

## ***Alberta HR Trends Report*** **Fall 2016**

### **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. Taken in concert with best practice, 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.

Alberta companies continue to face challenges: the economic downturn continues as the price of oil stays low and unemployment has reached its highest level in decades.

HRIA commissioned this sixth 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.

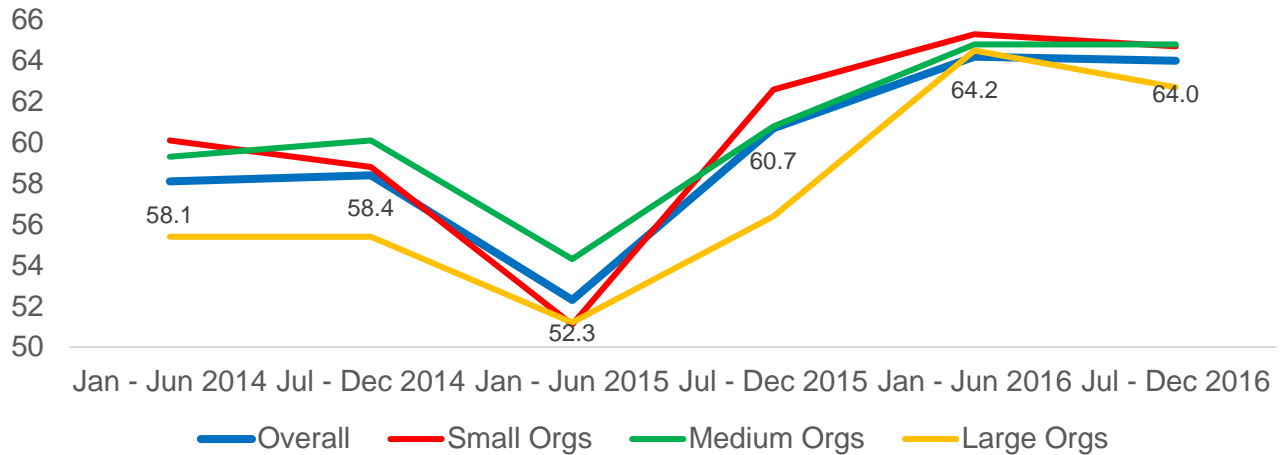
### **HIRING CONFIDENCE INDEX**

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 third time these two component measurements moved in opposite directions – generally the expectation of hiring over the next six months is lower, but their confidence in finding the right people has increased by much more. 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.

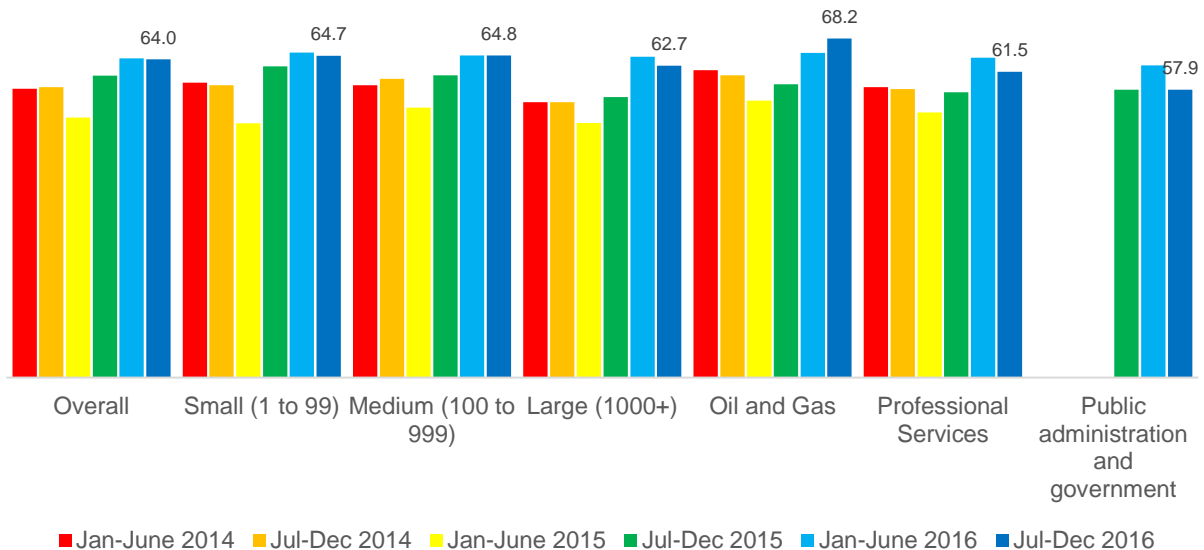


### Hiring Confidence Index



Since the last report hiring confidence has stayed essentially flat. In fact, the HCI score among medium-sized organizations has not changed at all. Small organizations saw a minute change to the index, while large organizations experienced a slight decrease.

### Hiring Confidence Index - Sector Breakdown



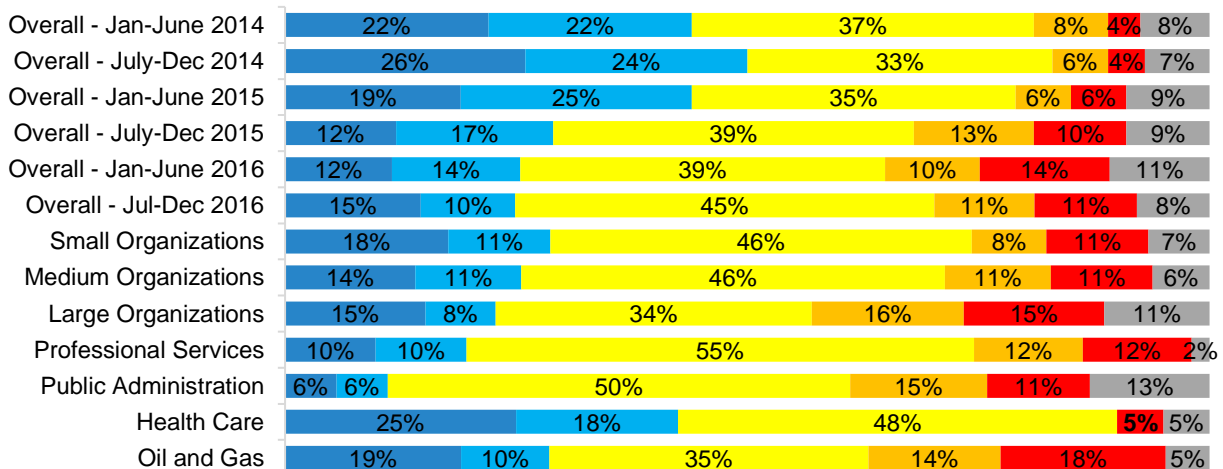
This is the third report in a row where the Oil & Gas sector has seen a gain in their HCI score. It is now at 68.2, the highest level seen in any sector in Alberta. This is in no small part driven by a very high confidence in human resources practitioners' ability in that sector to find qualified people to fill open positions. The opposite has happened with the Public Administration & Government sector, which saw its HCI score drop back down to below 58 points due to a lowered expectation of hiring levels.

### THE 6 MONTH OUTLOOK

Only 25% of organizations expect their total number of employees to increase over the next six months. This is in line with the first half of the year. The significant change is that fewer organizations are expecting a decrease in employees. Those expecting their staffing to remain the same has increased to 45%.

Organizations in the oil and gas sector have seen the biggest shift in expectations. 29% expect to see their number of employees increase over the second half of the year, up from only 21% in the previous report. That said, still slightly more organizations expect a decrease in employees than an increase in the next six months. In contrast, Public Administration & Government has shifted from only a few expecting decreases (9%) in the last report to 26% for the next six months. As before, smaller organizations are more likely to expect to grow than larger ones. Large organizations are, both more likely to expect growth and a drop in employment and less likely to expect no change.

