



the gandalf group

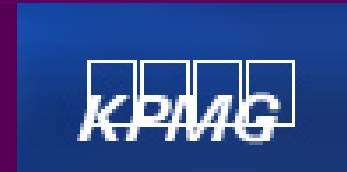
C-Suite Survey On Human Resources and Skilled Labour Shortages

September 10, 2007

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- ❑ Telephone interviews among 150 C-Suite executives from the top 1000 corporations in Canada
- ❑ Conducted between August 13 and August 31, 2007
- ❑ This sample yields a margin of error of +/-7.7%
- ❑ Although we represented demographics from the Atlantic and Quebec, the sample sizes are very small, thus have a much higher margin of error
 - Atlantic (n=8)
 - Quebec (n=13)



- ❑ This quarter's C-Suite survey finds executives are less optimistic about Canada's economy than in any of our previous surveys. A clear majority expect the US economy will decline. Half expect another major correction in the markets and most expressed concern about the Bank of Canada's rate hikes.
- ❑ Human resources issues and skills shortages have been the consistent number one issue cited by business in previous surveys. In this quarter's survey, twenty-three per cent of executives said human resources issues were the biggest concern facing their company and almost half said their company's bottom line was being hurt by the labour shortage.
- ❑ While HR concerns are higher in the West, they are not confined to one sector, such as the booming resources sector, but extend to others, notably in the service sector.



- ❑ Executives have a fairly positive view of the quality of Canada's existing workforce as a whole – their concerns are with filling vacancies and growing their business.
- ❑ Beyond the general supply shortage, the more specific and commonly cited concern is that workers or applicants lack the necessary training needed to fill positions.
- ❑ Executives believe human resources issues have to be a bigger priority for governments, but they accept they have a significant role to play and that the causes of the problem are varied. They see immigration, education and on-the-job training as key areas where action should be pursued and steps need to be taken to allow greater labour mobility to meet demand. They see organized labour as a mostly negative factor in the overall issue.

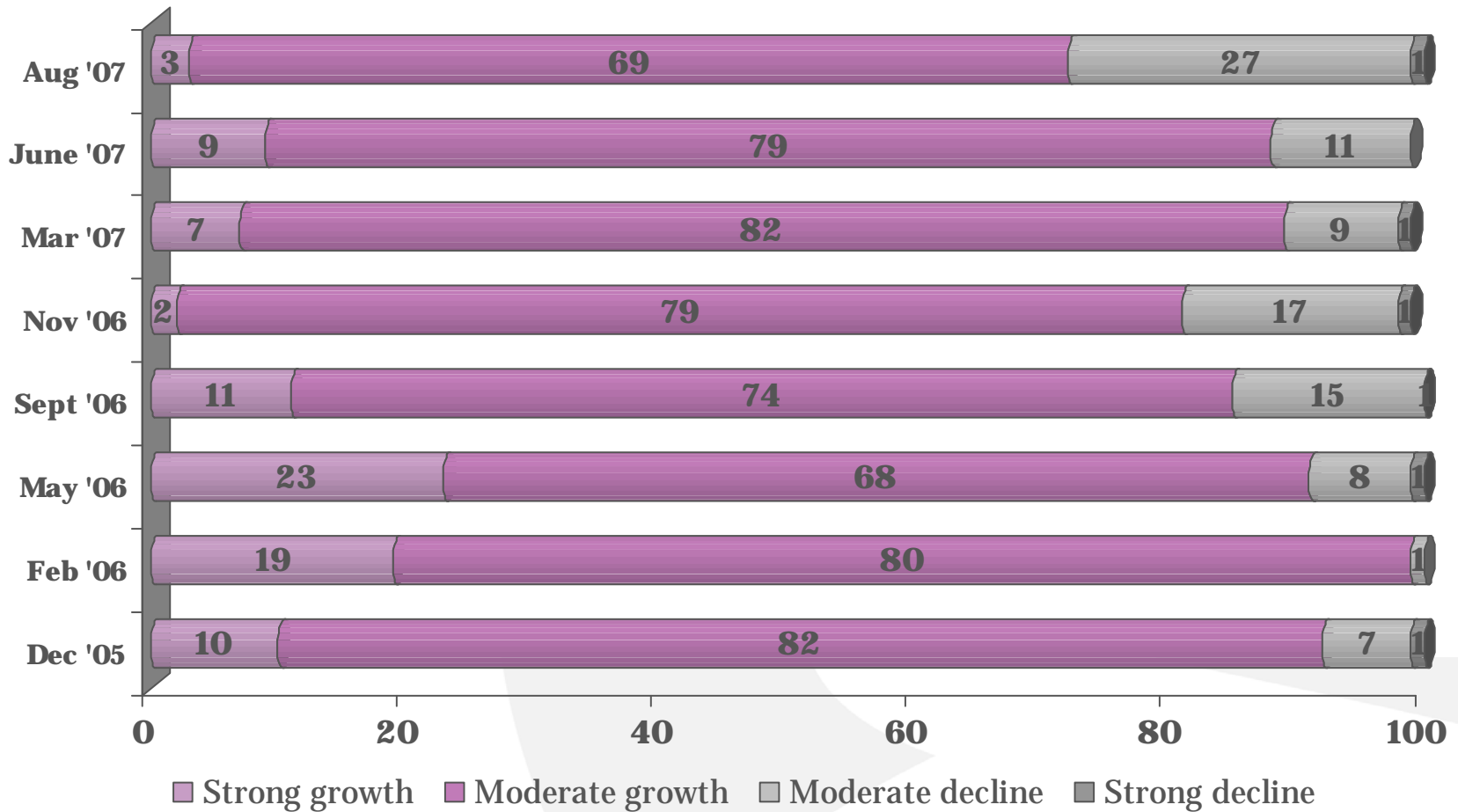


- ❑ Concern about the Canadian economy has increased dramatically this quarter
- ❑ Since C-Suite began in December 2005, this is the most pessimistic we have seen executives about the Canadian economy
 - Since last quarter, those who expect the Canadian economy to decline have increased by 17 points
- ❑ Executives see it hitting even closer to home; while most are optimistic that their companies will continue to grow, the percentage expecting strong growth in their own companies has dropped by fifteen points since last quarter.



Expectations: Canadian Economy

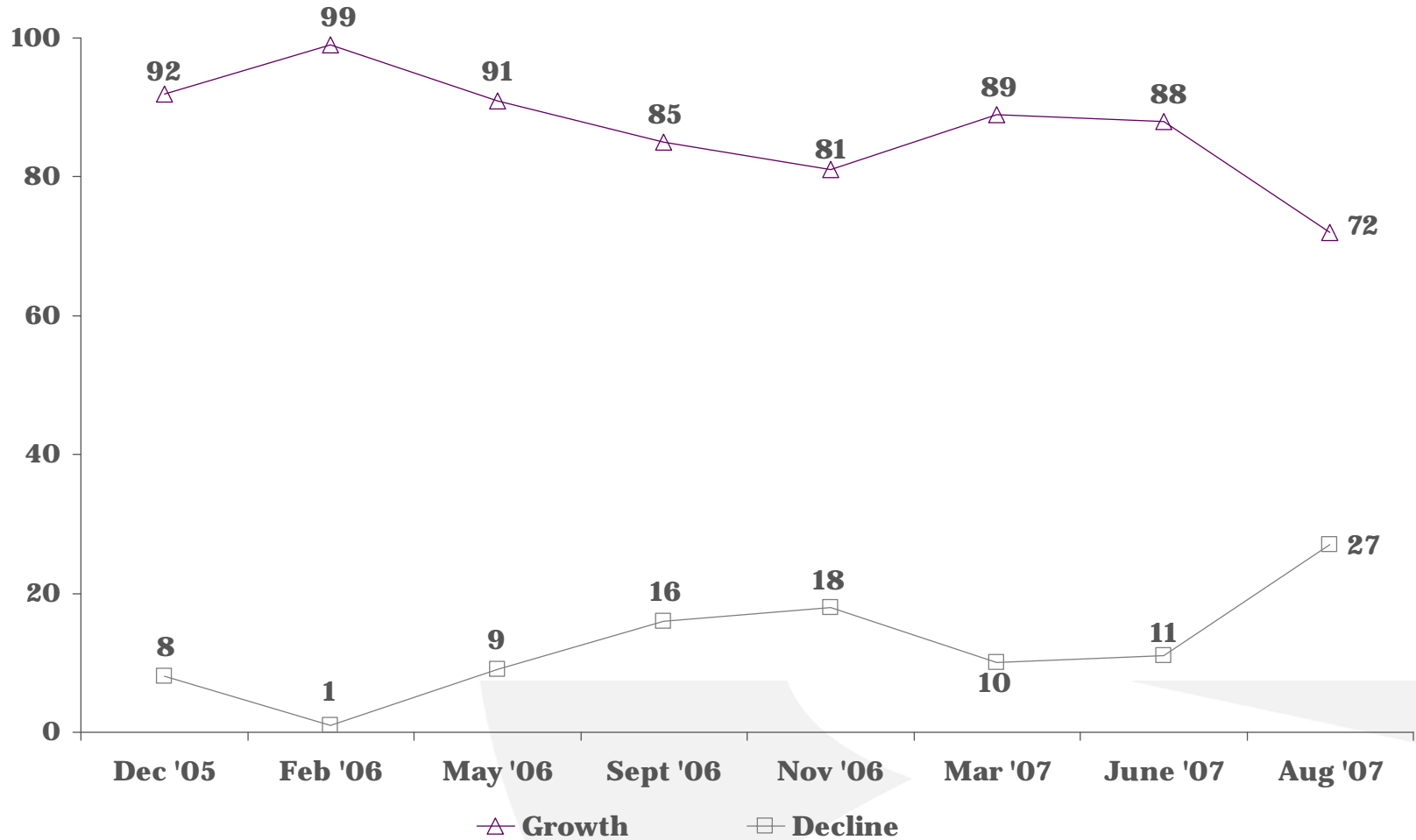
What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Canadian Economy

