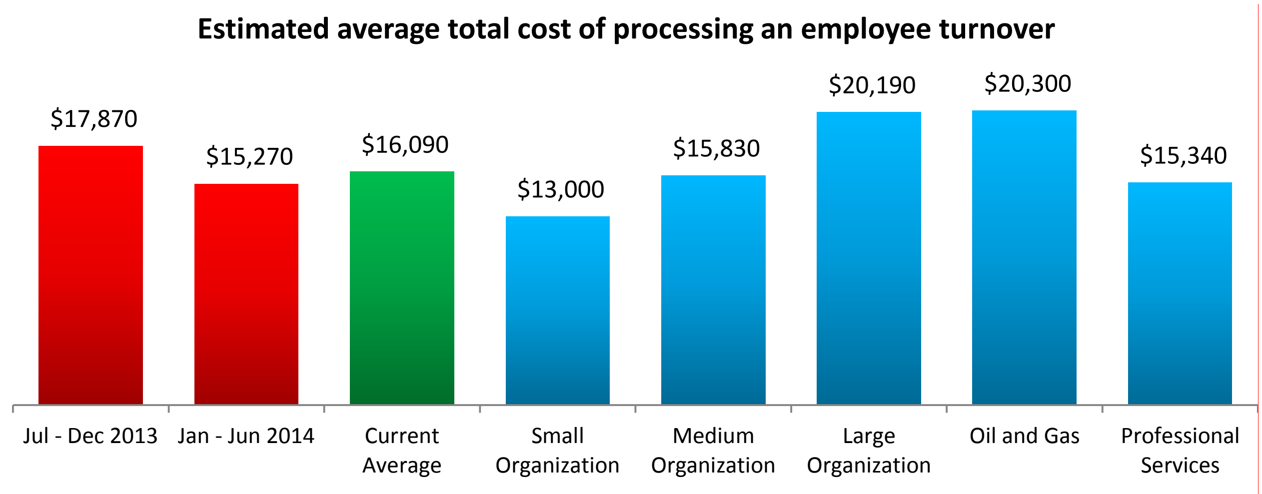
The biggest drop in the index was among small organizations with less than 100 employees (-7.7). Large organizations saw their confidence drop by 3.2. Small and large organizations now have similar hiring confidences, a reflection of the mood in the economy and the expectations for the early part of 2015. Medium size organizations dropped by 5.8 and in terms of organizational size are the most confident above the provincial average. The Oil and Gas sector was, despite a significant drop (-5.1) more confident than average (continuing the trend of the last year) remaining the most upbeat of all groupings. Professional services dropped as well, but more in line with the average (-4.7).

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 about hiring than worried.

[1] Avery Shenfeld and Nick Exarhos, The Tables Have Turned: Provincial Outlook 2015. CIBC Economics. February 17, 2015.

Turnover Costs

Turnover is expensive for any organization. Costs associated with replacing an employee as well as lost productivity can be high. The cost of processing a turnover increases with the size of the organization and can include severance, separation pays, benefits, and other costs associated with moving an employee out of an organization. Firms in the Oil and Gas sector pay more than average for turnover likely linked to their higher than average pay and benefits. The cost of turnover has increased slightly in the last six months and in particular with larger organizations.

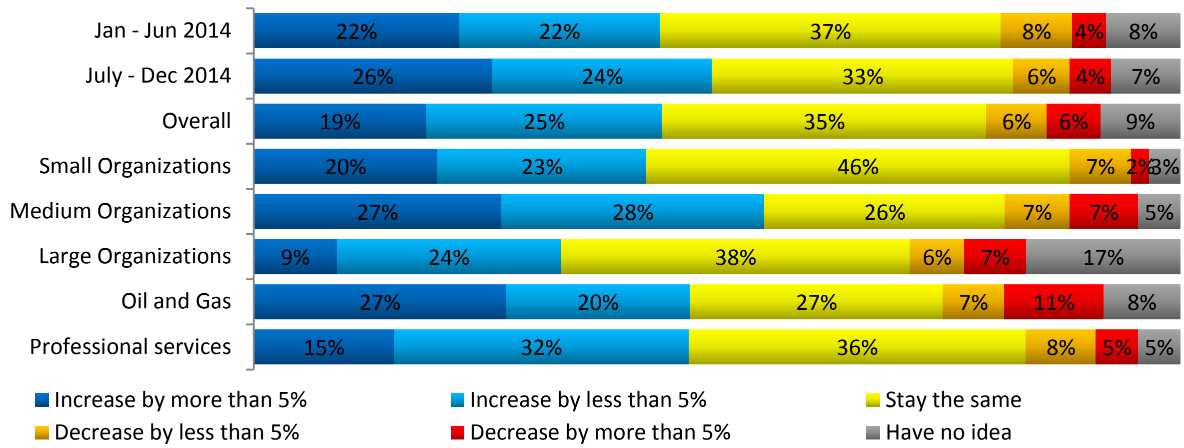


The 6 Month Outlook

Nearly half of organizations (44%) expect their total number of employees to increase over the next six months. While this looks strong and optimistic on the surface, there are indications that Alberta's hiring binge is over. Recent announcements of major layoffs and across the board hiring freezes confirm the expectation of reduced recruitment and retention. However, that is not the whole story.

Across all industries and all companies the number of respondents who said their organization would grow its number of employees by more than 5% has dropped significantly. It is under 20% and is only 9% among the biggest organizations. There has not been a corresponding big increase with the number of respondents expecting the companies to shed employees. It is more a slowdown of growth as opposed to a downturn. As usual the Oil and Gas sector expects the biggest gains.

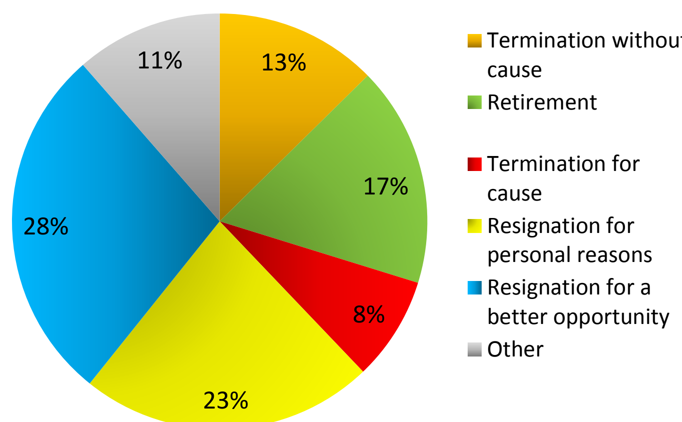
Expected change in employment in the next six months



Over the next six months companies expect resignation for a better opportunity to be the biggest reason for losing staff. This has not changed from the last two reports.