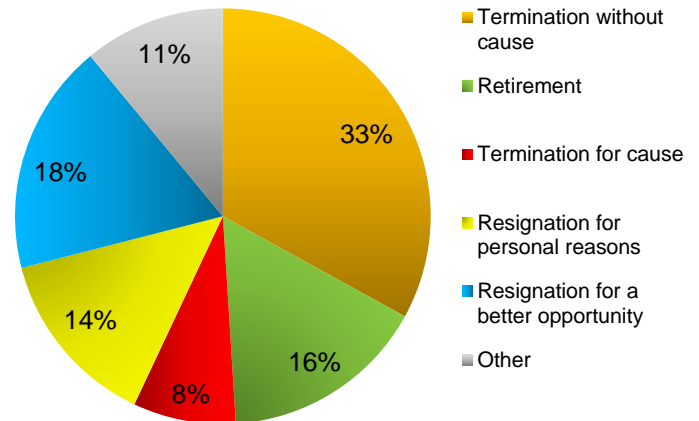
### Expected Change in Employment



■ 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

A year ago only 17% of HR professionals expected termination without cause to be the biggest reason to lose staff in the next six months. That number has now almost doubled to 33%. This is an increase of 7 points from the first half of 2016. This shows that even though the expected hiring trends are more positive, there are more layoffs to come. The growth in termination for cause has come at the expense of resignation for personal reasons and for better opportunities.

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

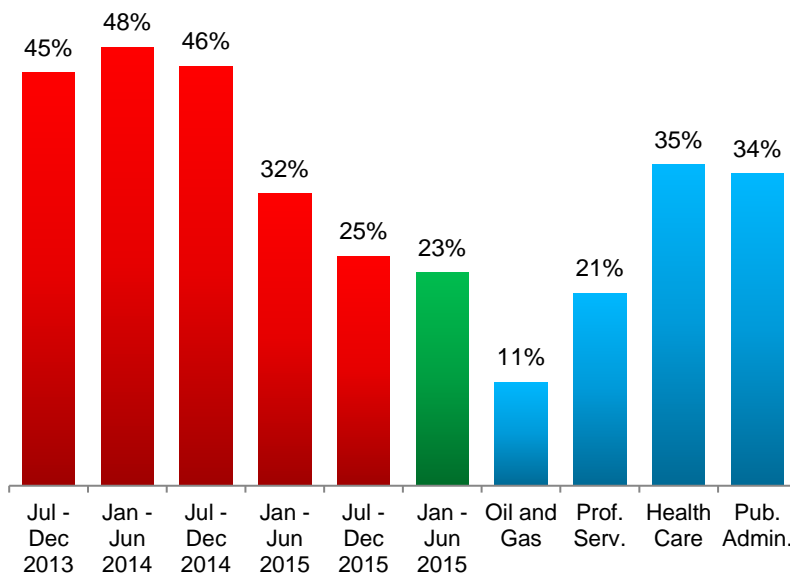


**CURRENT TRENDS**

In the first half of 2016 only 23% of organizations reported a net increase in the number of

employees. This is the fourth report in a row that has seen a drop in the number of respondents seeing their headcount grow. In the last report we speculated that the drop in employment may be slowing down, but the number of firms which reported a net drop in employment rebounded back up to 37% from 34%. Just like the last two reports small businesses were the strongest

**Percentage of Companies Reporting net increase in employment**



when it came to employment growth. In fact, in the last six months, more small organizations reported that their head count grew rather than shrank.

There has been no improvement in the Oil & Gas sector, with only 11% reporting an increase in employees, the same as during the second half of 2015; and 74% said they lost employees, essentially unchanged from the last report.

There is some good news in the Professional Services and Public Administration sectors. Both saw an increase in the number of organizations reporting net employment increases.

Professional Services grew from 17% to 21%, while the number seeing a net decrease in employees shrank from 38% to 32%. Public Administration saw 33% reporting a net increase in headcount (up 3 points) and only 9% reporting a drop. The Health Care sector reported the best net job growth with 35% saying their workforce had grown in the last six months and only 5% saying it had shrunk.

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, they became less negative within large organizations. Perhaps, this may signal the slowing down, if not coming to an end, of this negative trend. On the other hand, within small and medium organizations the net decrease was worse than in the previous report.

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

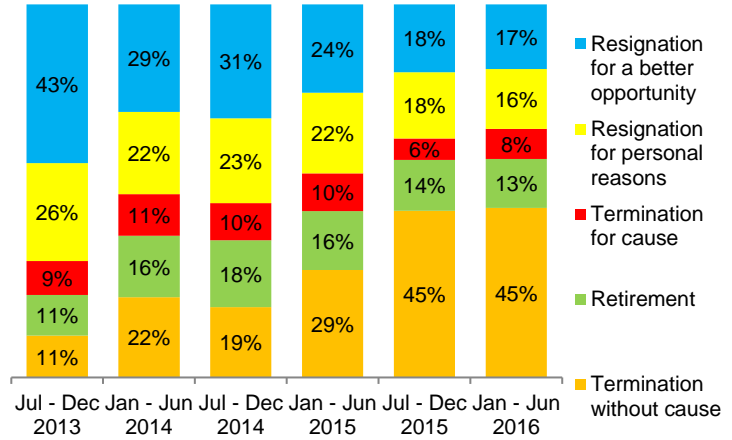
Employees	Small organizations	Medium organizations	Large organizations
Joined in last six months	6.7	26.9	120.7
Left in last six months	9.7	43.5	155.1
Net Employees	-3.0	-16.6	-34.4
Contractors			
Joined in last six months	2.8	4.7	38.0
Left in last six months	3.1	8.2	87.9
Net Contractors	-0.3	-3.5	-49.9

## TERMINATION CAUSES

For the past year and a half, organizations reported that *Termination without cause* was the leading cause of staff reduction. It accounted for almost half the people who left their organizations in the last six months (as well as the six months before that). The reasons for leaving have not shifted significantly either since the last report. *Termination without cause* remains the most common reason to leave for every single category of employee, even executives, like in the last report.

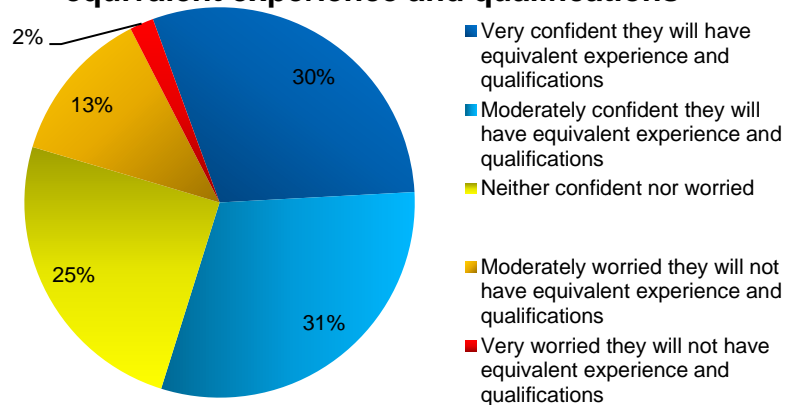
Category of Employee	Most Common Reason to Leave
Executives	Termination without Cause
Managers	Termination without Cause
Professionals (i.e. engineers, accountants, HR)	Termination without Cause
Technical Staff (i.e. designers, technicians)	Termination without Cause
Tradesperson or Journeypersons	Termination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

### Most Common Reasons for Leaving



61% of HR managers are now confident they can fill vacancies with workers of equivalent experience and qualifications. This is essentially unchanged from the last report. Only 2% are very worried about finding qualified replacements. As was noted in the previous two reports, there is no doubt this is driven by the higher unemployment rate due to all the terminations without cause. With more qualified people looking for a job, it is easier for HR managers to be confident they will find workers who are the right fit.