What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





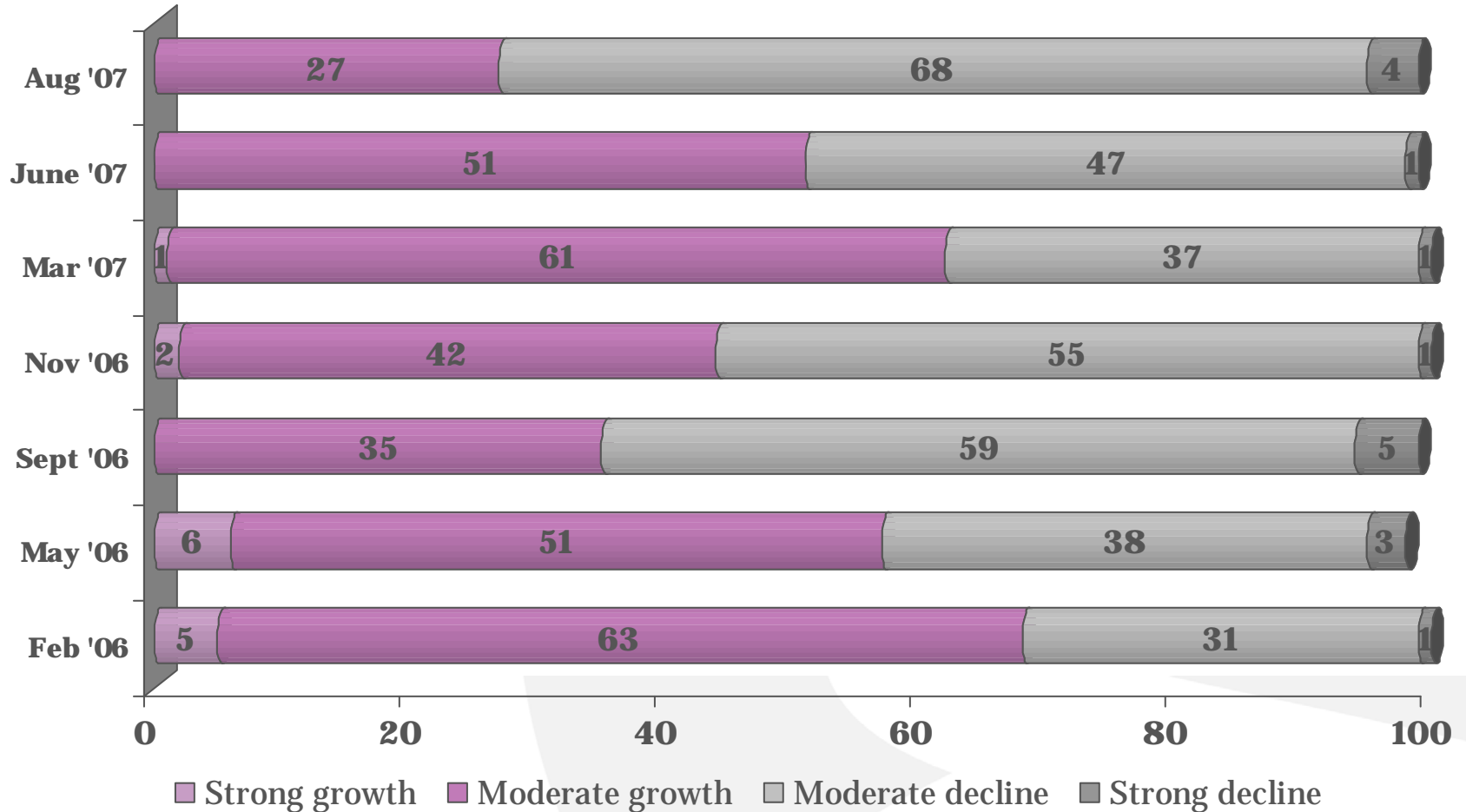
- ❑ There is consensus among Canadian executives that the American economy is headed towards recession. This quarter's results represent the most pessimistic view of the US economy since we began the C-Suite survey, coinciding with reports around the US sub-prime mortgage and housing markets.

- ❑ While almost all C-Suite executives expect growth for their companies, fewer executives are predicting strong growth than in previous quarters.
 - Companies based in western Canada are almost twice as likely to expect strong growth in their own companies than are those based in other parts of Canada



Expectations: U.S. Economy

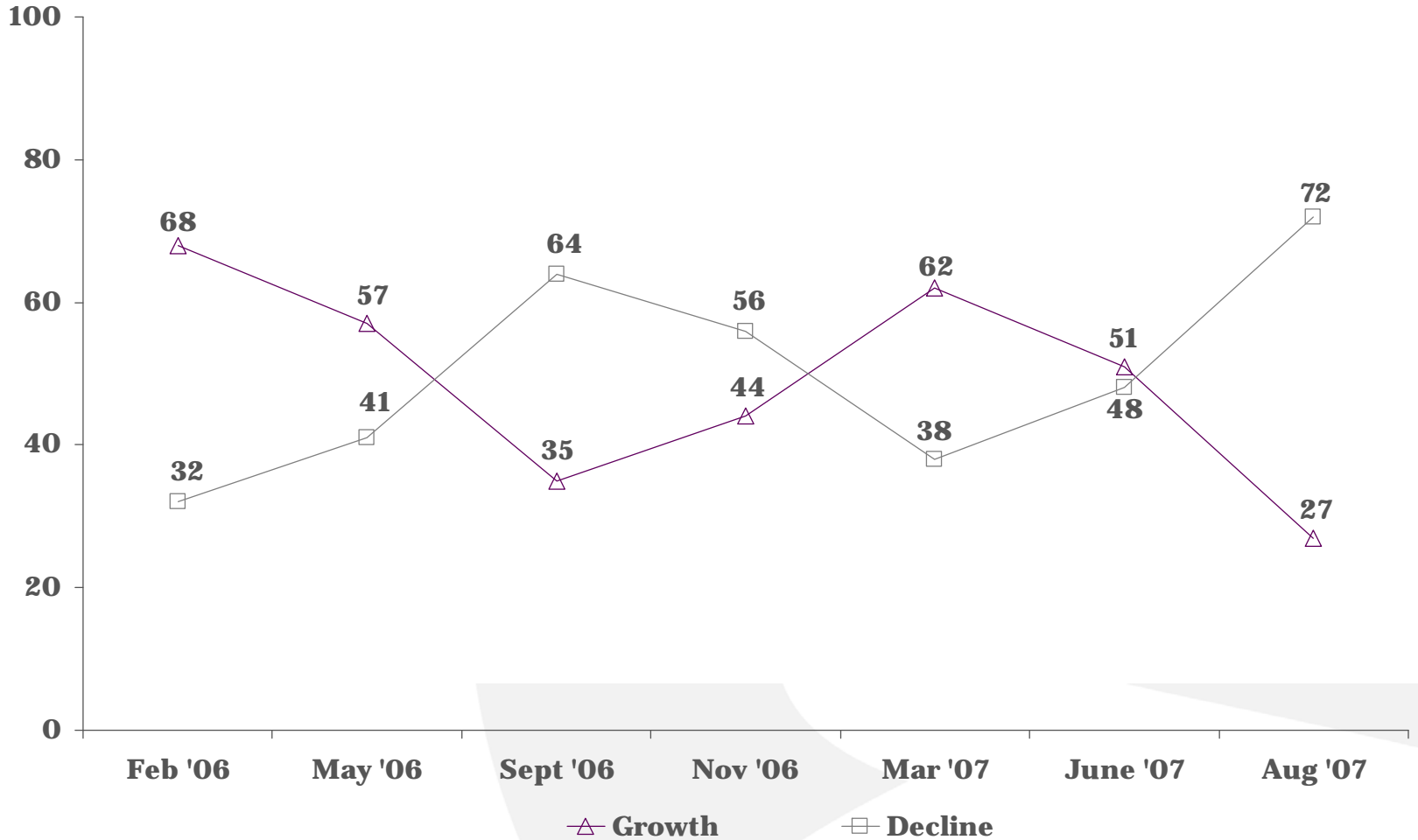
What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: U.S. Economy

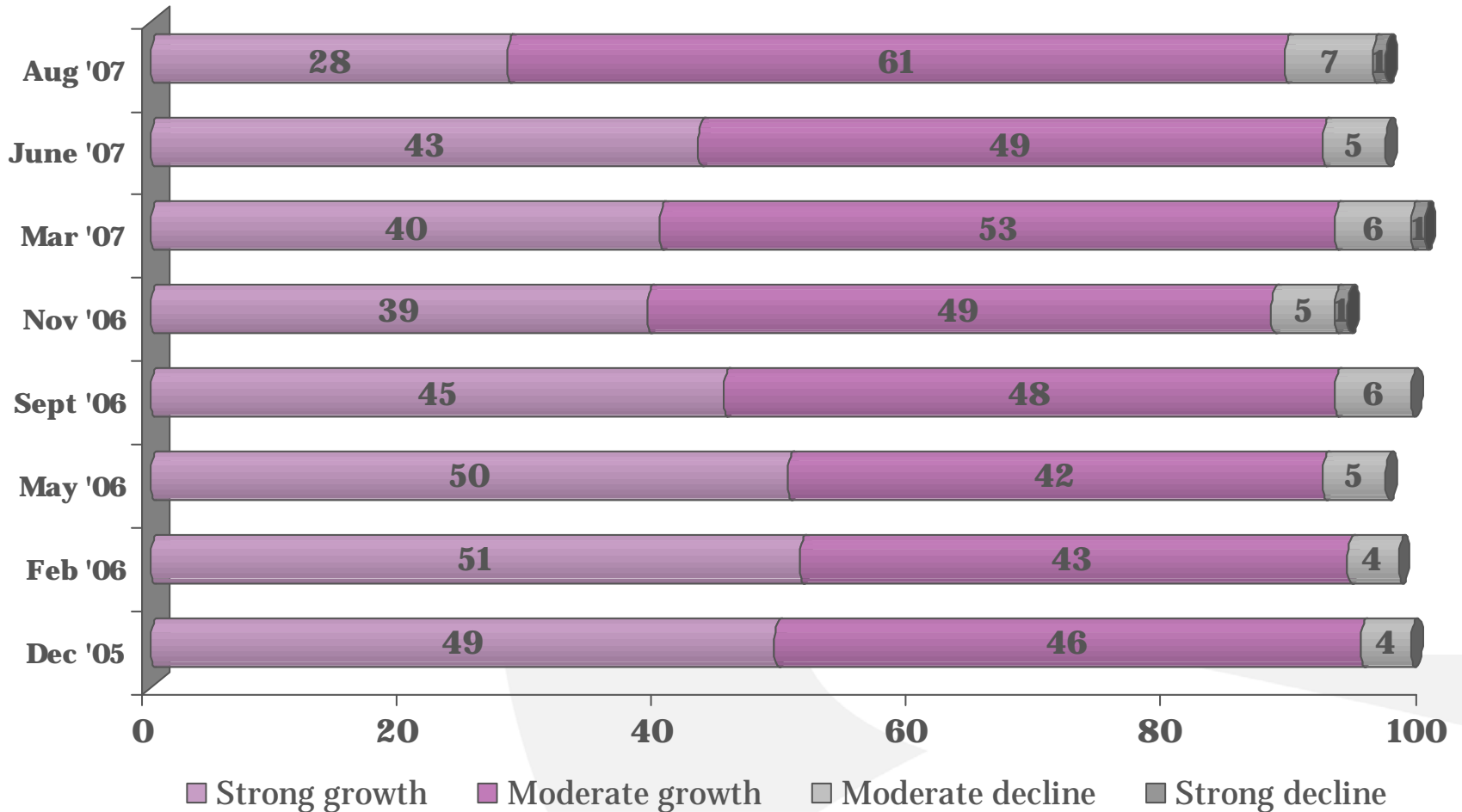
What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Company