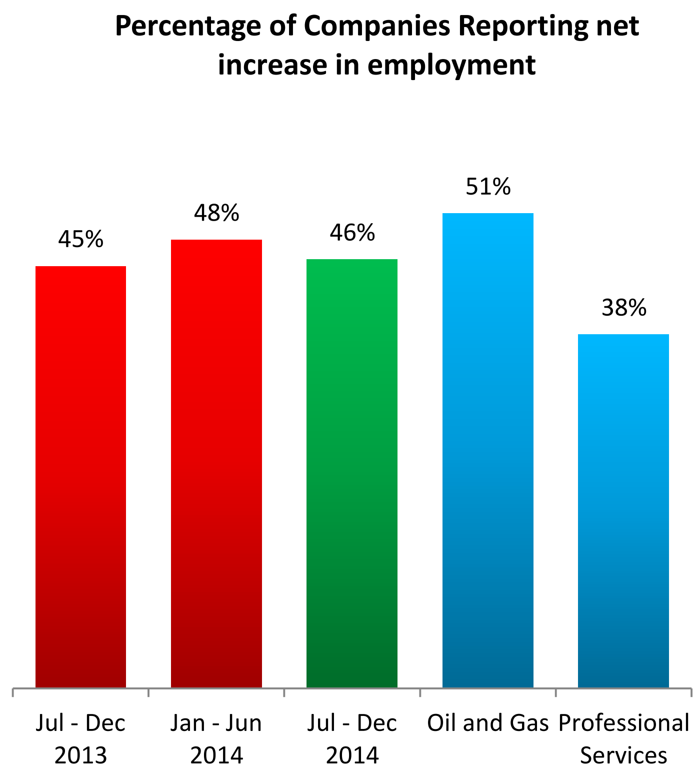
Quitting for a better opportunity is a key indicator of a strong economy. Indeed, unemployment in Alberta was only 4.7% in December and went down to 4.5% in January 2015. That said, the percentage of people who expect to lose staff to better opportunities has decreased slightly but still within the margin of error. Despite the recent job reductions and layoffs, Alberta's job market still has opportunities for talent to move and grow in their career path.

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



Current Trends

The number of companies net increasing their number of employees continued in the second half of 2014. While the overall number of companies which grew was down slightly from the first half it was up from the same period last year.



Less than a third of companies reported flat employment and 16% reported having less employees. The best performers were medium sized organizations and oil and gas firms. Professional services firms were the weakest in terms of growth with only 38% reporting net growth and 22% reporting a net decrease.

Across all company sizes more people were hired than left in the latter half of 2014. While there was no pattern in the changes in how many people joined companies, generally companies with less than 1,000 employees saw a greater number of people leave than in the previous six months. Results within categories based on numbers of employees in order to make the results relevant.

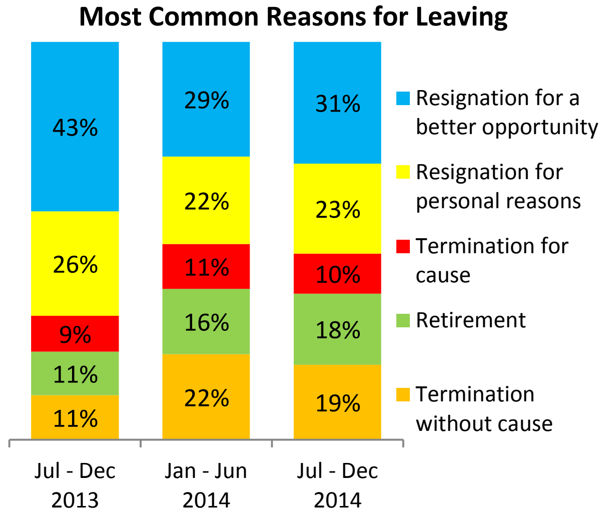
	Number of Employees				
Median number	1 to 99	100 to 499	500 to 999	1,000 to 9,999	Over 10,000
Left employment in last six months	5.8	32.7	56.8	95.9	117.7
Joined employment in last six months	6.9	41.3	64.8	122.6	147.1

In the latter half of 2014, employees left for a variety of reasons, with the most common being resignation for a better opportunity, resignation for personal reasons, and termination without cause. Resignation and termination without cause have both become more common compared to the second half of last year. While at the same time resignation for a better opportunity has become significantly less common.

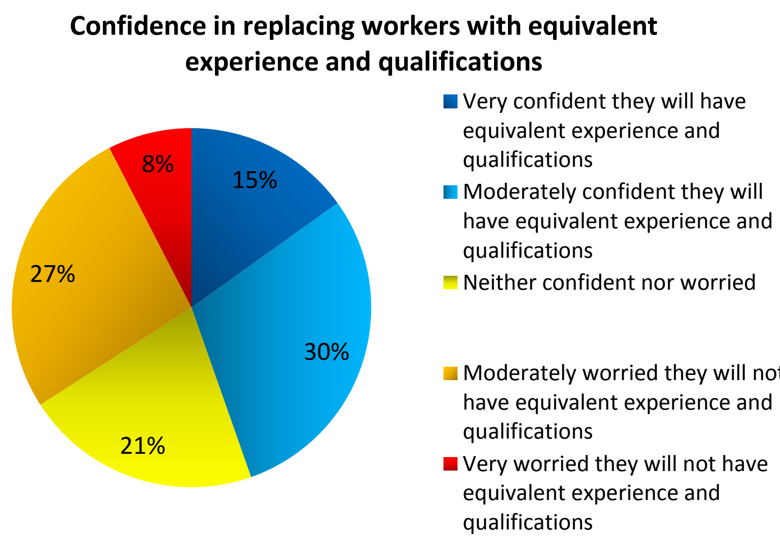
What sort of employee is leaving for what different reasons?

As in the first half of 2014, resigning for a better opportunity was the most common reason for departure. All reasons did not shift significantly from the early part of 2014. Both executives and managers were most likely to leave because of retirement. Administrative staff are more likely to resign for personal reasons than to leave for better opportunities.