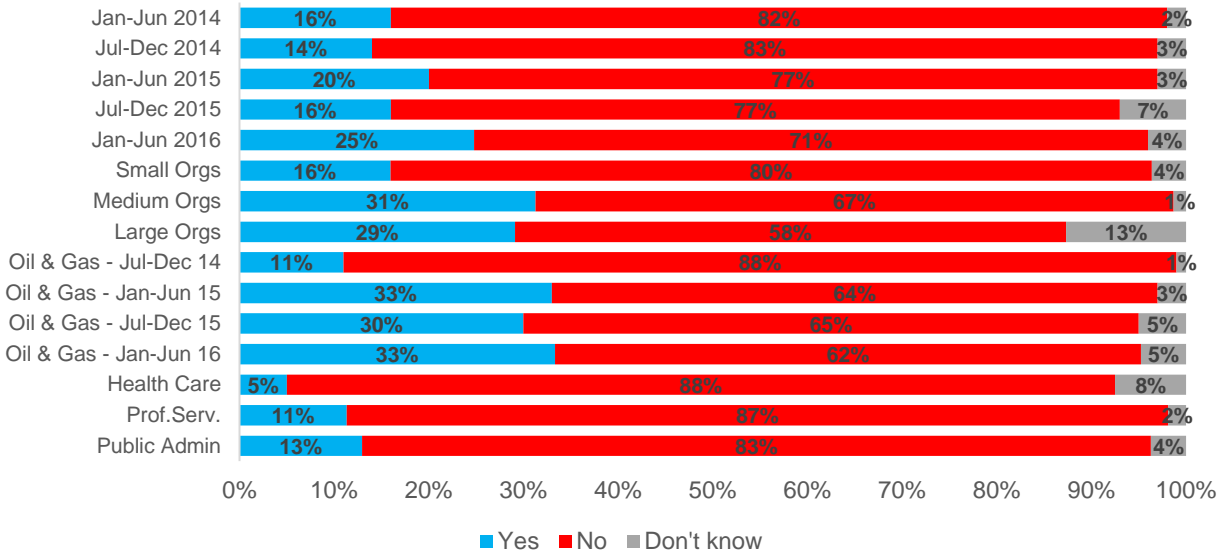
### Confidence in replacing workers with equivalent experience and qualifications



### TEMPORARY LAYOFFS

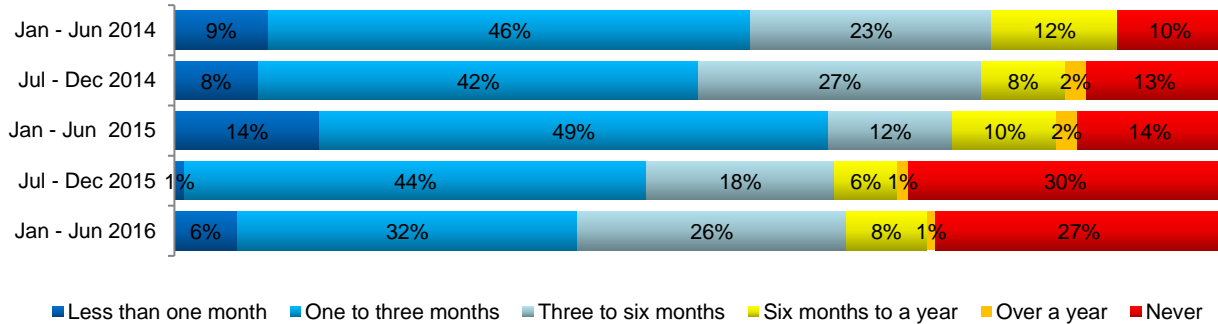
The idea behind temporary layoffs is for the laid off staff to be called back to work after a short period of time. In many cases that has happened. Temporary layoffs are being used by 25% of companies, the highest level recorded. They are most common in the Oil & Gas sector (33%), but much less common in Professional Services and the Public sector. The big jump in the use of temporary layoffs has come from medium and large-sized organizations (both up 10 points).

### Temporary Layoffs in the last Six Months



The goal of temporary layoffs is for the layoffs to be truly temporary in nature. Unfortunately in the last six months (and in the six months before that) in Alberta more than a quarter of people temporarily laid off never returned to their positions. Slightly more are returning to work than in the previous report but, on average, they are staying out of work longer.

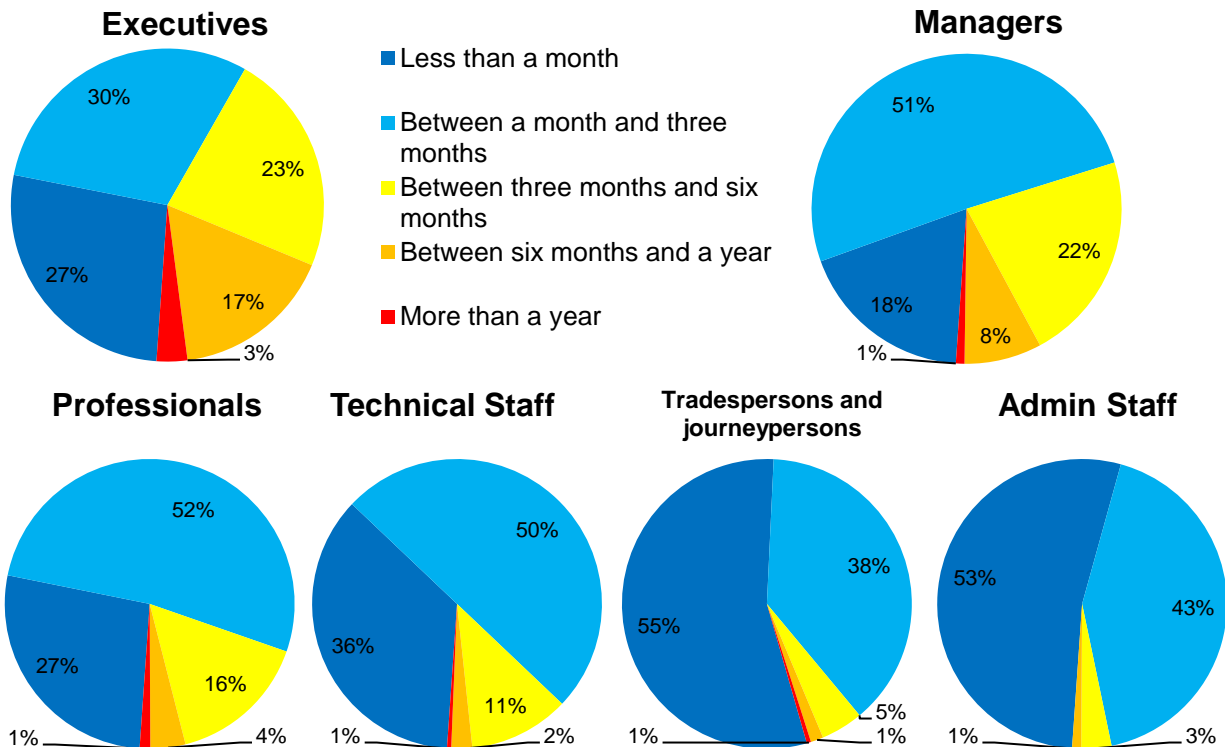
### Length of time laid off before being typically called back to work



## FILLING VACANCIES

As Alberta’s job situation worsened, previous reports saw significant drops in the amount of time required to fill vacancies in all roles. In the last six months this situation has stabilized. Generally most roles saw the time needed to fill vacancies shrink marginally. But there were exceptions to this stabilization, such as with managers and administrative staff.

The consistent pattern that the more specialized jobs take longer to fill remains unchanged. Almost 60% of executive positions and nearly 70% of managerial positions are now filled within less than three months. For other roles taking more than three months to find a suitable candidate to fill a vacancy is quite rare: under 15% of cases for technical staff, tradespeople and administrative staff.