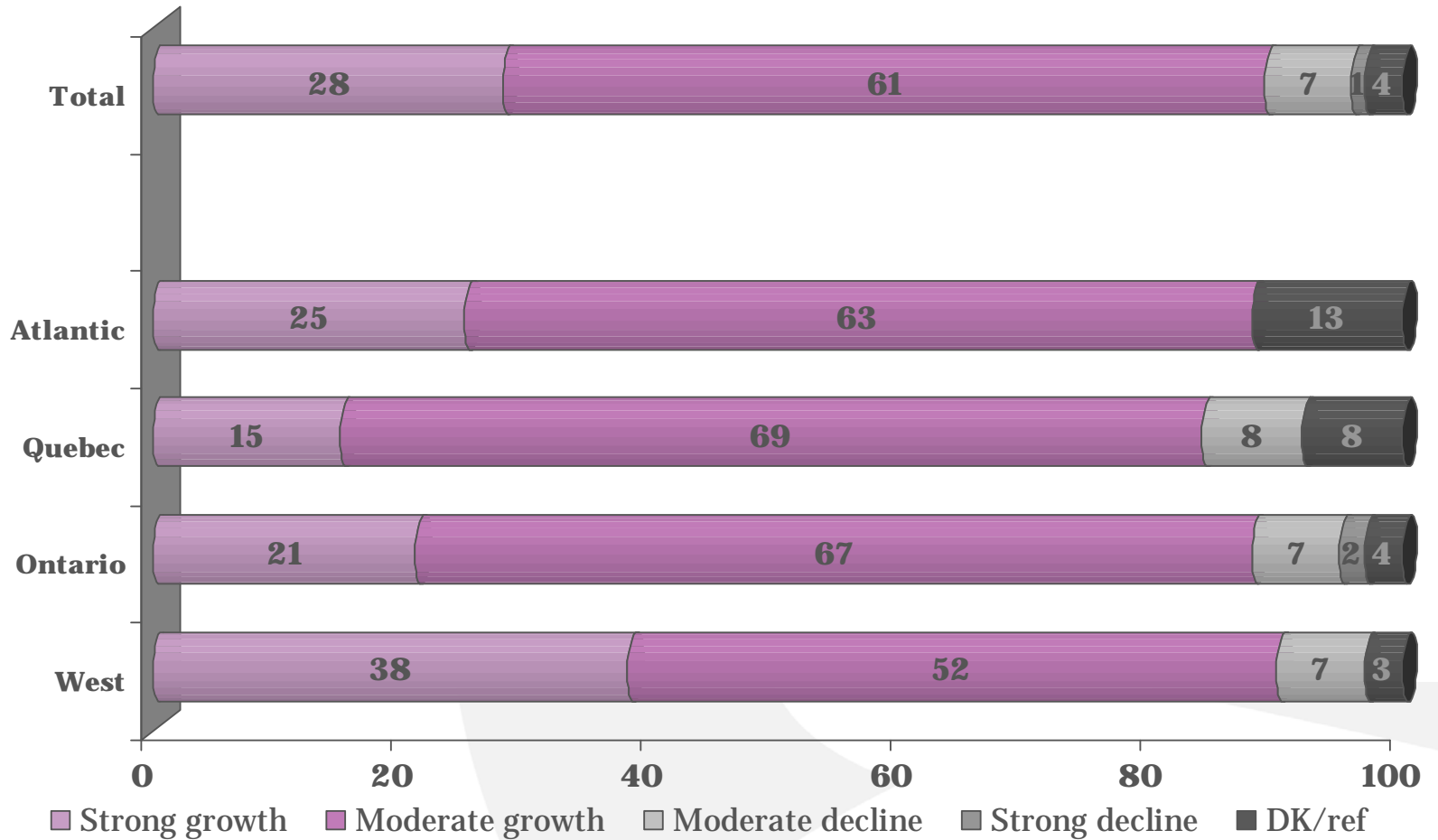
What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Company (Regional)

What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Biggest Issues Facing Companies

- ❑ When asked what was the biggest challenge facing their companies, twenty three percent of executives said human resources, followed by thirteen percent who said the state of the economy.

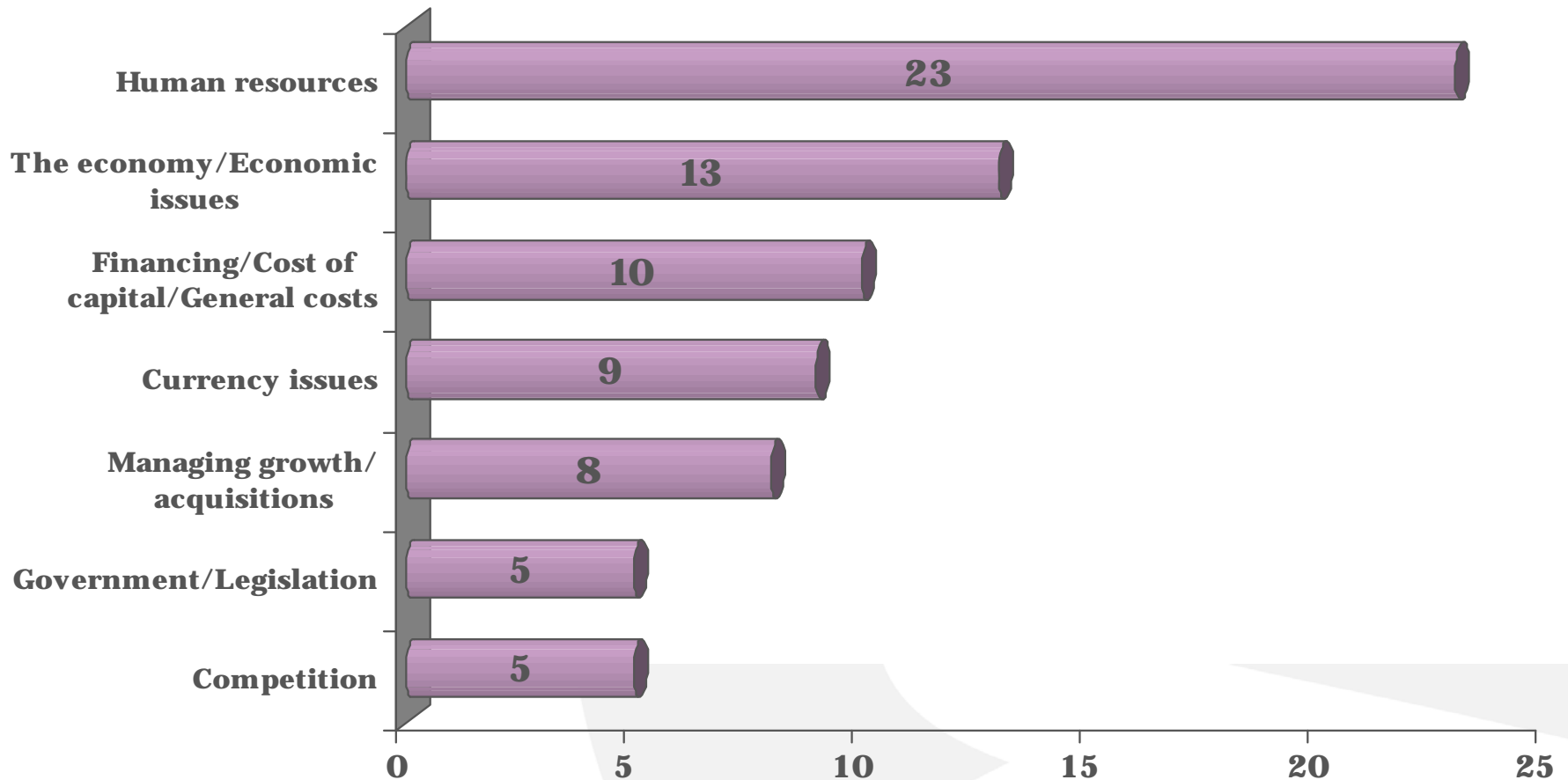
- ❑ Large sectoral differences on this matter are evident:
 - HR is the biggest challenge for companies in the **service sector** by far.
 - Among **manufacturing** executives HR is second to concerns about the currency.
 - In the **resource sector** there is no real consensus about the biggest challenge. They cite a range of challenges: from financing, to managing growth and unlike those in manufacturing and the service sector, there is concern among the resource based companies about government action/legislation .

- ❑ Regionally, the labour shortage is most pronounced in western Canada



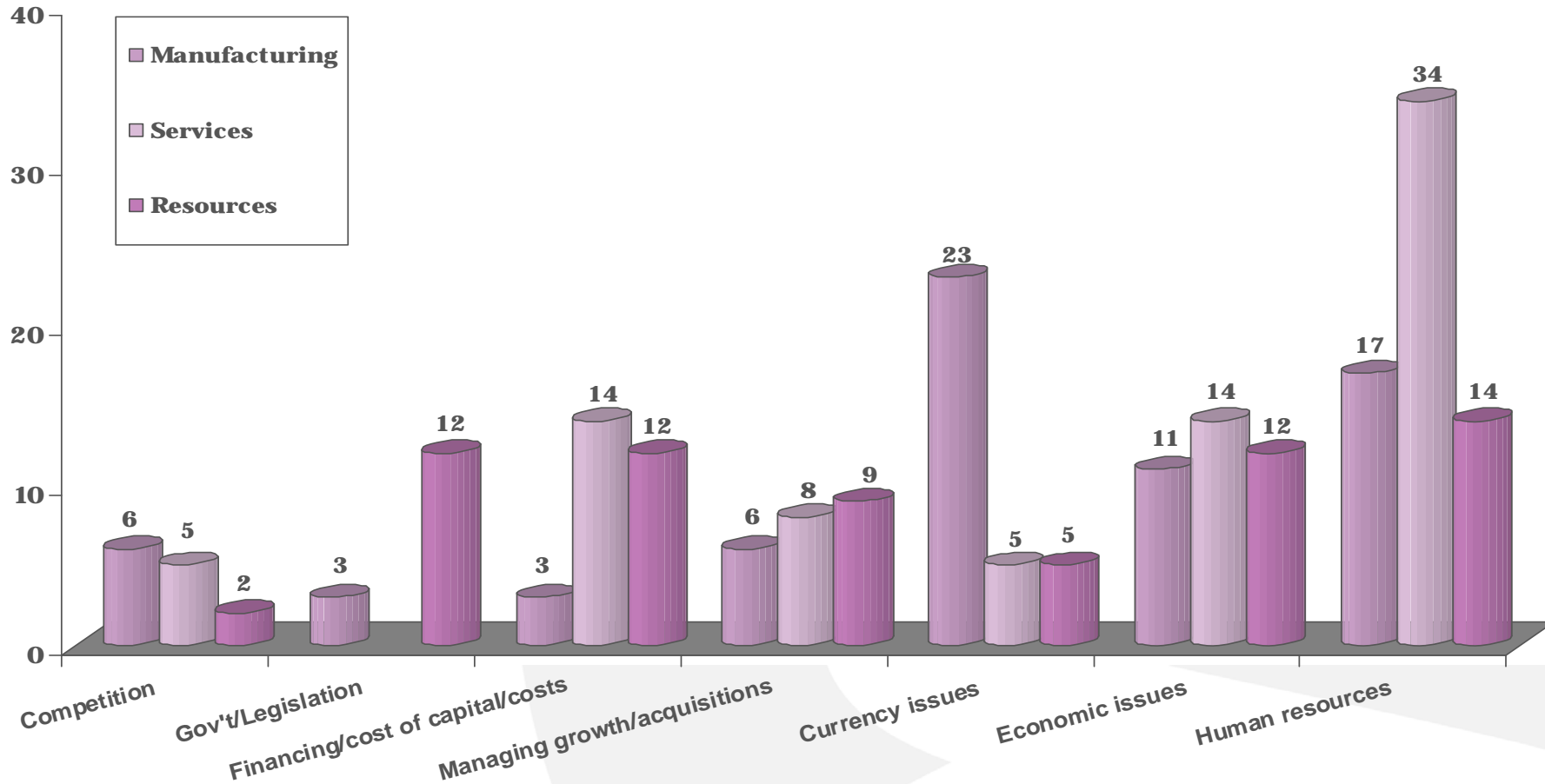
Biggest Issue Facing Company

What is the biggest challenge facing your company right now?