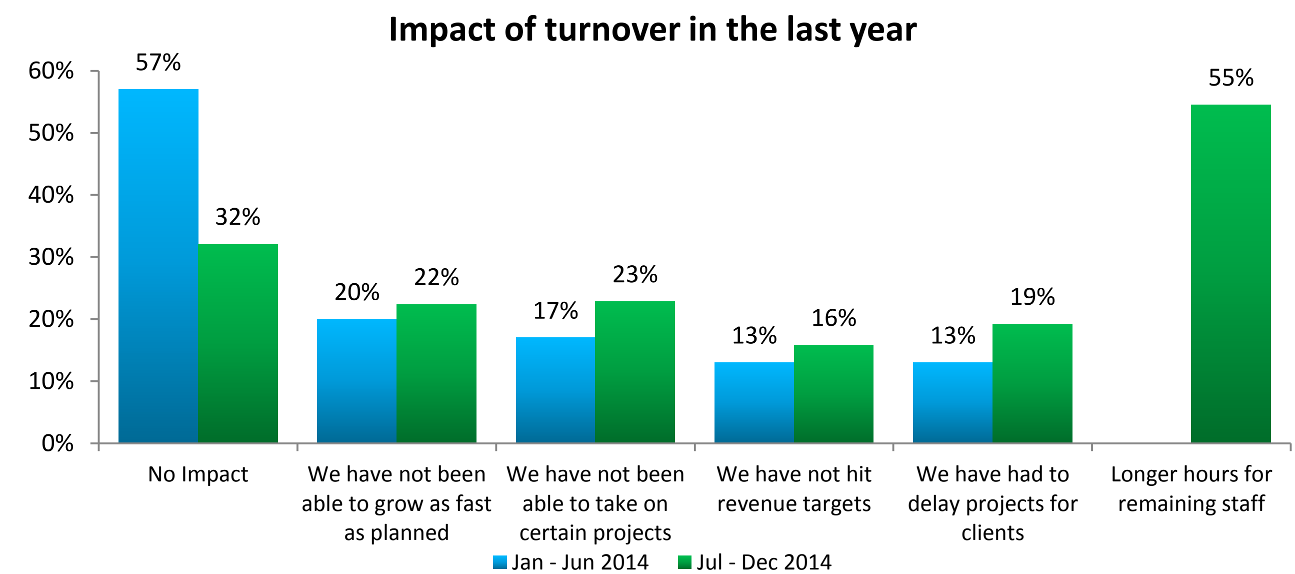
Category of Employee	Most Common Reason to Leave
Executives	Retirement
Managers	Retirement
Professionals (i.e. engineers, accountants, HR)	Resign to pursue better opportunity
Technical Staff (i.e. designers, technicians)	Resign to pursue better opportunity
Tradesperson or Journeypersons	Resign to pursue better opportunity
Administrative or support staff	Personal Reasons



Finding replacements with the equivalent experience and qualifications is difficult. Confidence in finding replacements has not changed significantly since late 2013. There has been a slight evolution with more respondents being more confident and more worried than the last report, and fewer in the middle. In general smaller organizations are less confident they can fit the right person with equivalent skills as the person who left.

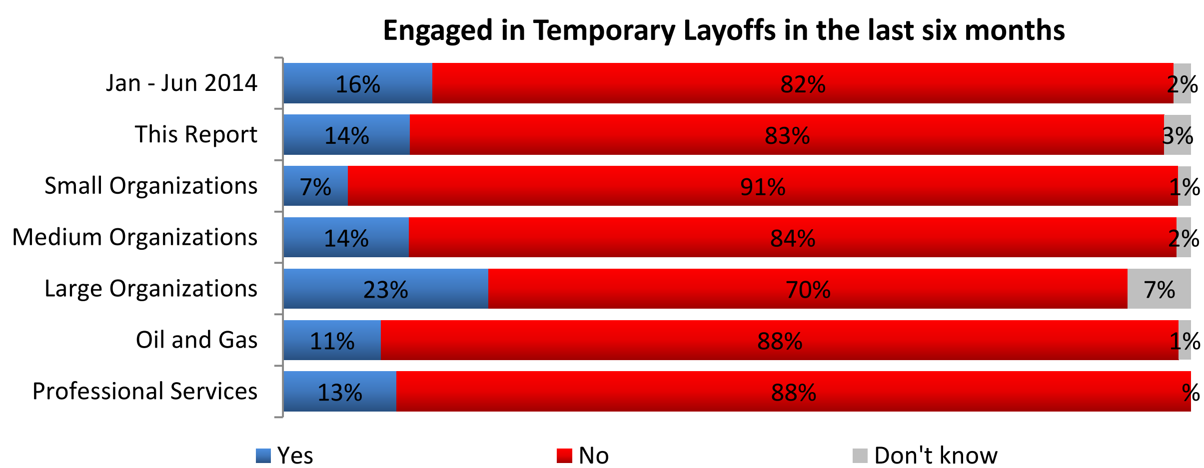


Turnover has a big impact. We adjusted the question in this version of the report to include the option of “longer hours for remaining staff” which proved very popular. More than half of respondents chose that option, while the other options all saw small increases. As before, not being able to take on certain projects or grow as quickly as planned are both the next most common impacts of turnover.



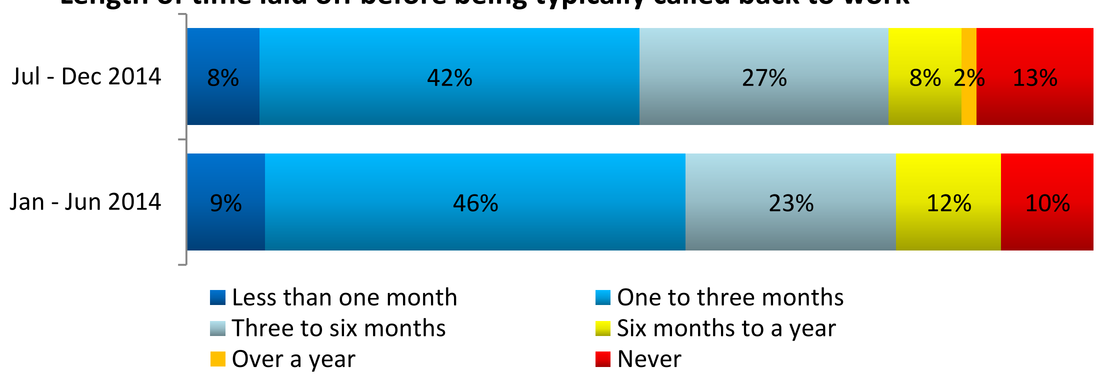
Temporary Layoffs

Temporary layoffs remain a practice of about one in six Alberta organizations. This practice gives them flexibility in face of short-term cash flow problems, while retaining skilled and experienced workers. In general the bigger the organization the more likely it is to engage in temporary layoffs. This may be a function of HR administrative capacity and is simply not an option for smaller organizations.



The goal of temporary layoffs is for the staff to return to work before long, and in most cases that happens. Since the last report, the trend is for temporary layoffs to last a little longer. Whereas in the spring, 55% of staff returned to work in less than three months, now it is only 50%. Previously, one in ten temporary layoffs became permanent, but that has now risen to 13%. Should the price of oil remain weak without finding its bottom then expect temporary layoffs to increase overall as their length widens further.