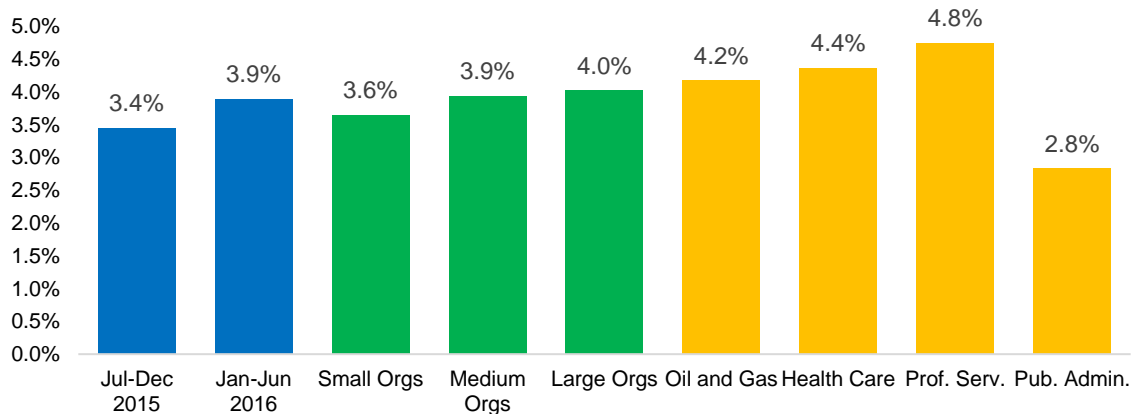
## HR TEAM RATIO

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 41 employees and large ones having a ratio of 177 to 1. Medium-sized organizations had an average ratio of 109 to 1.

## LEARNING AND DEVELOPMENT

On average, organizations seem to be investing around 4% of their total budget towards learning and development. This is an increase from 3.4% in the last report. Small organizations in particular saw a significant increase, but still spend less than medium-sized and large organizations. The Professional Services sector spends significantly more than any other sector on learning and development.

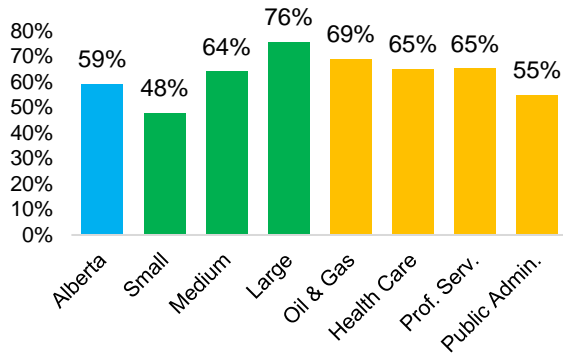
**% of Budget Allocated to Learning and Development**



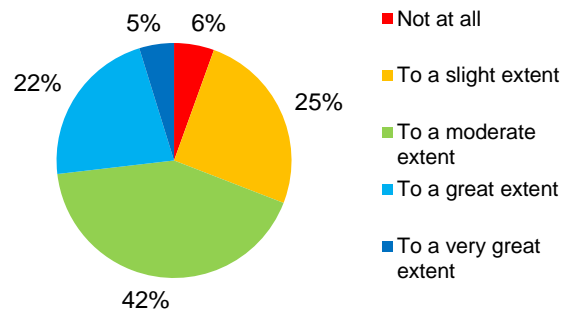
## COMPENSATION

Almost three in five organizations have a compensation philosophy. It is more common for large organizations to have one and less common in the Public sector. In Alberta, only 27% of organizations believe their employees have a great or very great understanding of how their compensation is determined. Two in five (42%) think their employees have only a “moderate” understanding, which indicates that this is an area where HR Professionals could potentially play a valuable role in improving employees’ understanding of their total compensation. There are no significant differences in opinion between organizations of different sizes.

### Organizations with a compensation philosophy

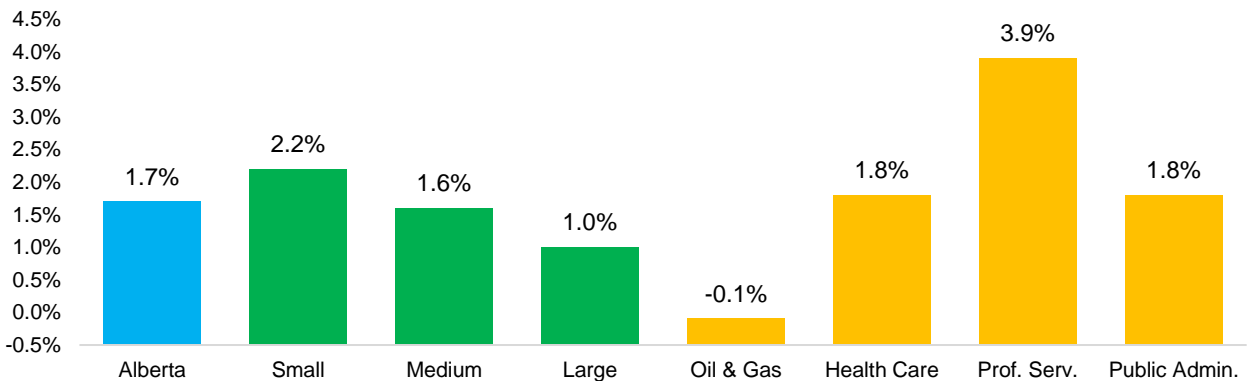


### Employees understanding of how their compensation is determined



Overall, base salaries in Alberta are expected to rise 1.7% in 2017. Within small organizations the expectation is a 2.2% increase. The expected growth in base salaries declines as the size of an organization increases, with large organizations only expecting a 1.0% increase in base salary. The Oil & Gas sector actually expects base salaries to decline by -0.1% in 2017, while the Professional Services sector has the opposite view expecting an above average increase of 3.9%.

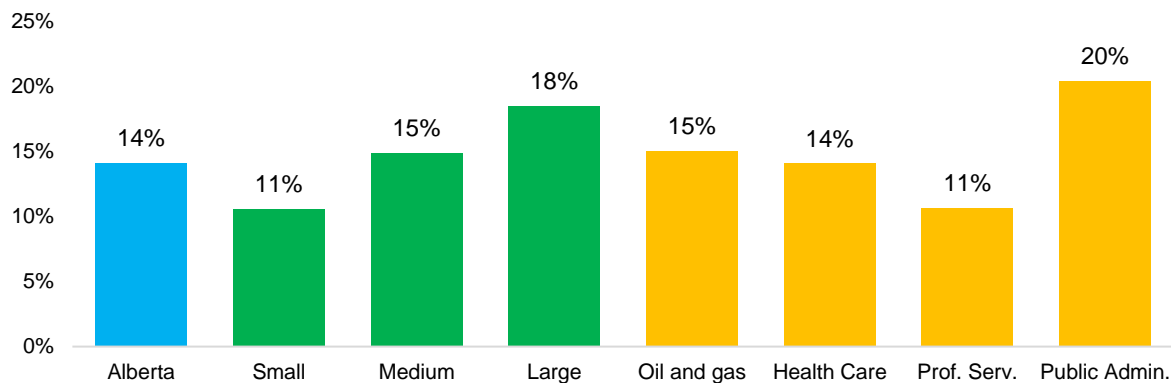
### Expected change to base salaries in 2017



## BENEFITS

Overall organizations spend 14% of what they pay in salaries on benefits. This increases with organization size, as large organizations spend 18%. Organizations in the public sector spend more than the average on benefits.

**Average percentage of salary paid in benefits**



The different categories of benefits offered vary considerably in popularity and to whom they are offered. Benefits related to retirement like pension plans, RRSP matching and stock options are all offered by less than half of organizations. Whereas health benefits like prescription drugs, extended health, paramedical health and even life insurance are offered by about half of organizations; even to part-time employees who work a minimum number of hours. Even Health Spending Accounts, a relatively less common benefit, is offered to about a third of part-time employees. It should be noted that only publically traded companies may offer stock options as a form of compensation benefit.

Of course all these benefits are more commonly provided to employees in management positions. Over 60% of organizations offer paid professional development and tuition reimbursement to all full time-employees. Vehicle related benefits like an allowance or paid parking are only common among management and even then it is still a minority of organizations that offer it.