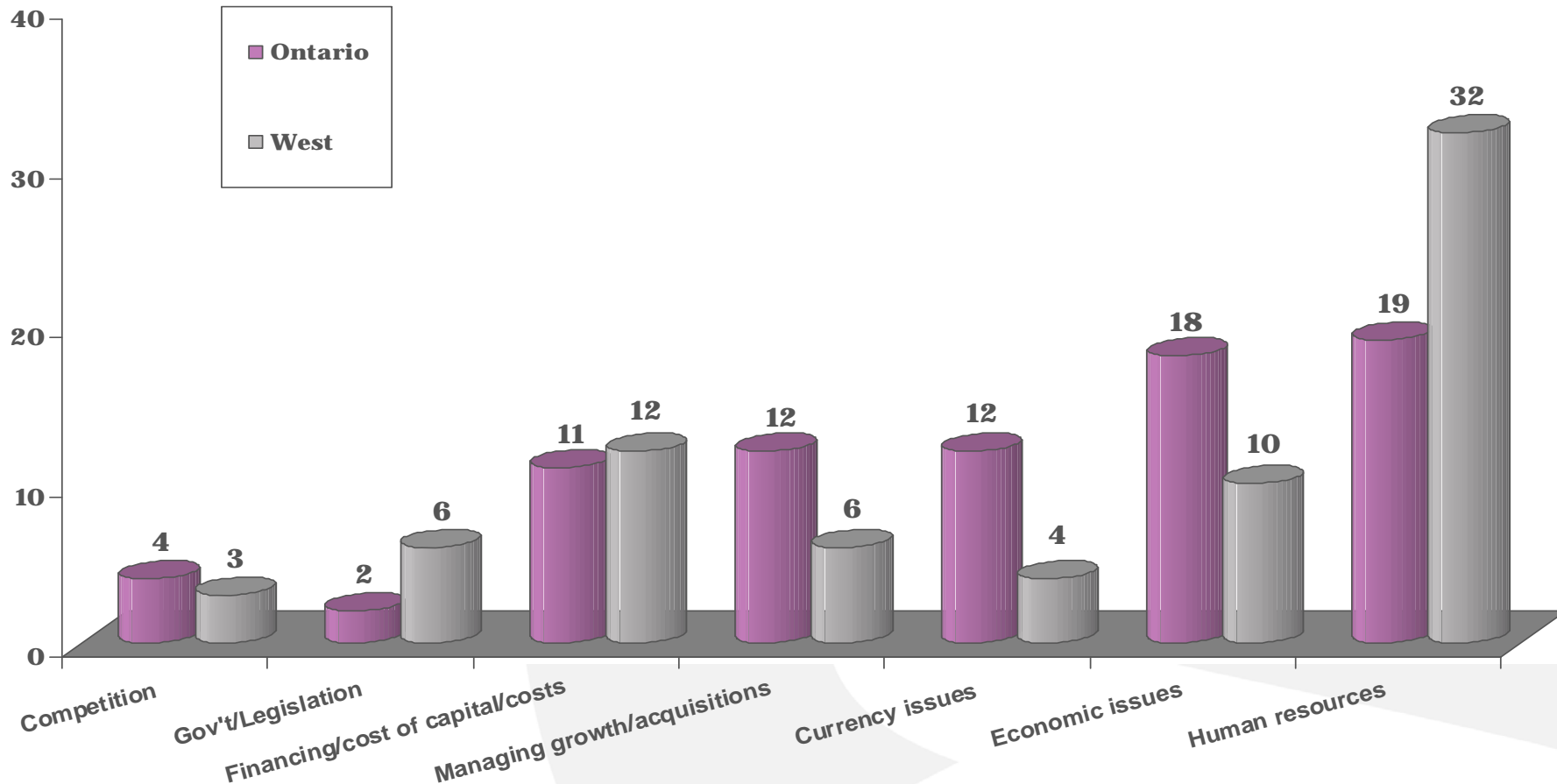
What is the biggest challenge facing your company right now?





Biggest Challenge Facing Company: Region

What is the biggest challenge facing your company right now?





- ❑ Finance Minister Flaherty's reputation continues to decline among Canadian executives
 - Those expressing a favourable opinion of the Minister now stand at 24%, down from 32% last quarter, while the percentage of those with an unfavourable opinion remains steady at 40%.

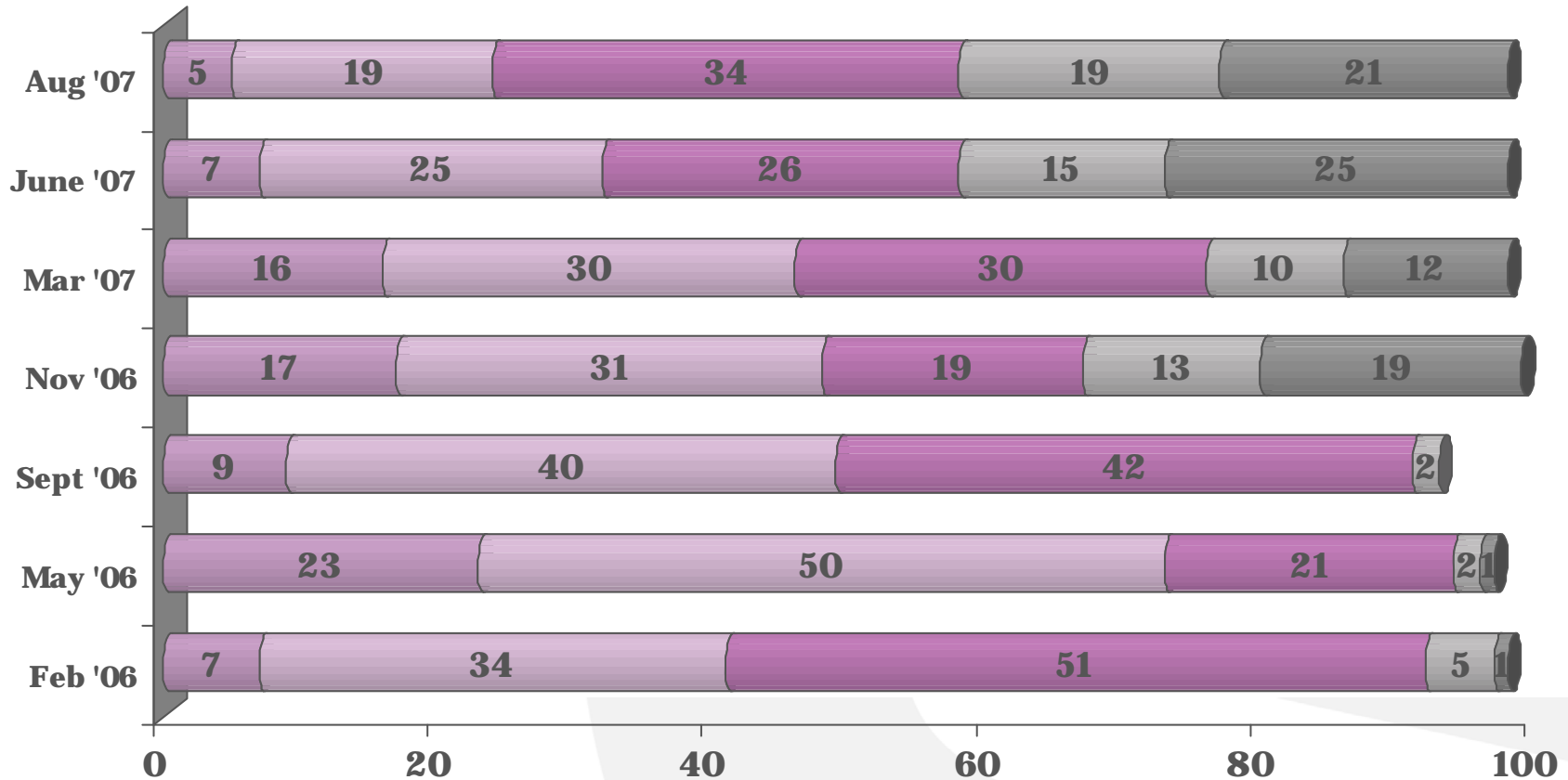
- ❑ Flaherty's reputation varies drastically among the different sectors
 - Sixty one percent of execs in the **resource** industry have an unfavourable impression of the Minister, compared to about a third of those in the **services** industry and only 20% in the **manufacturing** sector

- ❑ Business leaders are evenly split on whether they have confidence in his economic management – 50% yes and 49% no.
 - One year ago those numbers were 76% yes and 19% no.



Impression of Minister Flaherty

How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?