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



Filling Vacancies

It takes longer to fill a vacancy for a more specialized position like an executive than for a less specific role like administrative staff. This is unchanged from past research.

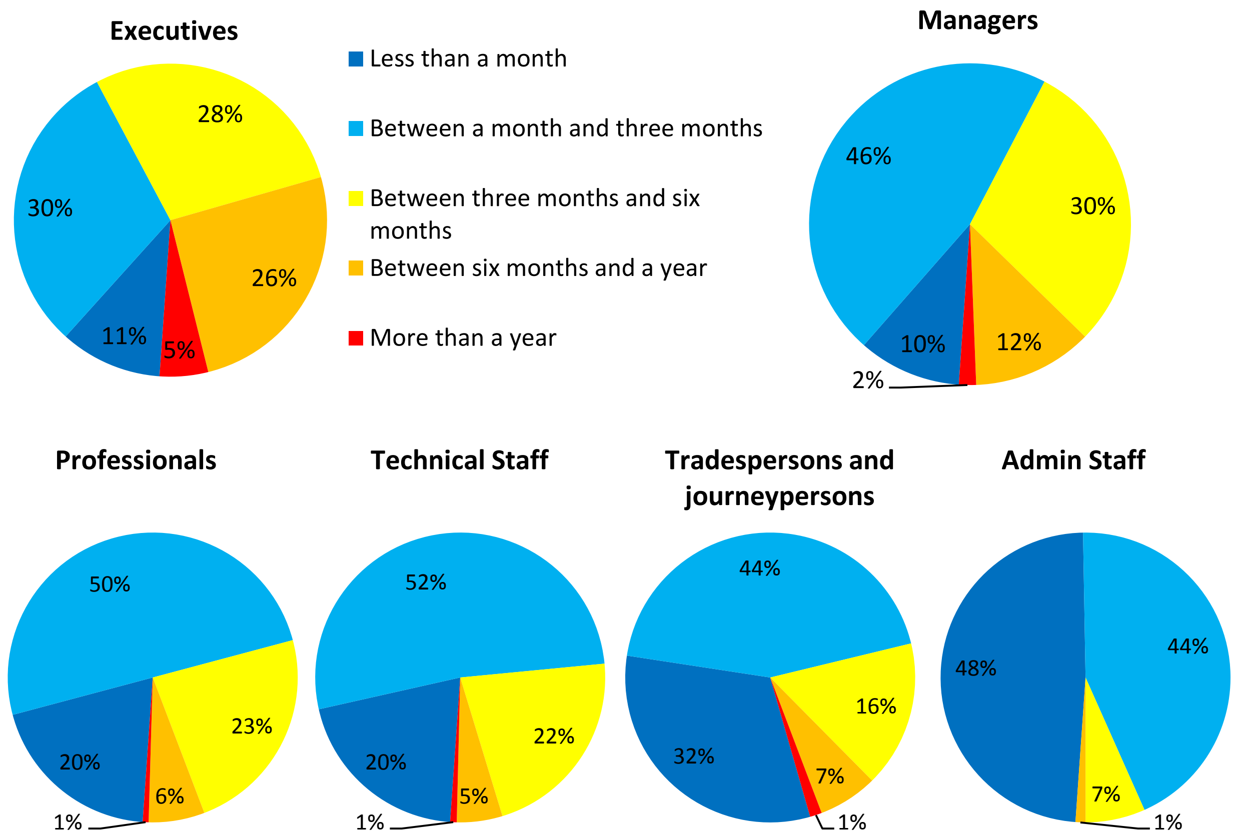
There has been a significant decline in the number of positions that are filled within a month across all occupation types. While the percentage of positions filled in less than 3 months has not changed a lot in some categories, the average length of time has certainly lengthened.

This is most pronounced in those job categories which in previous reports were reasonably quick to fill vacancies. For instance, among administrative and support positions the percentage of vacancies filled in less than a month has dropped from 56% to 49%, at the same time the percentage filled between one and three months has increased from 40% to 44%. So while the overall number of positions filled in less than three months has not changed significantly, the average has increased and is now closer to two months than to one.

It is taking longer to fill tradespersons positions as well – in the spring two in five positions were filled in less than a month, but this is now less than a third. The share of positions taking longer than three months to fill has grown from 18% to 24%.

An exception to this is professionals, for whom vacancies are being filled just as quickly; if not quicker (the difference is within the margin of error).

Unfilled vacancies if they persist over several months, or even a year, can have a negative impact on strategic business goals as well as other employees.