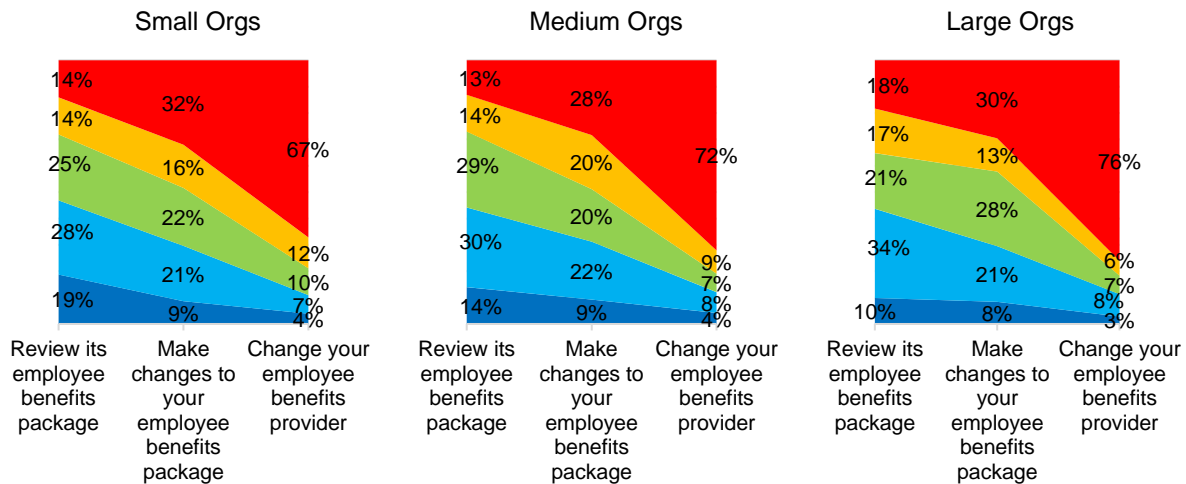
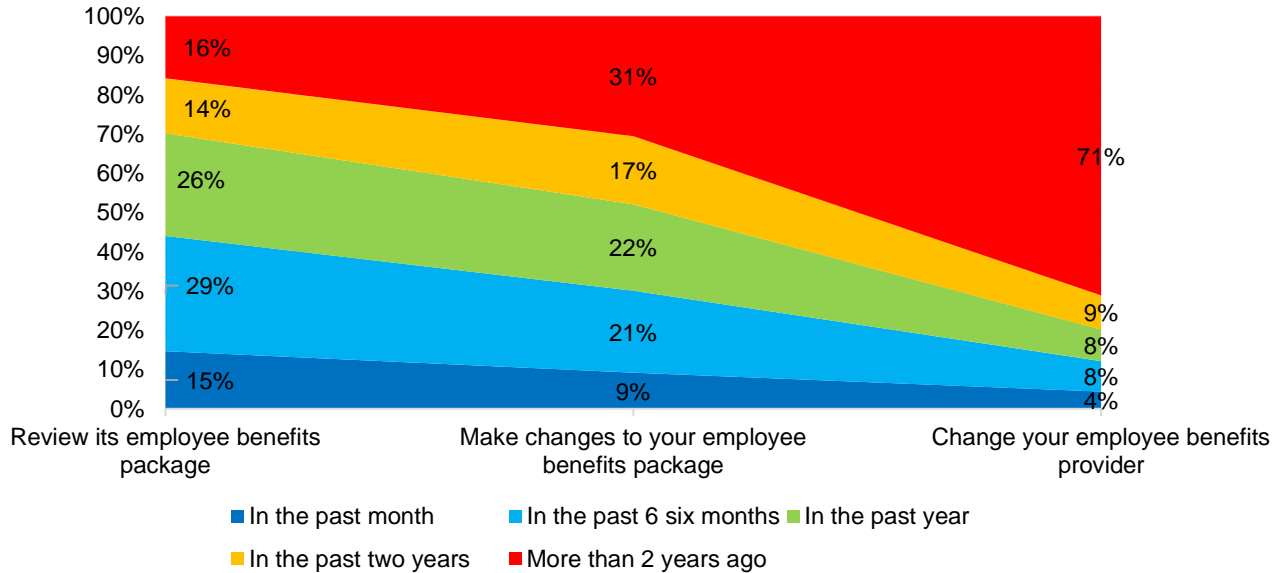
Benefits Offered	Contractors	Part-time employees that work a minimum number of hours	Full-time hourly employees	Full-time salaried employees	Management employees	Senior Management employees	Not provided to anyone
Employee Pension Plan	1%	21%	30%	43%	39%	39%	53%
Group RRSP with employer matching contributions	1%	25%	38%	49%	46%	47%	46%
Core Health benefits	3%	47%	63%	81%	74%	74%	15%
Prescription drugs coverage (full or cost-shared)	2%	51%	70%	89%	81%	81%	7%
Extended Health (Dentist, Optometrist, etc.) benefits	2%	50%	68%	88%	80%	80%	9%
Paramedical Health (physiotherapy, chiropractor, etc.) benefits	2%	50%	67%	85%	79%	80%	10%
Health Spending Account	1%	29%	37%	53%	49%	51%	42%
Employee Assistance Program (EAP)	7%	54%	63%	77%	71%	71%	21%
Employee life insurance policy	2%	47%	67%	87%	81%	79%	10%
Stock Options	1%	5%	8%	14%	16%	24%	73%
Paid flex days	1%	16%	26%	41%	39%	39%	50%
Paid vacation time over and above Employment Standards minimum	1%	35%	48%	73%	72%	75%	14%
Paid Parking	6%	12%	16%	22%	32%	43%	51%
Vehicle Allowance	1%	4%	9%	12%	23%	44%	49%
Paid Professional Development Opportunities (Courses, Conferences, Workshops, etc.)	3%	36%	52%	77%	78%	77%	10%
Tuition Reimbursement	1%	25%	42%	60%	56%	56%	33%

Organizations review their employee benefits packages relatively frequently, with 70% doing so in the past year. They change the packages slightly less frequently, with 52% altering them in the last year. However, only 22% have actually changed their employee benefits provider in the same time period. Small and medium-sized organizations are more likely to have reviewed their benefits packages in the last year than large ones. Small organizations are also the most likely



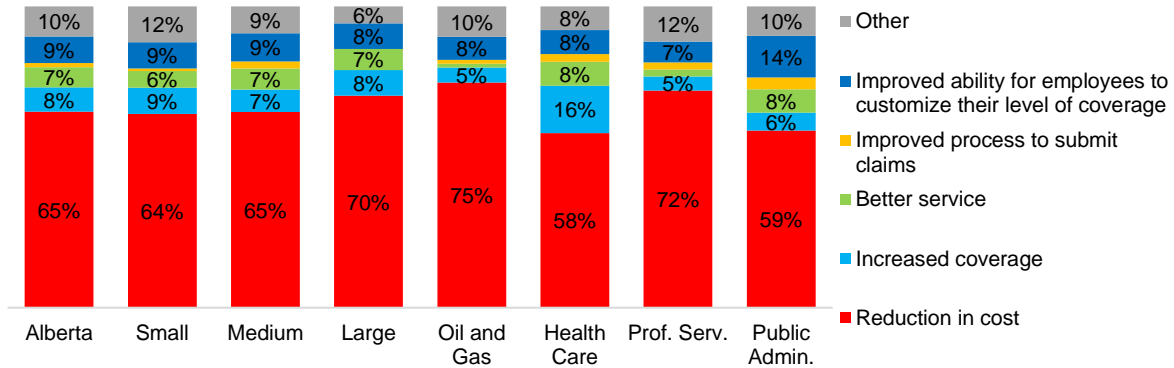
to have changed providers.

### When did your organization last do the following?



Less than a quarter of organizations changed their benefits provider in the past year. The biggest reason to do so is to reduce costs (65%) followed by giving their employees the ability to customize their coverage. The Oil & Gas and Professional Services sector are the most likely to change their providers based on cost, while Health Care and Public Administration are less cost sensitive.