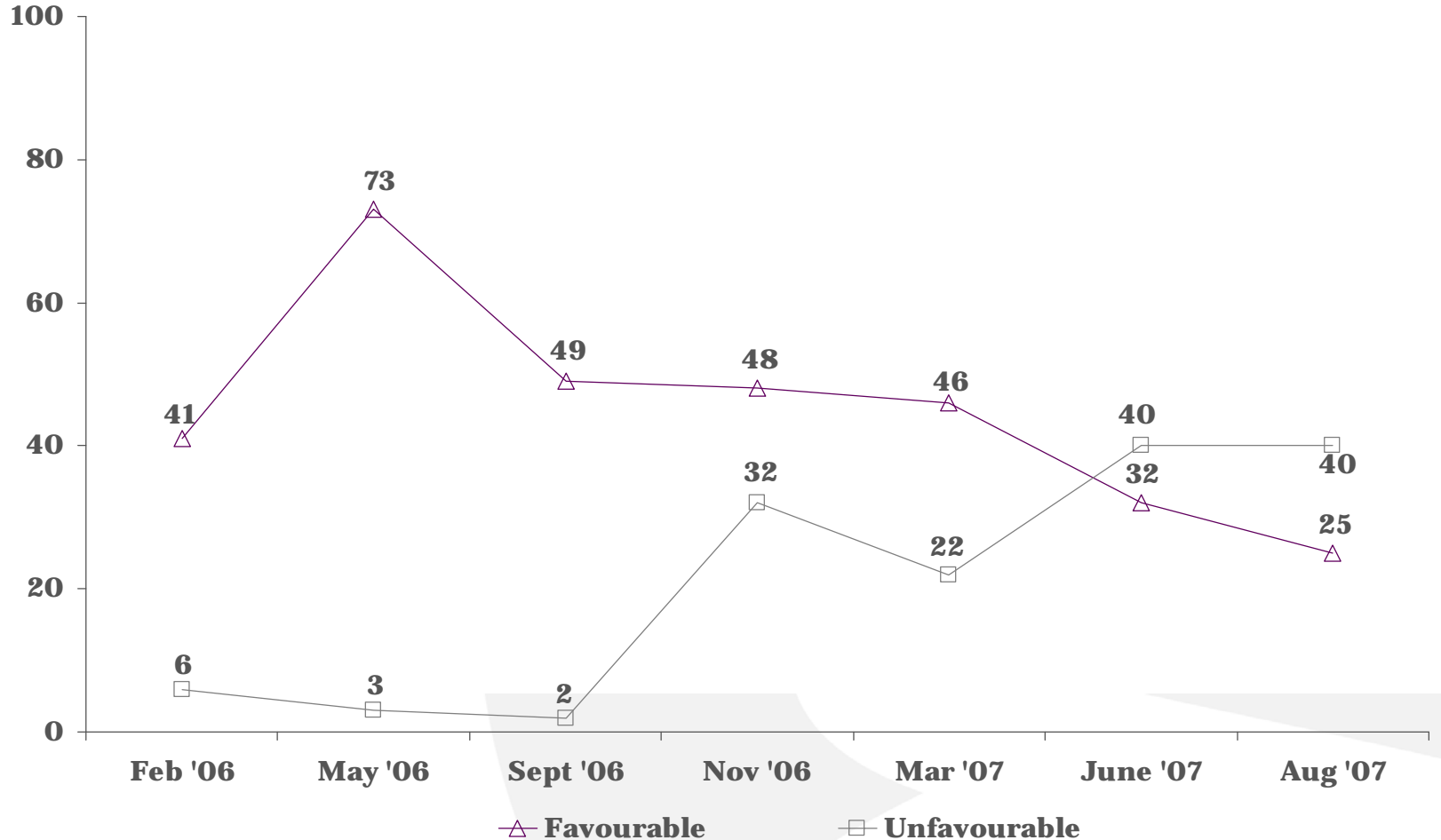


Very favourable Somewhat favourable Neither Somewhat unfavourable Very unfavourable



Impression of Minister Flaherty

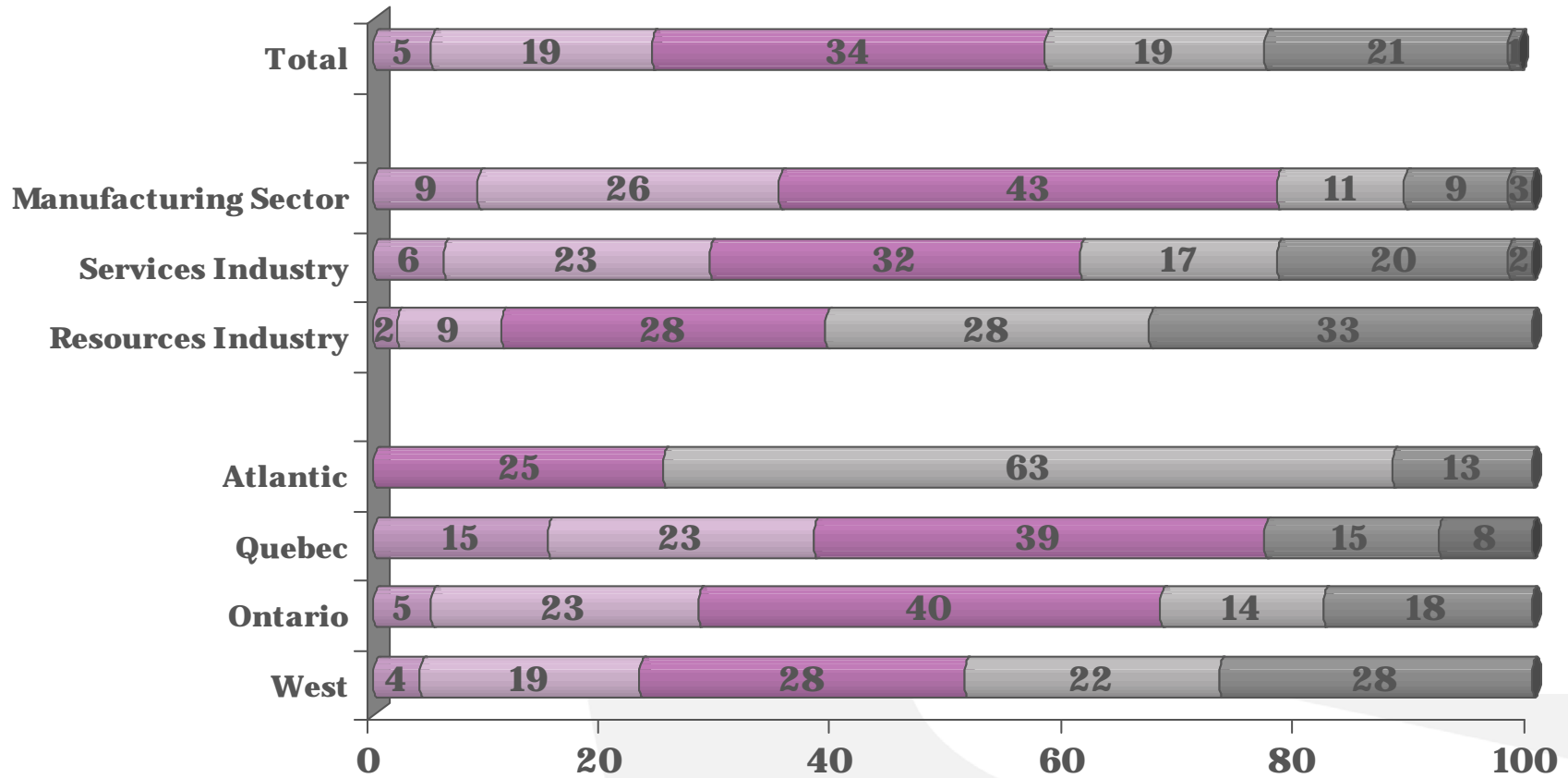
How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?





Impression of Minister Flaherty

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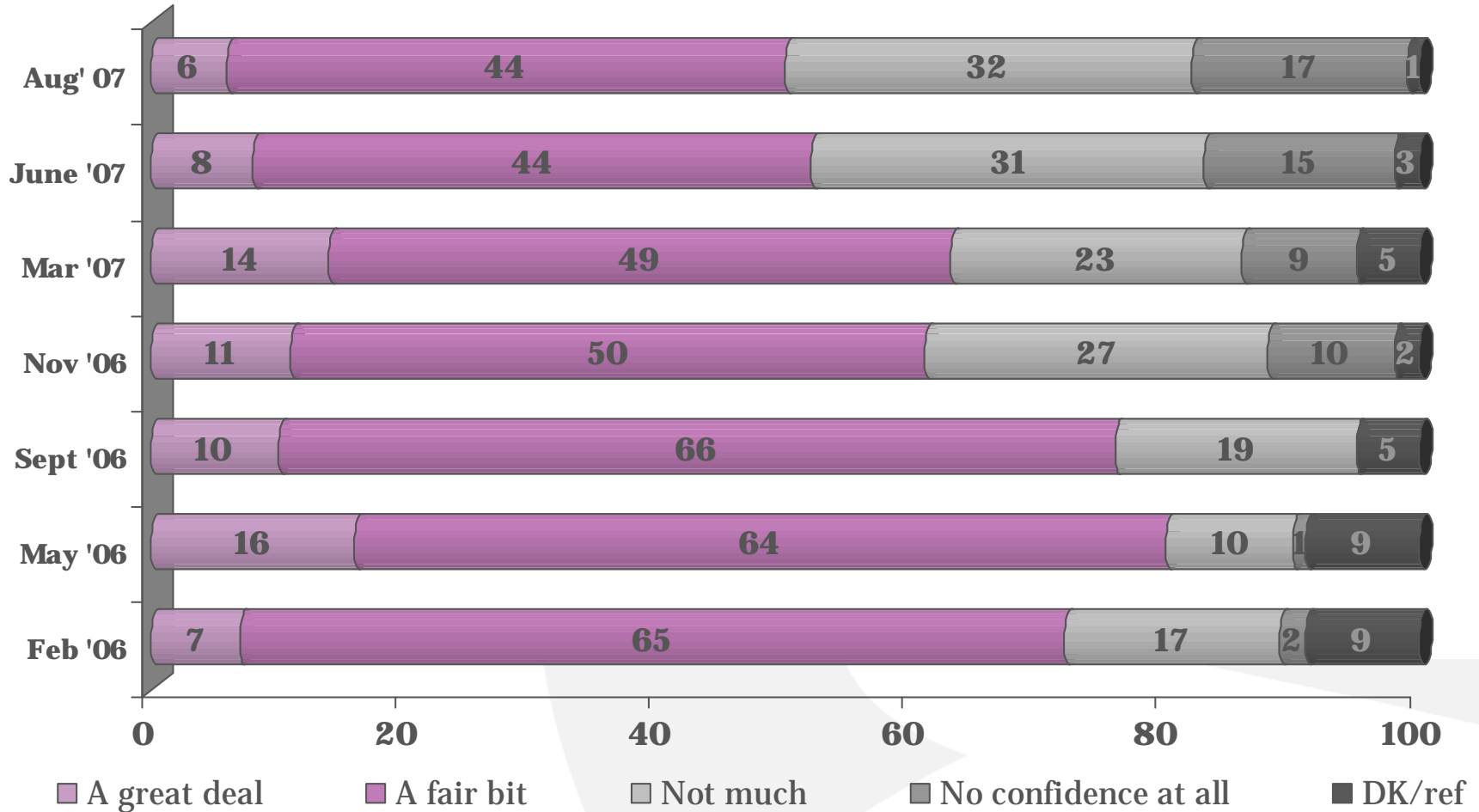


Very favourable Somewhat favourable Neither Somewhat unfavourable Very unfavourable DK/ref