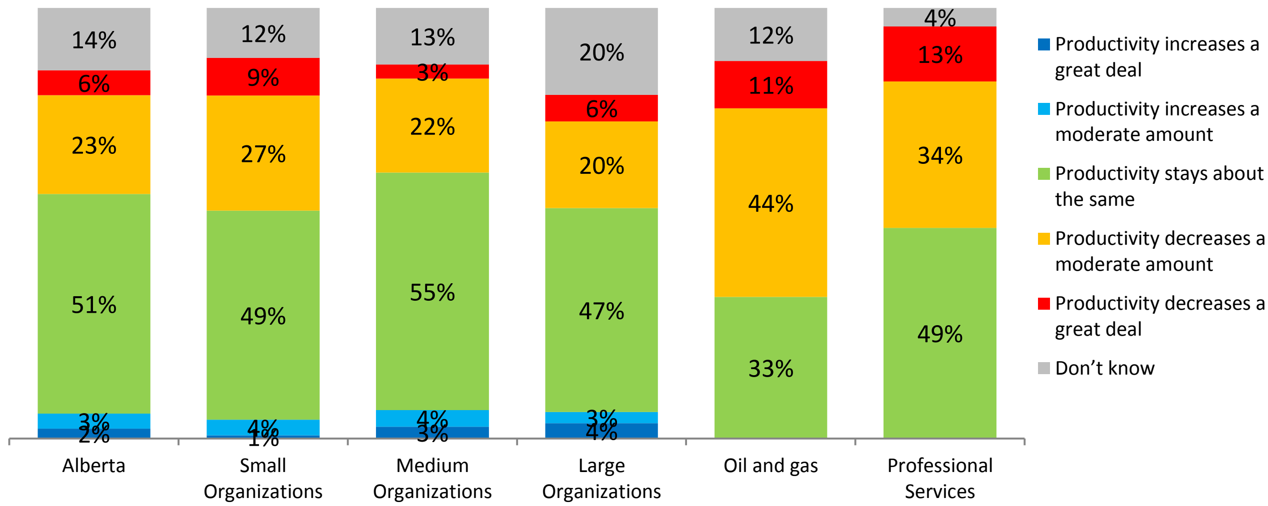


Policies

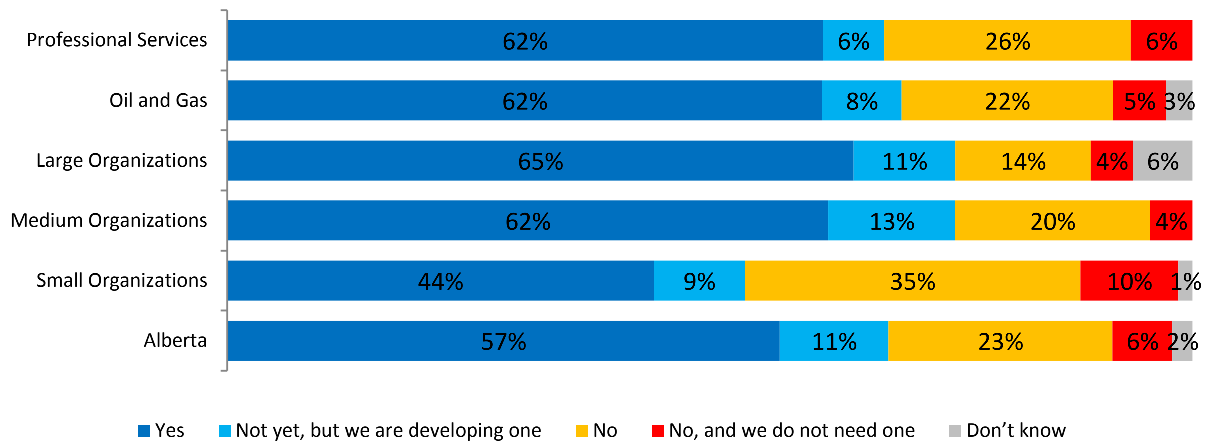
Organizations create human resources policies to ensure that the workplace is run smoothly, efficiently and in a professional manner. Human resources policies reduce ambiguity and eliminate arbitrary decisions which can be seen as unfair. These policies also ensure an organization complies with government regulations, communicate corporate culture and achieve a combination of productivity and employee retention.

This edition of the report asked about policies around civic celebrations and social media.

Impact on productivity of big public celebrations



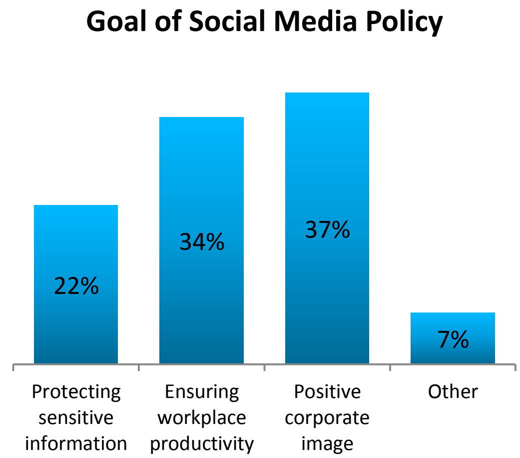
Does your organization have a formal social media policy?



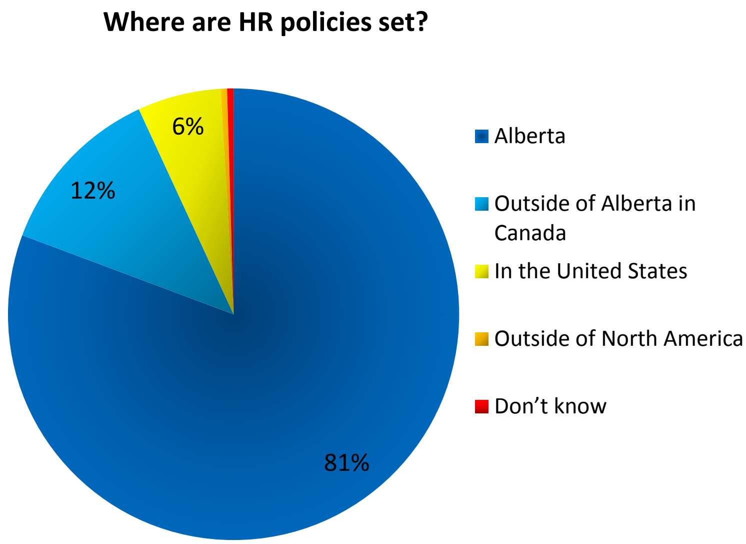
Calgary and Edmonton are known for their iconic civic celebrations – the Stampede and K Days (sometimes referred to as Klondike Days), respectively. Other parts of Alberta have major local holidays including Red Deer's Westerner Days, various rodeos and stampedes, winterfests, and many others. Employees often take time off and employers encourage employees to attend events on company time, and sometimes sponsor events. Most organizations say there is no impact on productivity during these events although more than a quarter report a decline in productivity. Productivity is affected greater among small organizations and within the oil and gas sector.

Social media use in the workplace is a challenge for human resources policy makers. Banning it outright is not practical or desirable in many situations, although unlimited or inappropriate use should be discouraged as well. More than half of organizations surveyed have a social media policy (57%). The larger the organization the more common corporate social media policies become.

The most common goal of a social media policy is to maintain a positive and respectful corporate image, while concerns about ensuring productivity in the workplace and protecting sensitive information are less common. Other goals suggested included corporate liability, safety or some combination of the other three categories.



Not all human resources policies are determined by the people who implement them. In fact in some organizations have HR policies set by people working in other provinces or countries.



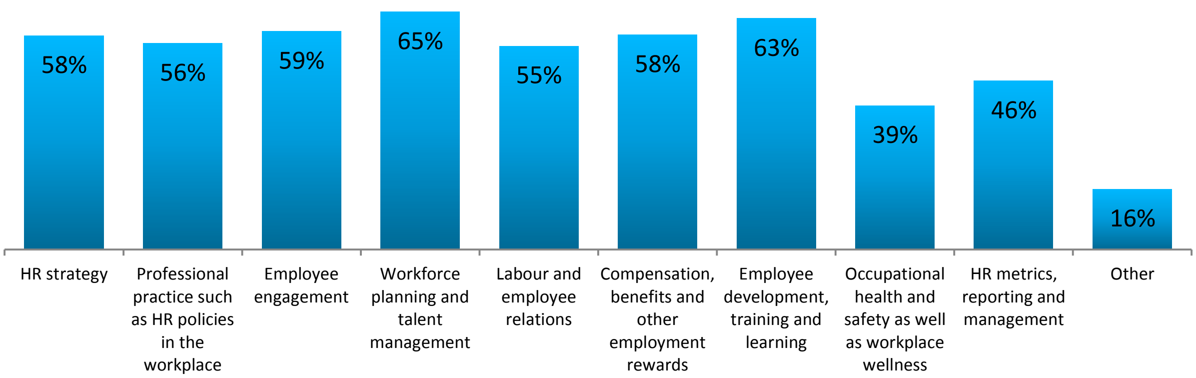
Four fifths (81%) of organizations have their HR policies set in Alberta, while 12% are set in Canada, but outside of Alberta. Only a small amount of organizations have their policies set outside of Canada, mostly in the US (6%) and only 1% outside of Canada and USA. 74% of medium sized organizations have policies set in Alberta.