### Biggest motivator to change employee benefits provider

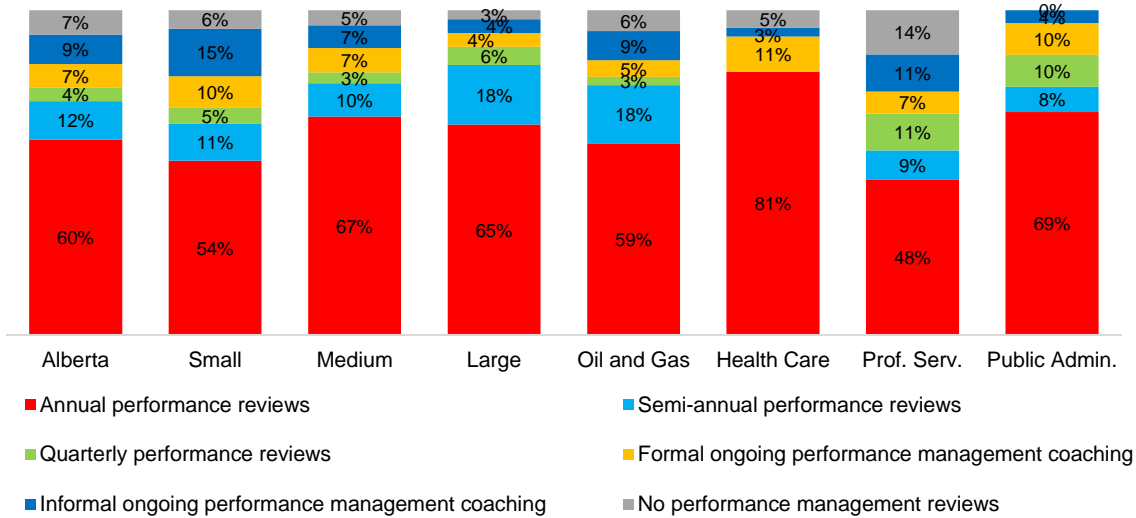


### PERFORMANCE REVIEW PROCESS

Performance management is considered crucial to the success of team members in an organization, as employees benefit from knowing how they are performing and what areas need improvement.

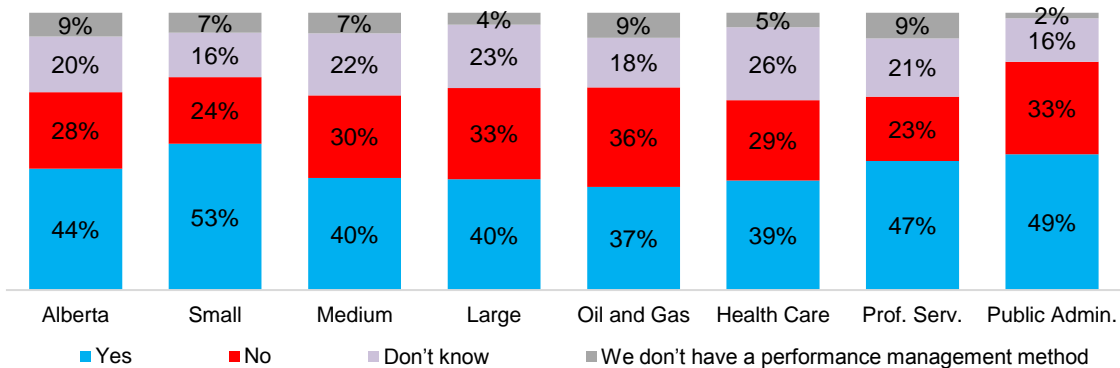
Three in five organizations (60%) perform annual performance reviews, another 16% perform them more frequently, while 7% don't perform any. The remaining 16% of organizations provide either formal or informal ongoing performance management coaching. Smaller organizations are less likely to have regular performance reviews and more likely to engage in ongoing coaching. Informal ongoing coaching and semi-annual reviews are more likely in the Professional Services sector, while the public sector prefers annual reviews.

### Method used for performance review process



Despite the high proportion of organizations that engage in some sort of performance review process or coaching less than half (44%) of organizations report that their review processes are producing the expected results. Small organizations are the only ones where more than half say they are getting the results they want, while it drops to 37% in the Oil & Gas sector. It seems there is much work yet to do in terms of finding performance review systems that provide the expected results.

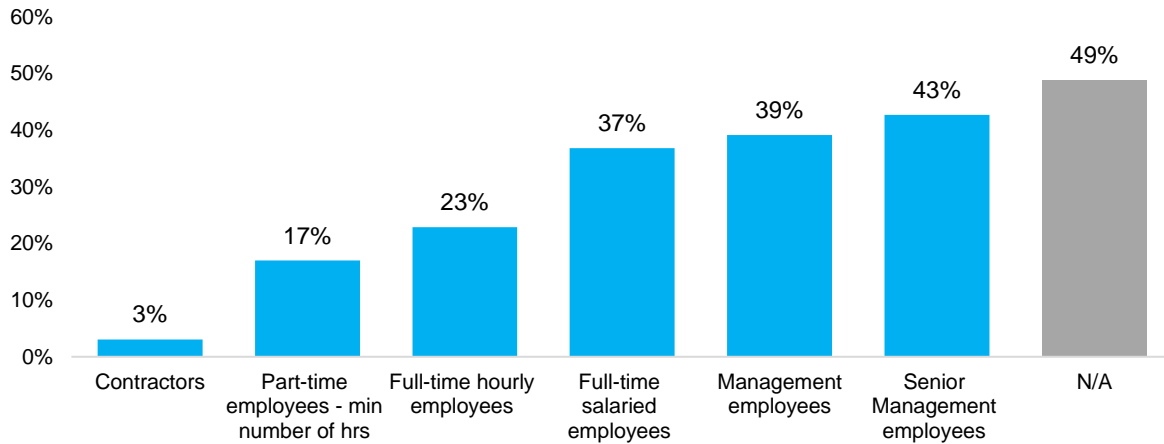
### Is current performance review process producing expected results?



The chances that an organization ties the amount of pay to the performance of the employee varies considerably based on the role of that employee. The more senior the employee the more likely they are at least partially paid for their performance. It is rare with contractors, part-

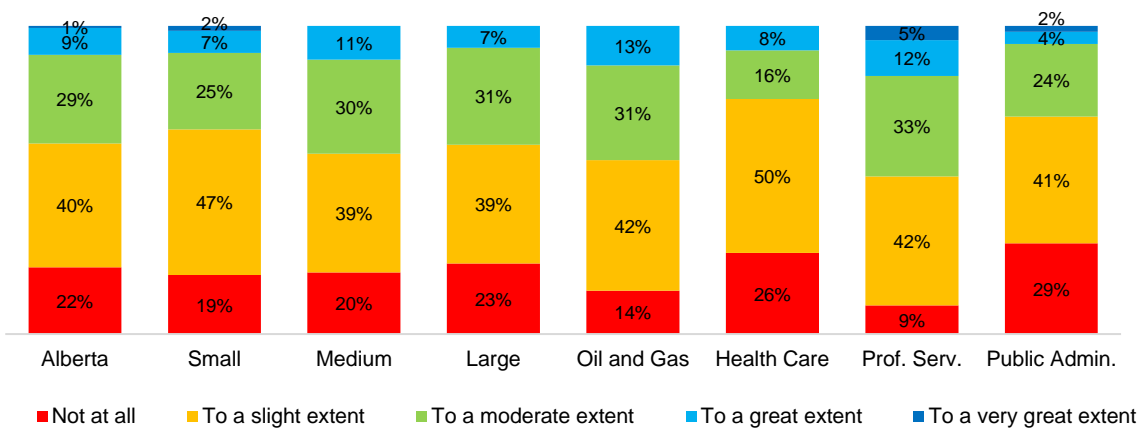
time and hourly employees. But between 37% and 43% of full-time salaried employees and management are rewarded in this manner.

**Percentage of organizations who pay for performance with annual variable pay by employee type**



Few organizations reported that their current review process was producing the expected results. Perhaps, the reason is that comparatively, few organizations proactively adjust their compensation policies in response to their current talent management and recruitment challenges. Only 39% of organizations said they proactively adapt their compensation policies even to a "moderate" extent. Only 1% adapt to a very great extent. Medium-sized organizations, the Oil & Gas sector and the Professional Services sector are the most likely to adapt proactively.