Confidence in Minister Flaherty

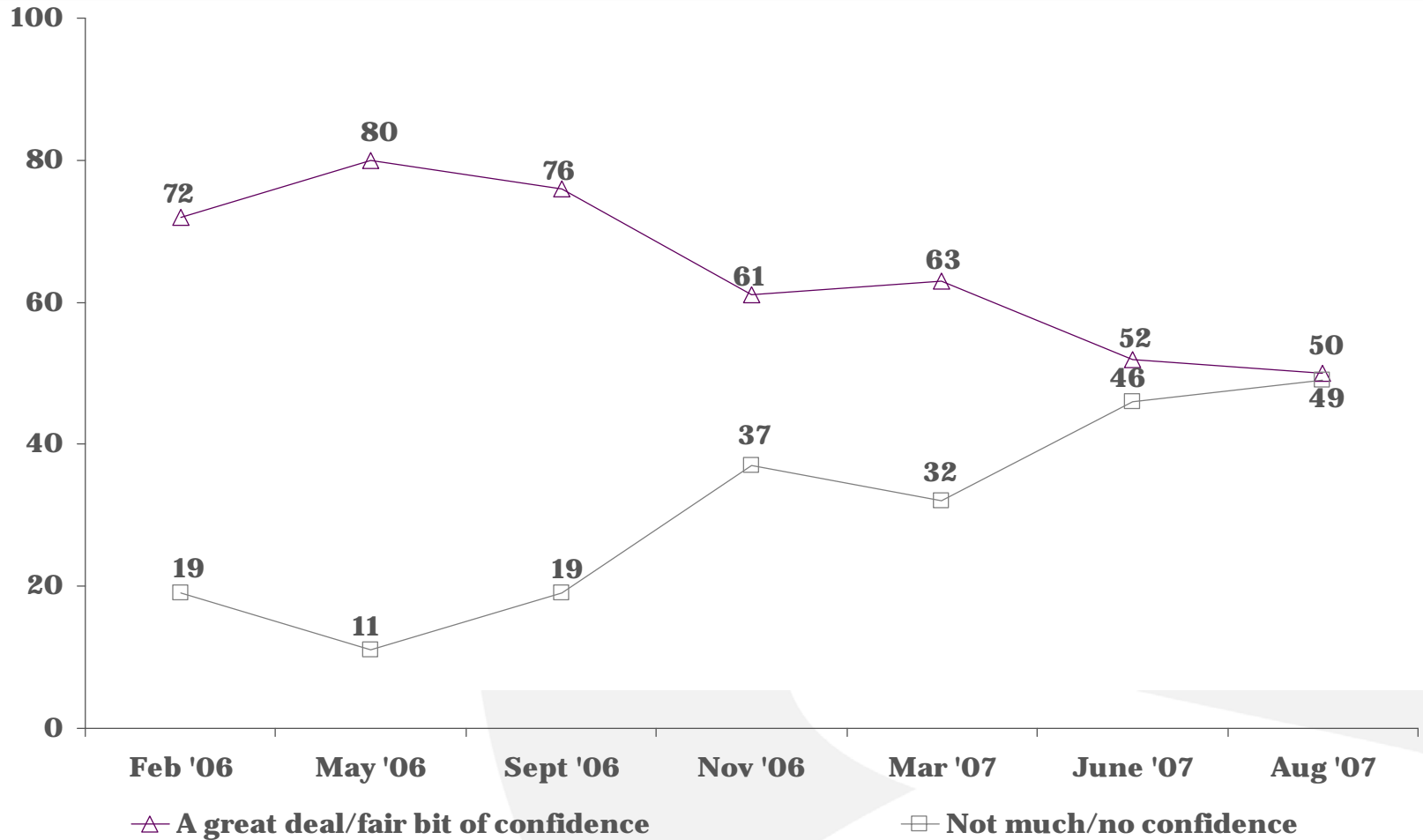
How much confidence do you have in Finance Minister Flaherty's management of the economy?





Confidence in Minister Flaherty

How much confidence do you have in Finance Minister Flaherty's management of the economy?





- ❑ C-Suite executives see a very different set of challenges **facing Canada** than does the average Canadian. Issues that preoccupy Canadians – health care, the environment, taxes, Afghanistan – are not top of mind for business leaders. It is clearly the view of the C-Suite that Canadians should not take the economy for granted. They place global competitiveness and the economy at the top of the list of challenges facing the country.
- ❑ On the loss of manufacturing jobs, fifty-three per cent say that the decline of manufacturing means the permanent loss of quality, high paying jobs; forty-four say a job is a job and they don't care if it's in the service/manufacturing sector.



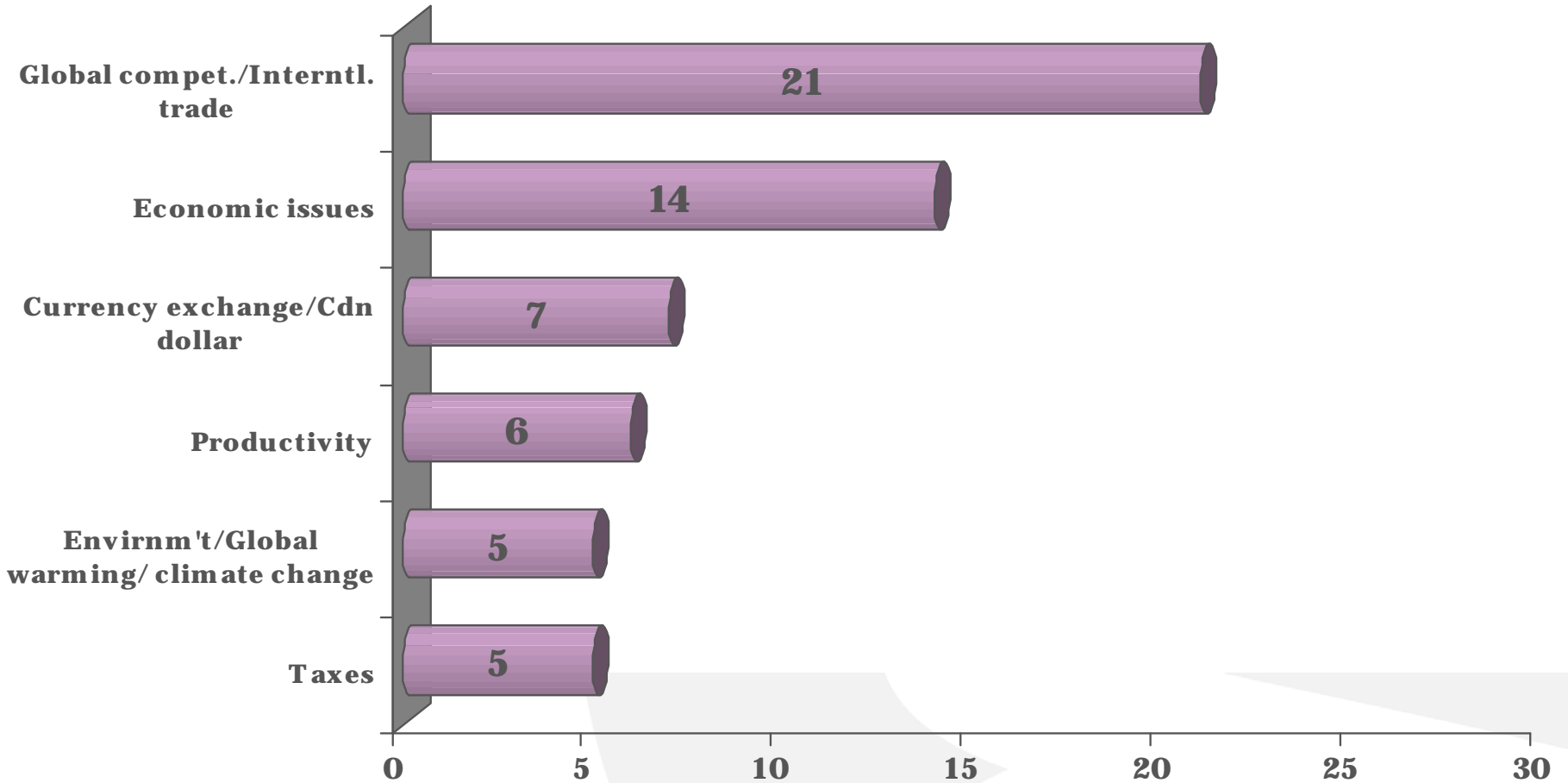
- ❑ C-Suite executives see global competitiveness as the biggest challenge **facing Canadian businesses**, followed by the labour shortage and the high currency.
 - Manufacturing executives do not see HR as a major challenge for Canadian business – they are more likely to be concerned about the exchange rate
 - Resource executives – who are concerned about trade and competitiveness – are not nearly as troubled by the value of the dollar as are manufacturing execs

- ❑ Those who indicated that labour shortages are the biggest challenge for Canadian businesses are predominantly:
 - From Western Canada, where a third say it's the top issue
 - In the service or resource sector
 - Twice as likely to be over the age of 45



Most Important Issue Facing Canada

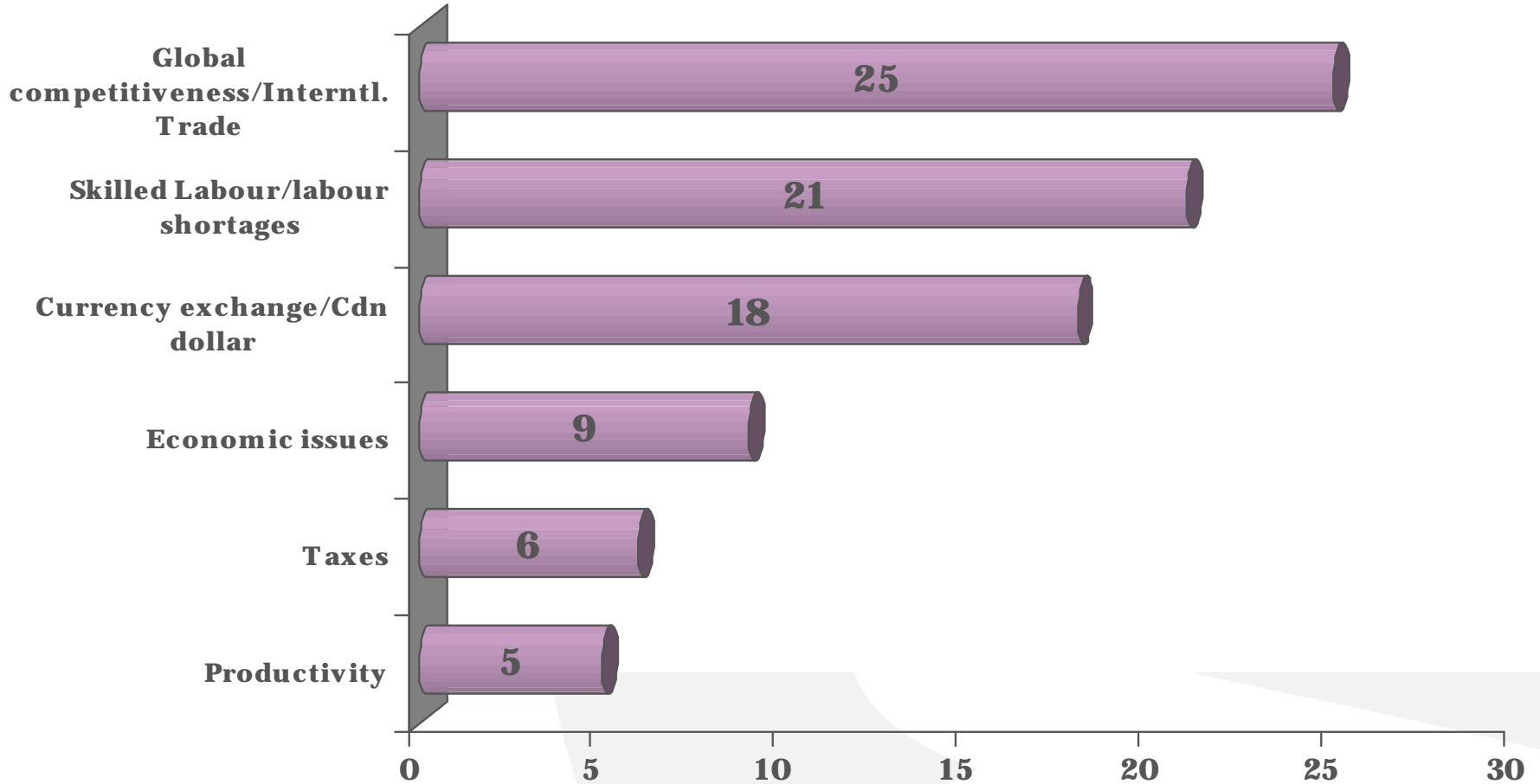
What would you say is the most important challenge facing Canada right now?