Only 70% of professional service firms have HR policies set within Alberta. By contrast in the oil and gas sector 95% of firms have their HR policies set in Alberta.

Meetings

Professionals in all fields spend a lot of time in meetings and HR professionals are no different. The average HR professional spends 9.67 hours per week in meetings. Of that time 7.89 hours are spent in meetings related to HR matters. HR professionals who work at larger organizations spend more time in meetings than their colleagues who work at smaller organizations.

Topics discussed in HR meetings

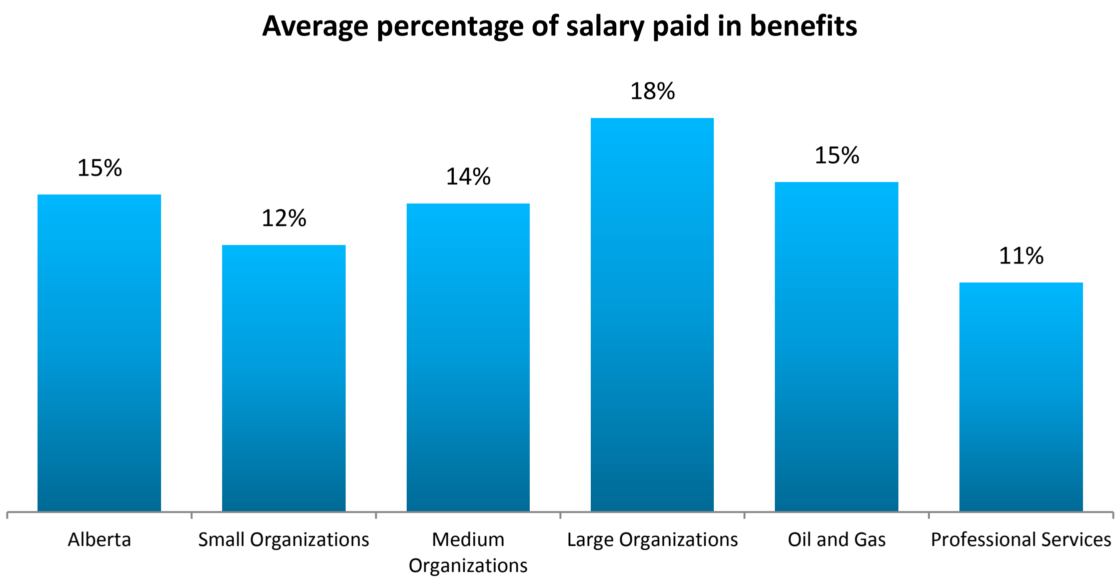


The average for small organizations is 7.24 hours per week (5.30 HR related), for medium organizations it is 10.19 hours per week (7.85 HR related) and for the largest organizations with more than 1,000 employees the average is 11.71 hours per week in meetings (11.04 HR related). The higher percentage of time in meetings being HR related as company-size grows is a result of the greater degree of specialization possible in larger organizations.

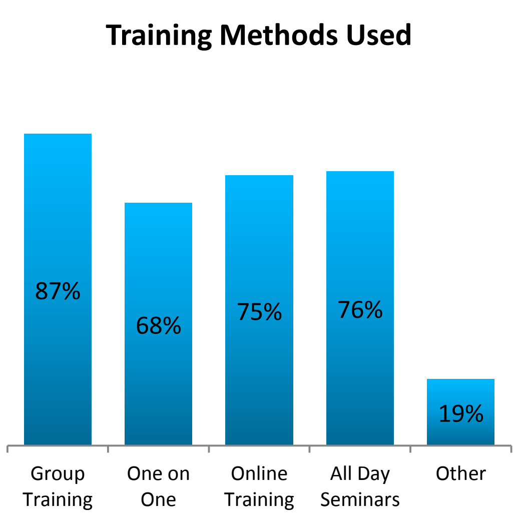
The top two topics for meetings with HR professionals is workforce planning and talent management as well as employee development, training and learning. Identifying the optimal type of employee and ensuring the skills they bring to the workplace are up-to-date is a wise use of time especially when framed within a broader economic picture of anemic growth and selective hiring.

Benefits and Training

Good benefits attract employees and top talent, but they are expensive. In fact, on average respondents pay 15% of salary in benefits. This increases with the size of the organization. It is worth noting that the Oil and Gas sector which makes up a significant part of the large employers surveyed only pays the average, which indicates that the public sector (including Alberta Health Services and the large universities), while not large enough for a statistically significant sample of its own, certainly pays a higher than average percentage of salary in benefits.



Training is provided by the overwhelming majority of organizations surveyed. In fact, 94% providing training and development for employees with the majority using both internal and external resources to do so. Generally as the company grows in size it is more likely to use internal training resources, in fact almost no organization with more than 500 employees uses external trainers exclusively.



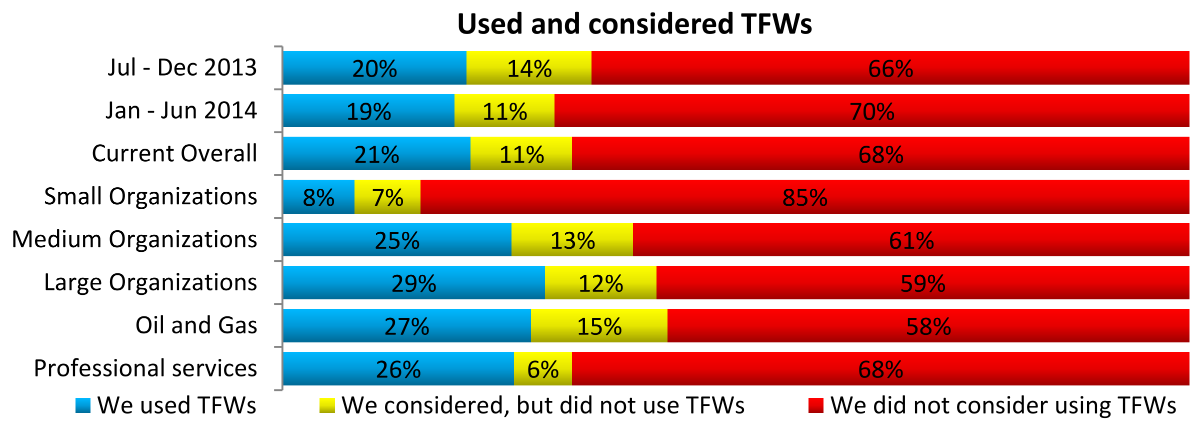
Across Alberta organizations, about 4% of salary on average is spent on training and development. This number is slightly smaller for smaller firms, but grows slightly with medium and large organizations. It is consistent across organizations in the oil and gas sector and professional services.