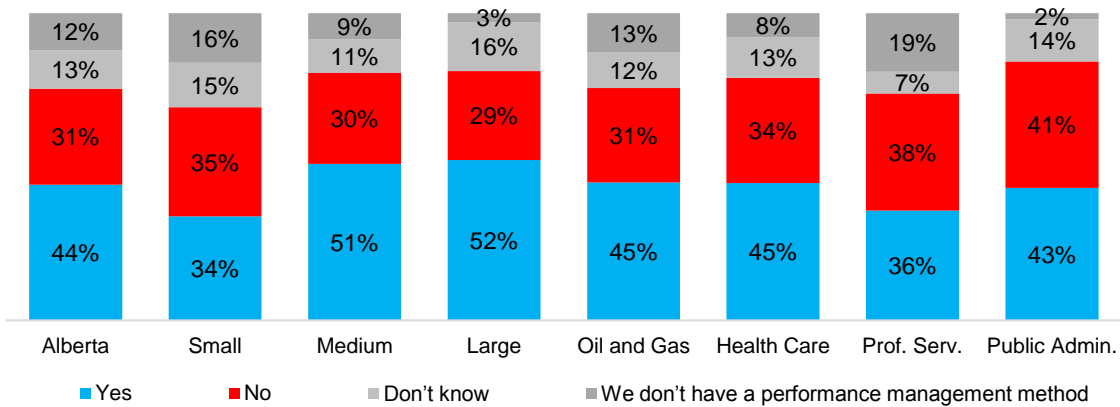
**Extent organization proactively adapts compensation policies to address talent retention and acquisition challenges**





Almost half (44%) of organizations report using their performance management programs to inform their succession planning. This is most common in large and medium-sized organizations. It is least common in Professional Services organizations (36%).

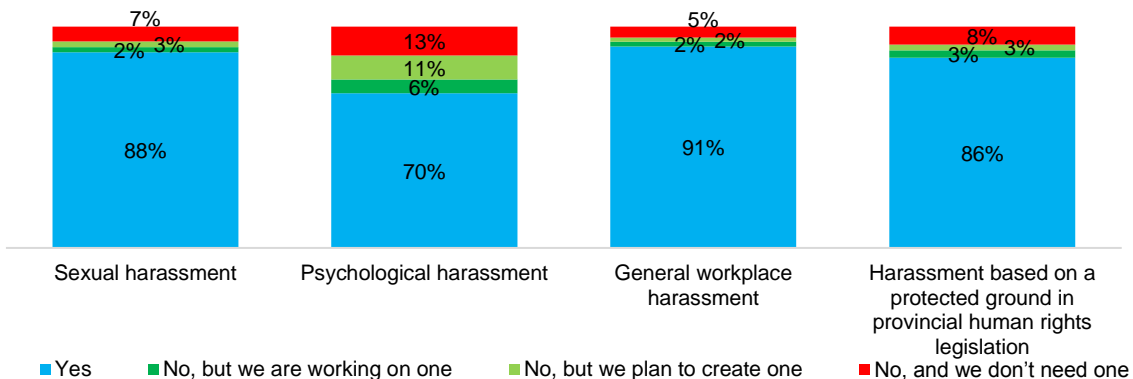
### Does organization use performance management program to inform succession planning?



### HARASSMENT POLICY

About 9 in 10 organizations have policies for sexual harassment, general workplace harassment and harassment based on a protected grounds in provincial human rights legislation. Policies addressing psychological harassment are less common, but still 70% of organizations have them in place.

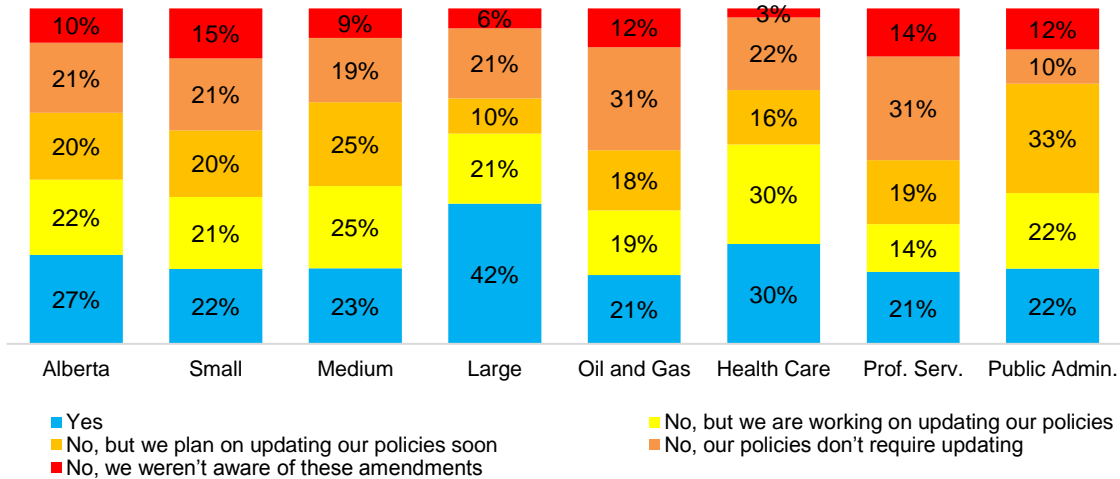
### Status of types of harassment policies



Only 27% of organizations have updated their HR policies in response to amendments to the Alberta Human Rights Act creating protected grounds for gender identity and expression.

Another 42% say they are either working on the changes or will do so soon. One in ten organizations report not being aware of the amendments. Large organizations and those in the Health Care sector are the most likely to have updated their HR policies.

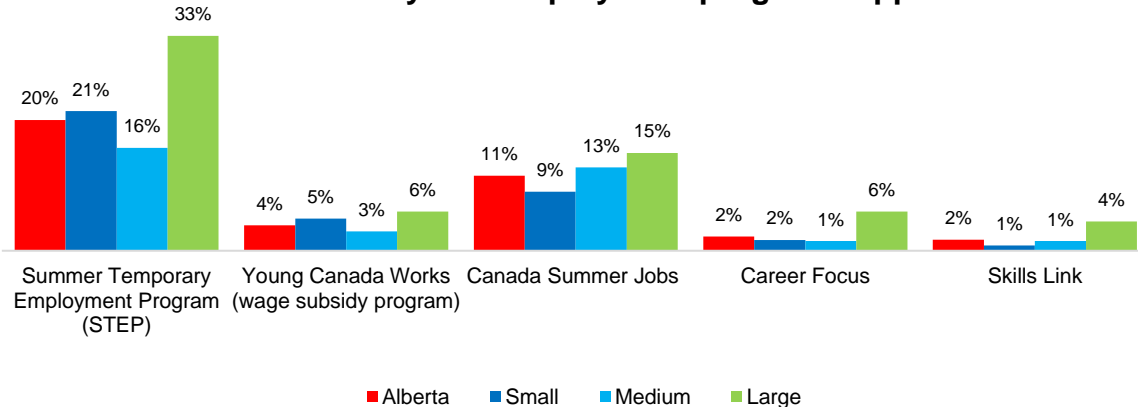
**Has organization updated HR policies in response to the Alberta Human Rights Act creating the protected grounds of gender identity and gender expression**