Most Important Issue Facing Canadian Businesses

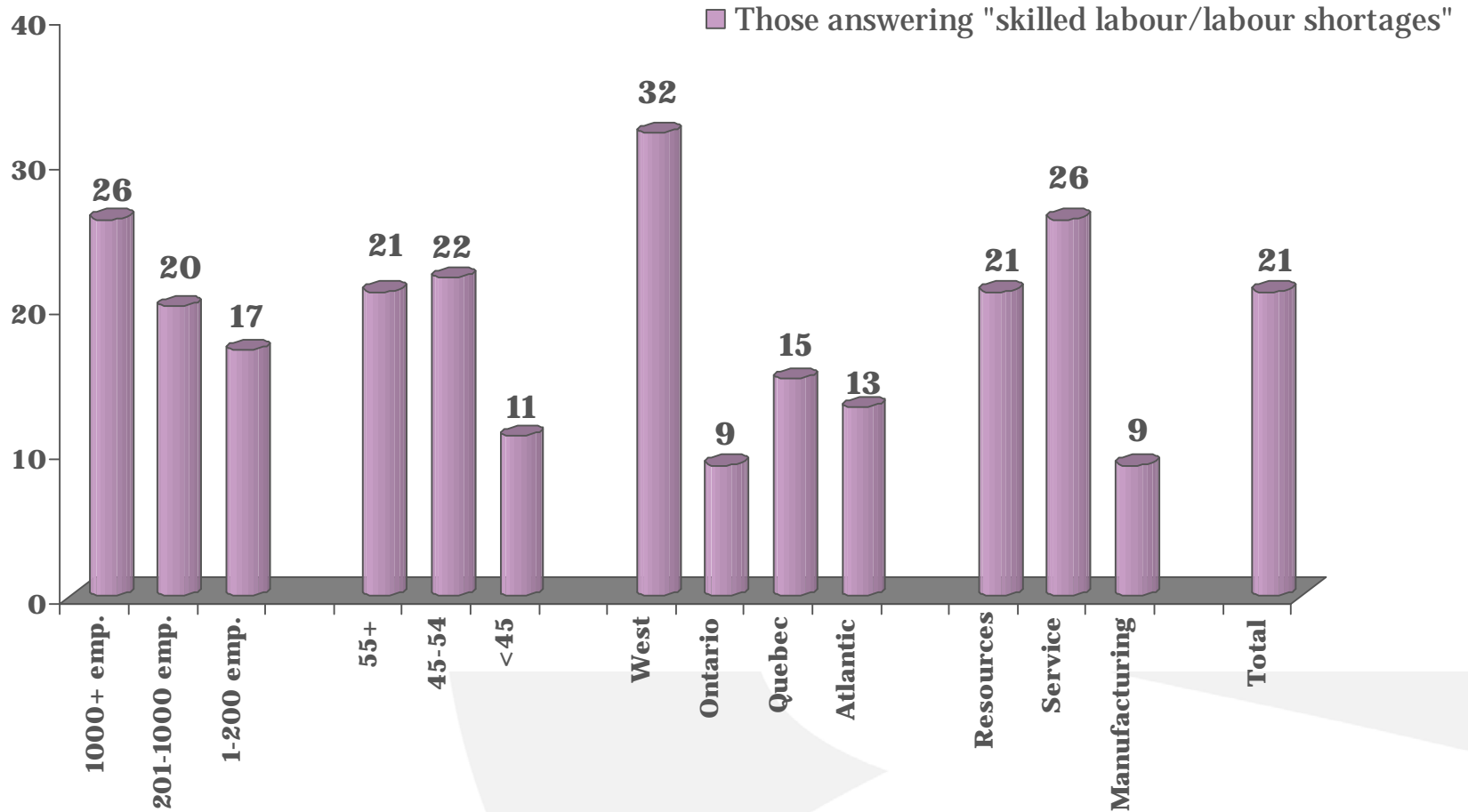
What would you say is the most important issue facing Canadian businesses today?





Most Important Issue Facing Canadian Businesses

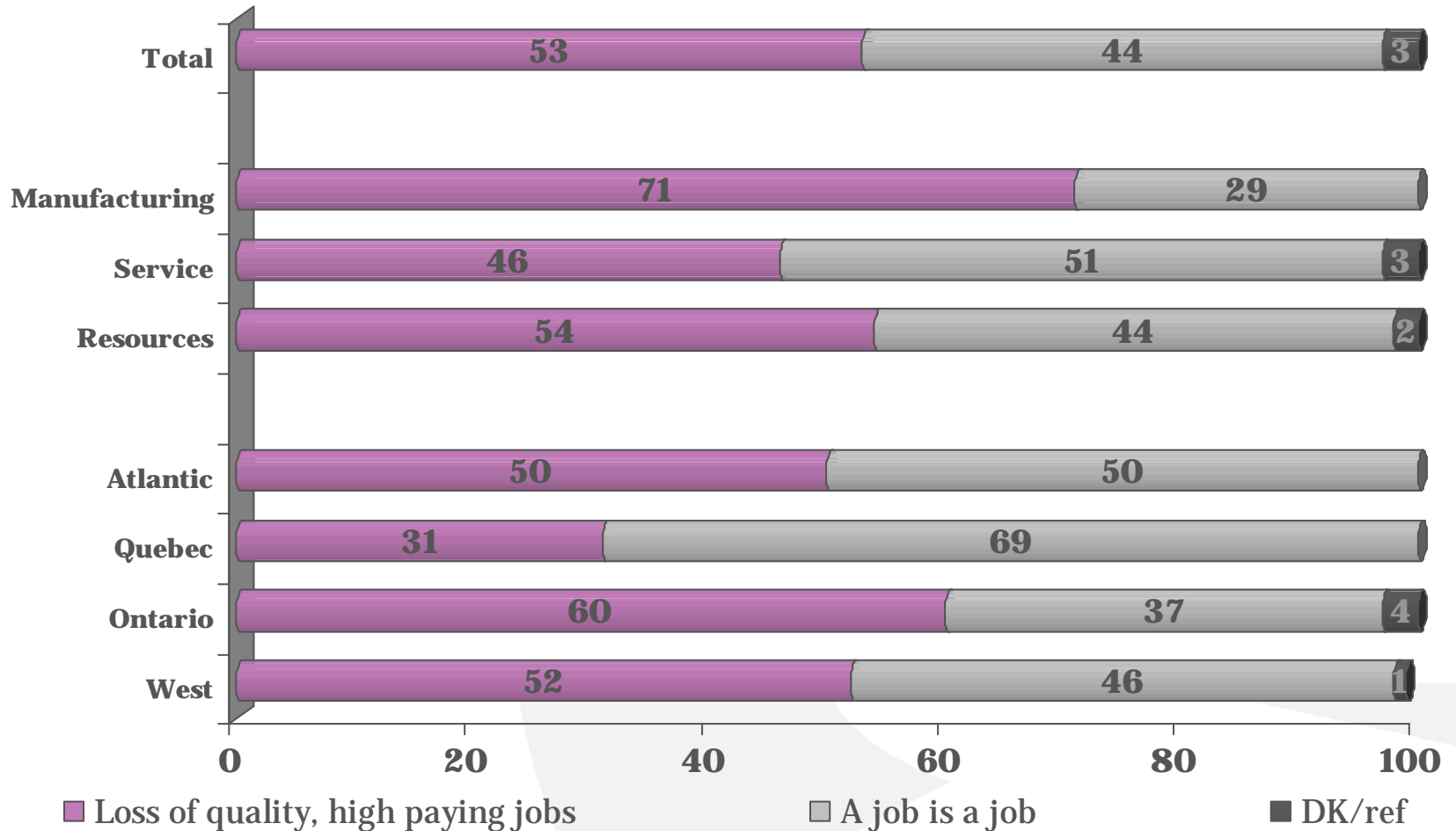
What would you say is the most important issue facing Canadian businesses today?





Loss of Permanent/High Paying Jobs Vs. A Job is a Job

Some people say the decline of manufacturing means the permanent loss of quality, high paying jobs; others say a job is a job and they don't care if it's in the service/manufacturing sector. Which is closer to your own?