Most companies use many different training and development methodologies. Respondents were asked to provide other methods not listed and the two most commonly used were paying for post-secondary education and sending employees to conferences. 87% said they used group training and three-quarters said both all day seminars and online training.

Temporary Foreign Worker Program (TFWP)

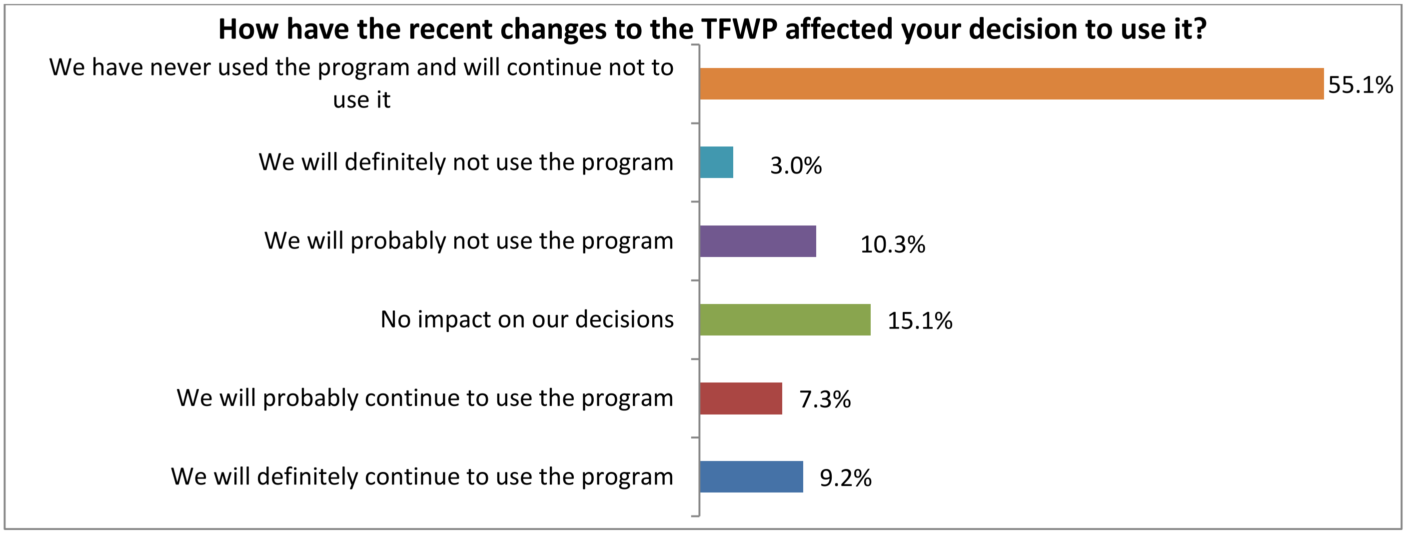
Recent as 2012, temporary foreign workers (TFWs), also known as international workers, made up 1.1% of the Canadian workforce. The TFWP has undergone significant changes designed to make it more difficult for employers to qualify and to prioritize the hiring of Canadians. In September 2014, the federal government reported that applications for the TFW program had dropped by 74% from the time the reforms were introduced.

According to the report findings, these changes have thus far not had a significant effect on the number of organizations considering using international workers to fill gaps in their talent pool. About one fifth (21%) of organizations used TFWs in the last six months. This is more common among larger organizations and within the oil and gas sector.



Those organizations that use TFWs face a challenge when the permits expire for their current workers – should they replace them with TFWs, replace them with Canadians or try to get permanent residency for their international workers. The last is the most popular plan – chosen by 53% of organizations. Another fifth (21%) will replace them with Canadians instead, while one in ten (10%) will apply for new TFWs.

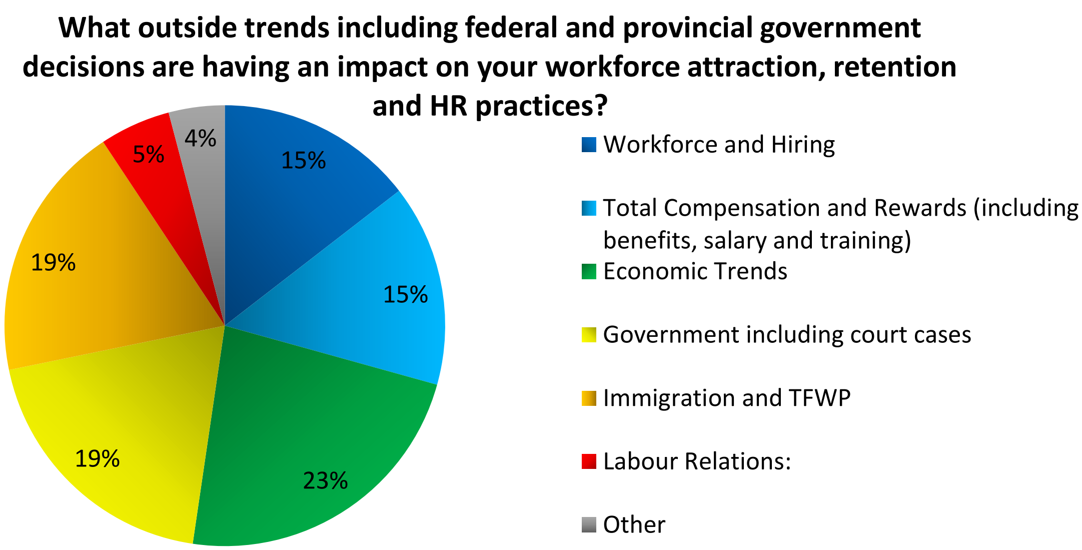
When it comes to the changes to the TFW program reactions are mixed. Only 16.5% will keep using the program – which means the changes may drive as much as a fifth of firms currently using the program to stop using TFWs.



Among those firms that use TFWs, 71% believe that the changes to the program will have a negative impact on their organization. Only 6% see the changes having a very positive impact, and another 9% see a slightly positive impact. This overwhelmingly negative sentiment will likely significantly reduce use of the program and sour attitudes towards it.