**STUDENT OR YOUTH EMPLOYMENT PROGRAMS**

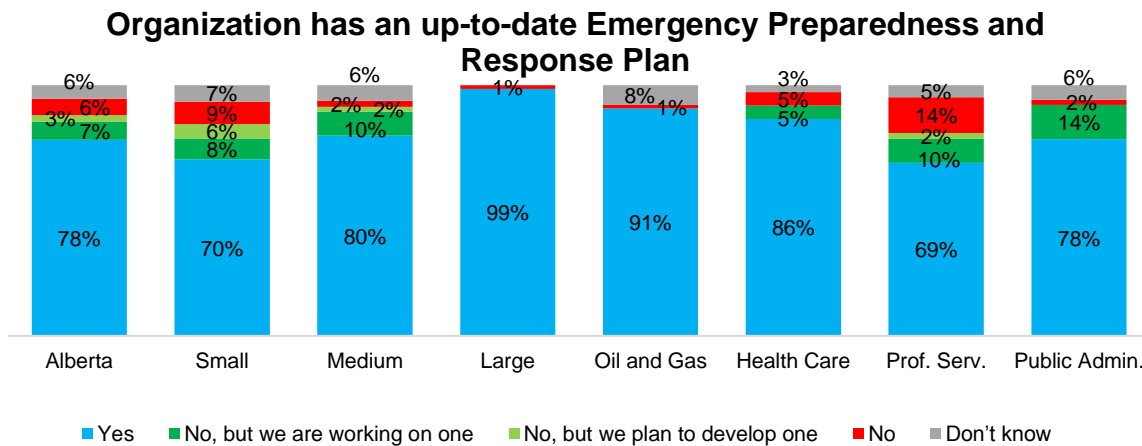
There are many summer job programs organizations can apply to for financial assistance to hire students and youth. The most commonly applied to program is the Summer Temporary Employment Program (STEP) which saw 20% of organizations apply, and a third of large organizations. The Federal "Canada Summer Jobs," program was the next most popular with 11% applying. In all cases larger organizations, who can more easily deal with application processes, were more likely to apply.

**Which student or youth employment programs applied to**



## EMERGENCY RESPONSE PLAN

More than three-quarters of organizations have an up-to-date emergency preparedness and response plan. The likelihood of such a plan increases with the size of the organization - 99% of large organizations reported having one. These plans are also more common in the Oil & Gas sector.



## 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:

- Low oil prices
- Government changes to the oil and gas industry
- Barriers to pipelines being built
- General concern over the economy
- Minimum wage hike
- Government debt and tax rates
- Questions about TFWs

## METHODOLOGY

This survey was conducted online between June 1 and 23, 2016. 5,218 members of HRIA were invited to participate via an email. Of these 839 completed enough of the survey for their responses to be useable, a response rate of 16.1%. 539 respondents completed every question, a completion rate of 10.3%. 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 +/- 4.0% nineteen times out of twenty.

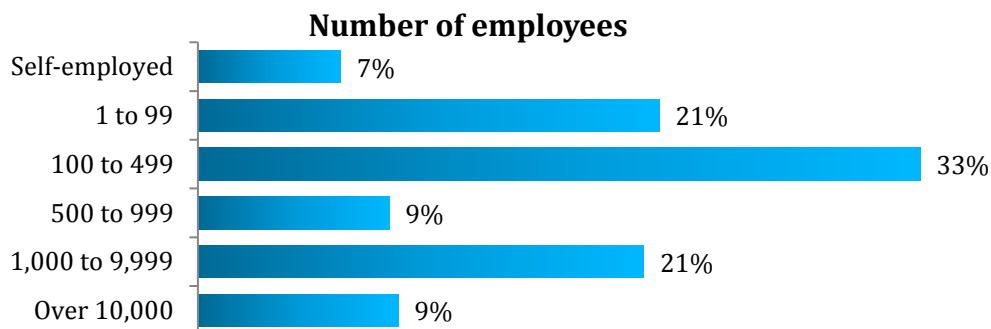
The previous reports were based on data collected in November and December 2013; in May of 2014; in November and December 2014; in May of 2015; and in November and December 2015.

## RESPONDENT PROFILE

The respondents come from organizations of all sizes from sole-proprietors to multi-national corporations. The median number of employees in Alberta per organization is 300 and the average number of employees is 5,049.

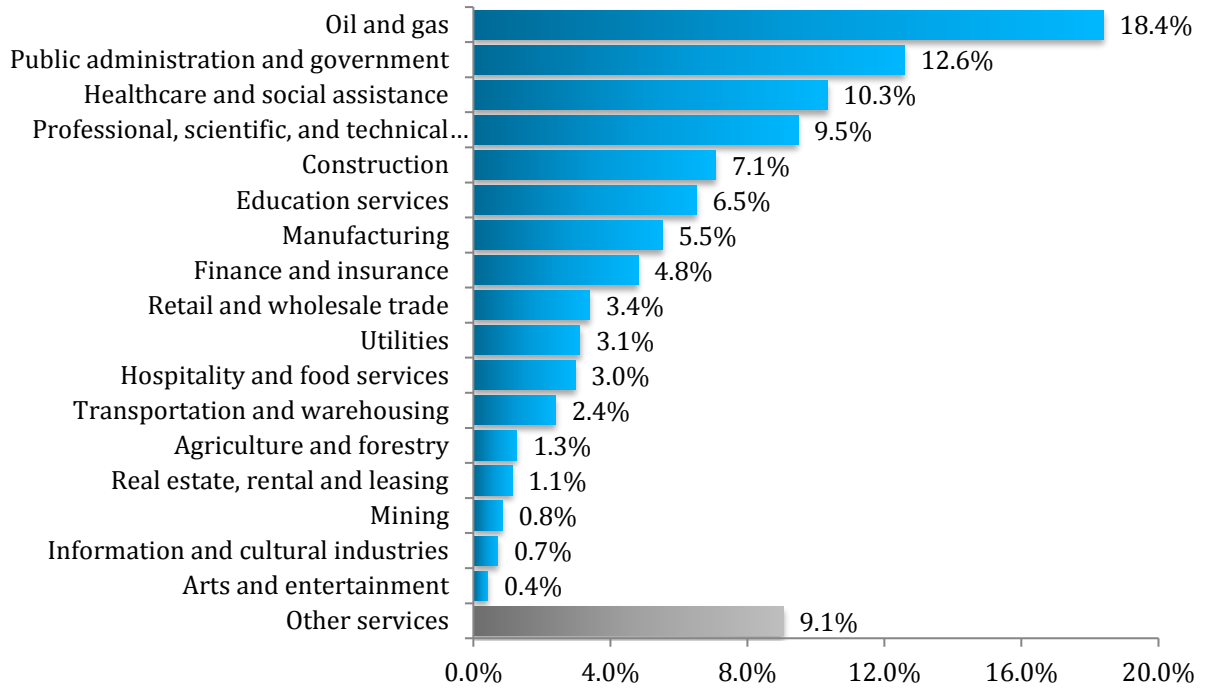
In this report small organizations are ones with fewer than 100 employees, medium have been 100 and 999 and large have 1,000 or more employees. Respondents were also distributed across a wide range of sectors.

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; and Oil & Gas.



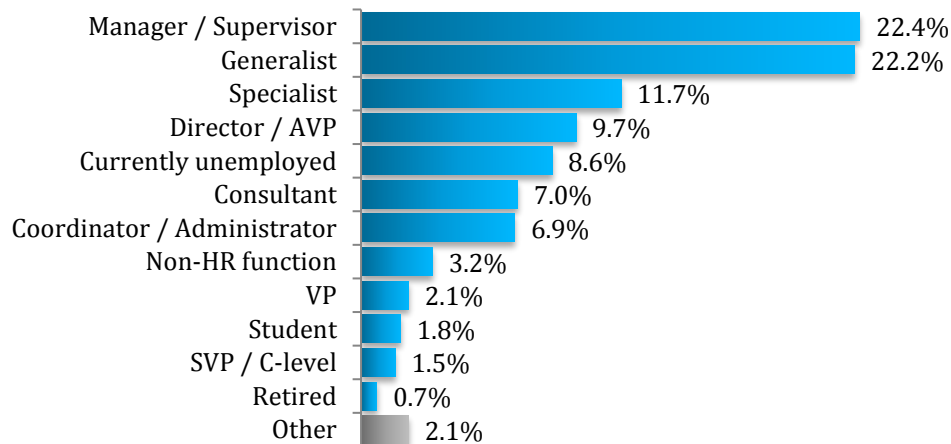
Respondents were also distributed across a wide range of sectors.

### Distribution by Sector



Respondents work in all sorts of 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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