Other Trends

Respondents were asked what outside trends are impacting their workforce including attraction, retention and HR practices.



The trends in this report are different from the past as they are more focused on two changes which are impacting employers in Alberta – the changes to the TFWP and the declining price of oil. The TFWP came up again and again, in different contexts from dealing with immigration, to using the new Labour Market Impact Assessment system, to specific concerns about TFW changes. The price of oil was also mentioned frequently, eclipsing previous issues like the difficulty in finding talent in the Calgary market and the challenges of an aging workforce.

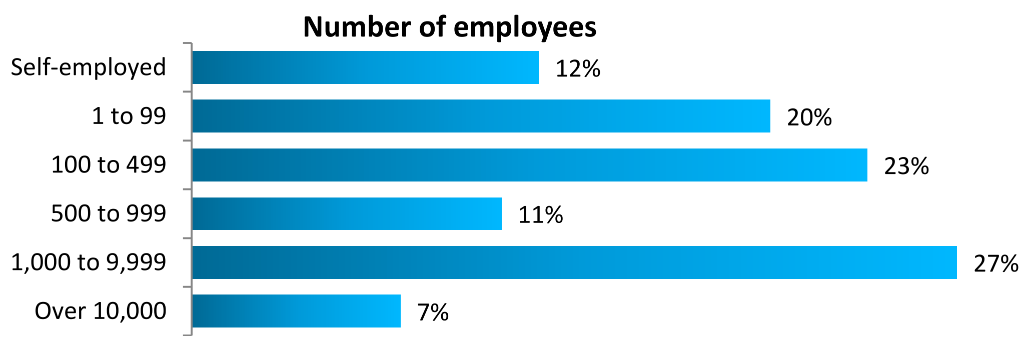
Methodology

This survey was conducted online between November 19 and December 4, 2014. 5,546 members of the HRIA were invited to participate via an email. Of these 773 completed enough of the survey for their responses to be useable, a response rate of 13.9%, which is a slight increase from Spring 2014. 431 respondents completed every question, a completion rate of 7.7%, a slight decrease over the previous report. The margin of error of this survey varies depending on the number of completions each question received. The margin of error varies between +/- 3.3%, nineteen times out of twenty and +/- 4.5%, nineteen times out of twenty.

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

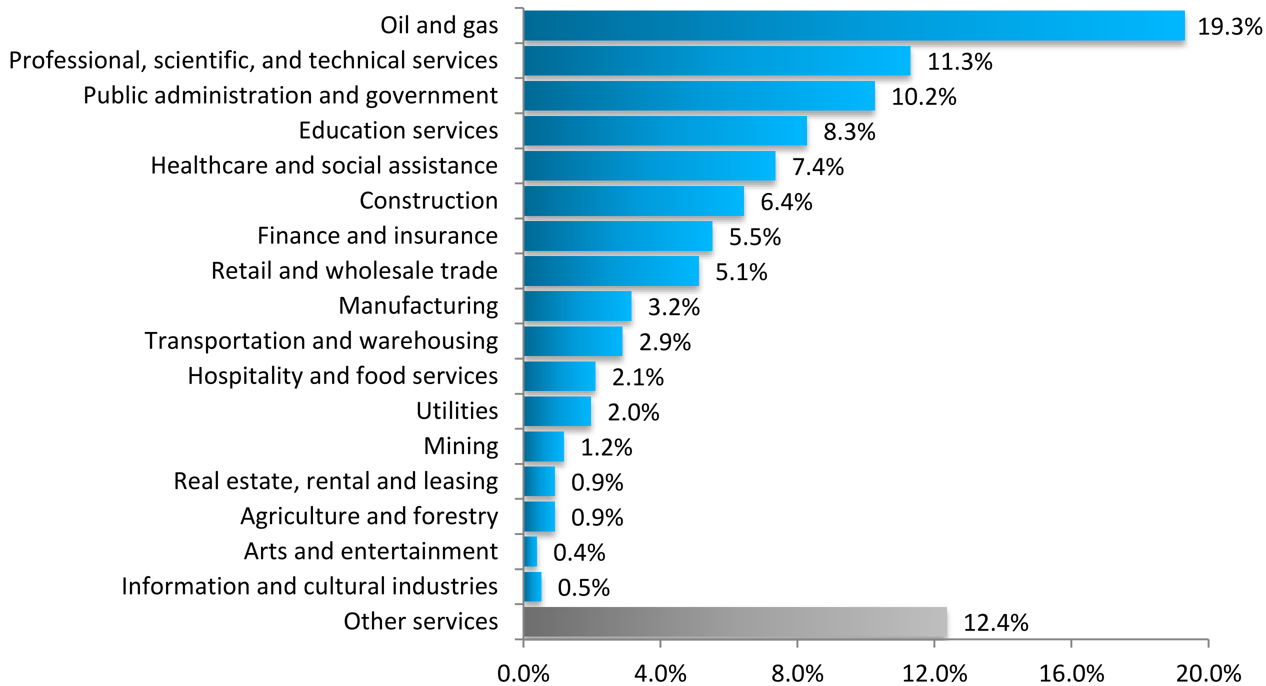
Respondent Profile

The respondents come from organizations of all sizes from sole-proprietors to multi-national corporations. The median number of employees in Alberta per organization is 228 and the average number of employees is 2,228. The respondents are fairly evenly distributed by the size of company, though there are fewer respondents from smaller organizations than the last report.



Respondents were also distributed across a wide range of sectors. The most common were Oil and Gas; Professional, scientific and technical services; and public administration including government.

Distribution by Sector



Due to the sample size the only sectors that can be broken out with separate results are Professional, scientific and technical services; and Oil and gas.

Respondents were divided between being Certified Human Resource Professionals and other categories. 59.4% of respondents were CHRPs, as compared to 55.2% of the membership list, meaning that CHRPs are slightly overrepresented in the results.

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 nearly 6,000 voluntary members, the HRIA is Alberta's only human resources professional body with 6 chapters across Alberta providing support to members in every major urban centre.

For more information contact:
Phone: 403-209-2420
Email: info@hria.ca
www.hria.ca

For media inquiries, contact:
Kari Whipple
Manager, Marketing and Communications
Phone: 403-541-8700
Email: kwhipple@hria.ca

For inquiries regarding the survey and analysis, contact:
Tom Kmiec
Director, Regulatory Affairs and Research
Phone: 403-541-8714
Email: tkmiec@hria.ca

For inquiries regarding the methodology and survey tool, contact:
Hamish I. Marshall
Abindgon Research
Phone: 778-835-3715
Email: hmarshall@abingdon.ca