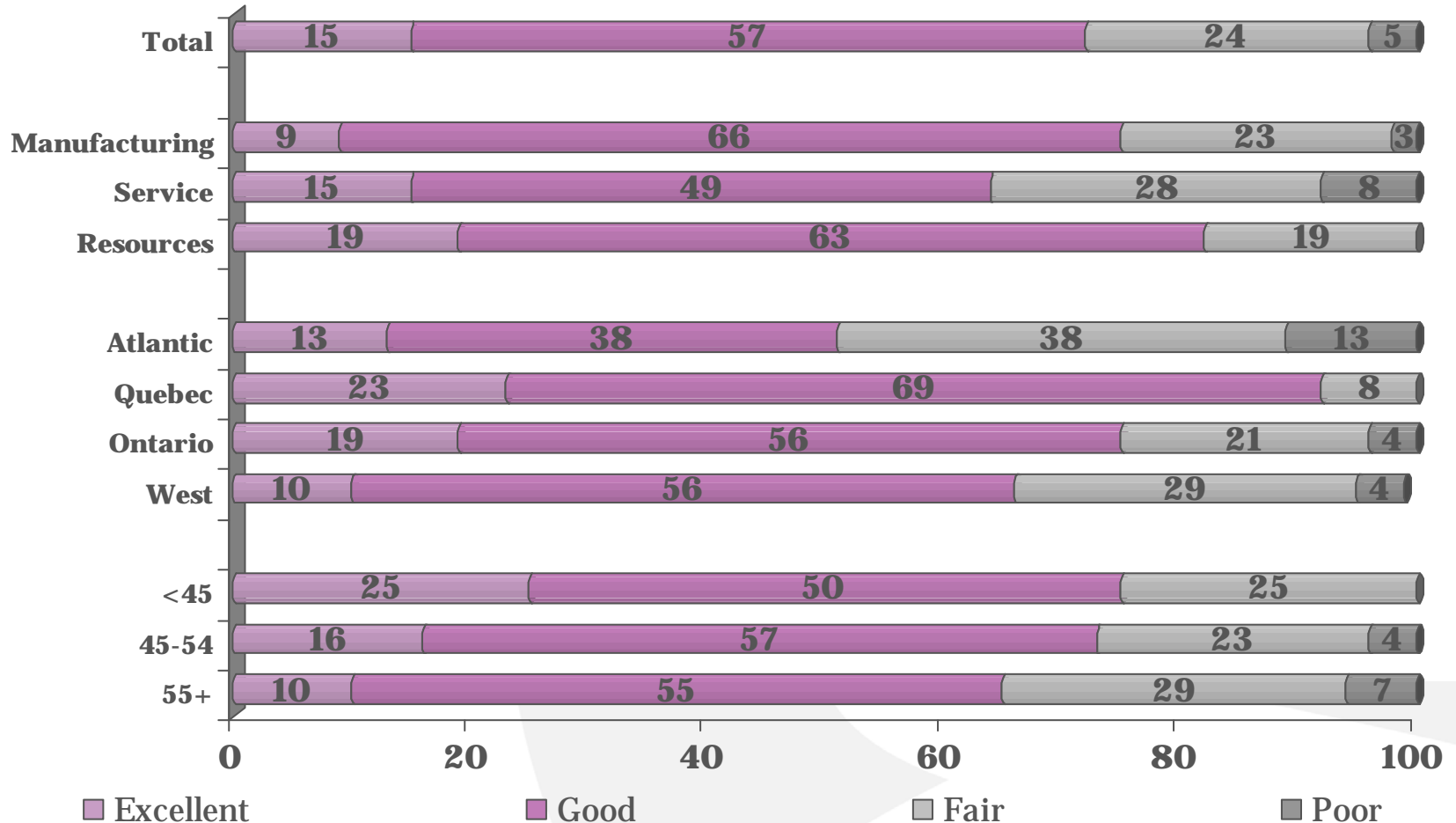
The Labour Pool in Canada

- ❑ Though Canadian executives have a positive impression of the quality of Canada's labour pool, fully eighty four percent of C-Suite executives report it is difficult to find available, qualified employees.
 - This feeling is most pronounced among western executives, companies with more than 1000 employees, and those in the service or resource sectors.
 - None of the executives indicated it is "very easy" to find available, qualified employees



Quality of Canadian Labour Pool

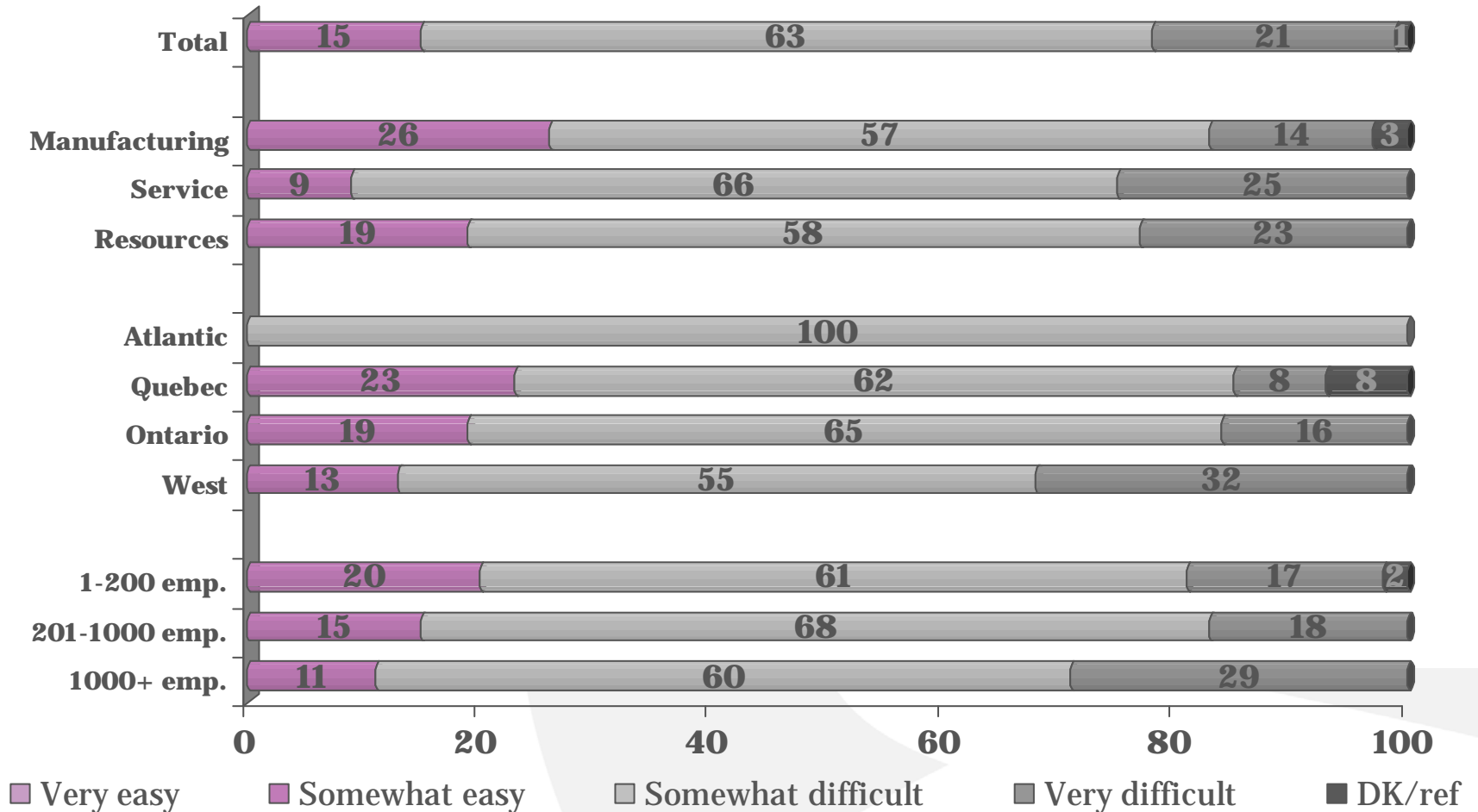
Would you say that generally in Canada, the quality of the labour pool for Canadian companies is excellent, good, fair, or poor?





Ease of Finding Available, Qualified Employees

Would you say your company is finding it very difficult, somewhat difficult, somewhat easy, or very easy to find available, qualified employees?





Availability of Educated Employees

- ❑ Qualified licensed tradespeople are the most difficult employees to find, executives report
 - This is true among all sectors, and especially larger companies
 - Companies with more than 1000 employees are twice as likely to say it is difficult to find licenced tradespeople as to say it is difficult to find an employee with a university degree

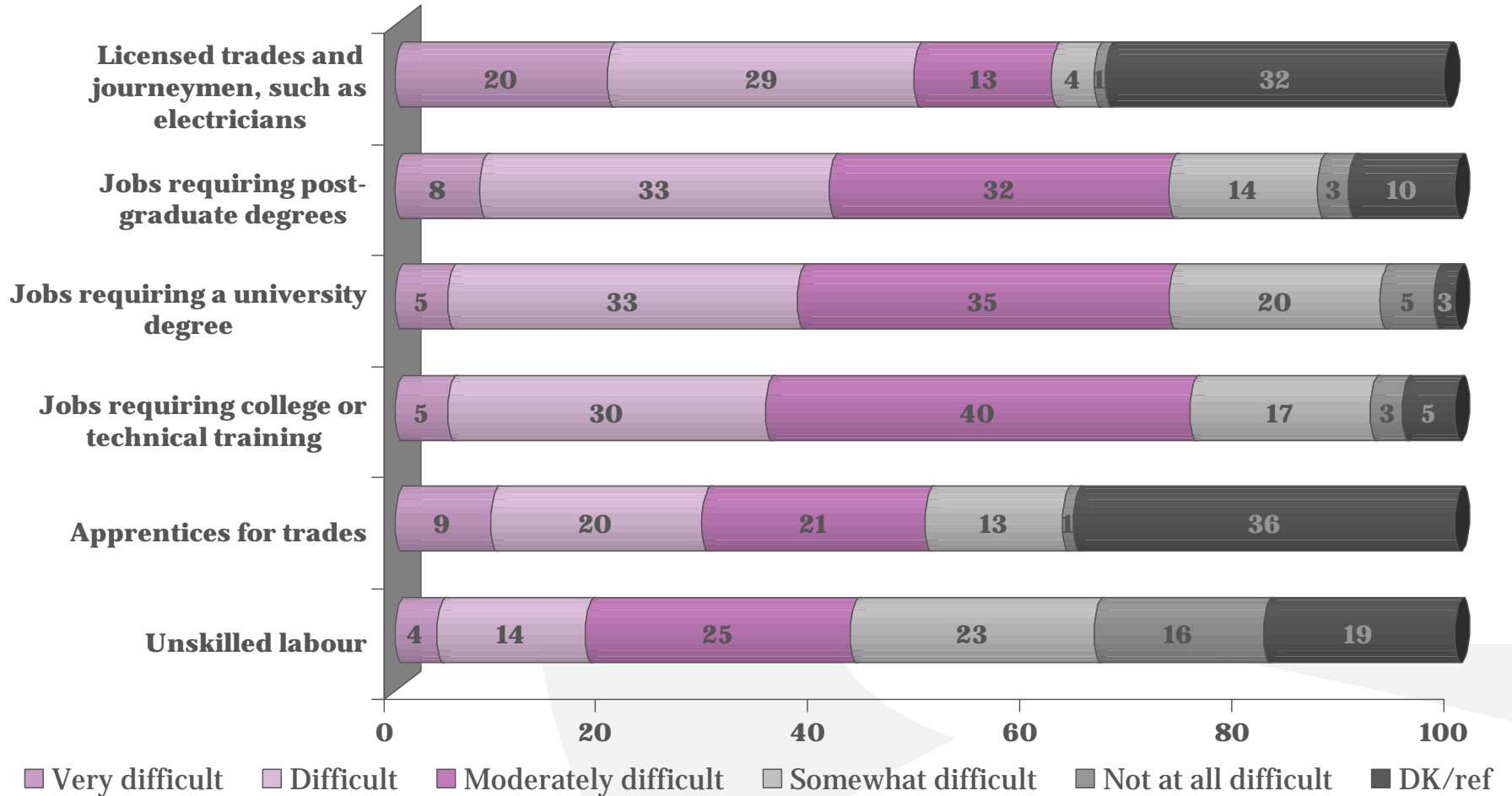
- ❑ The biggest demand for highly educated employees – college, university, post graduate – comes from the resource sector.

- ❑ Most executives report that unskilled labour is readily available.



Difficulty Finding Applicants

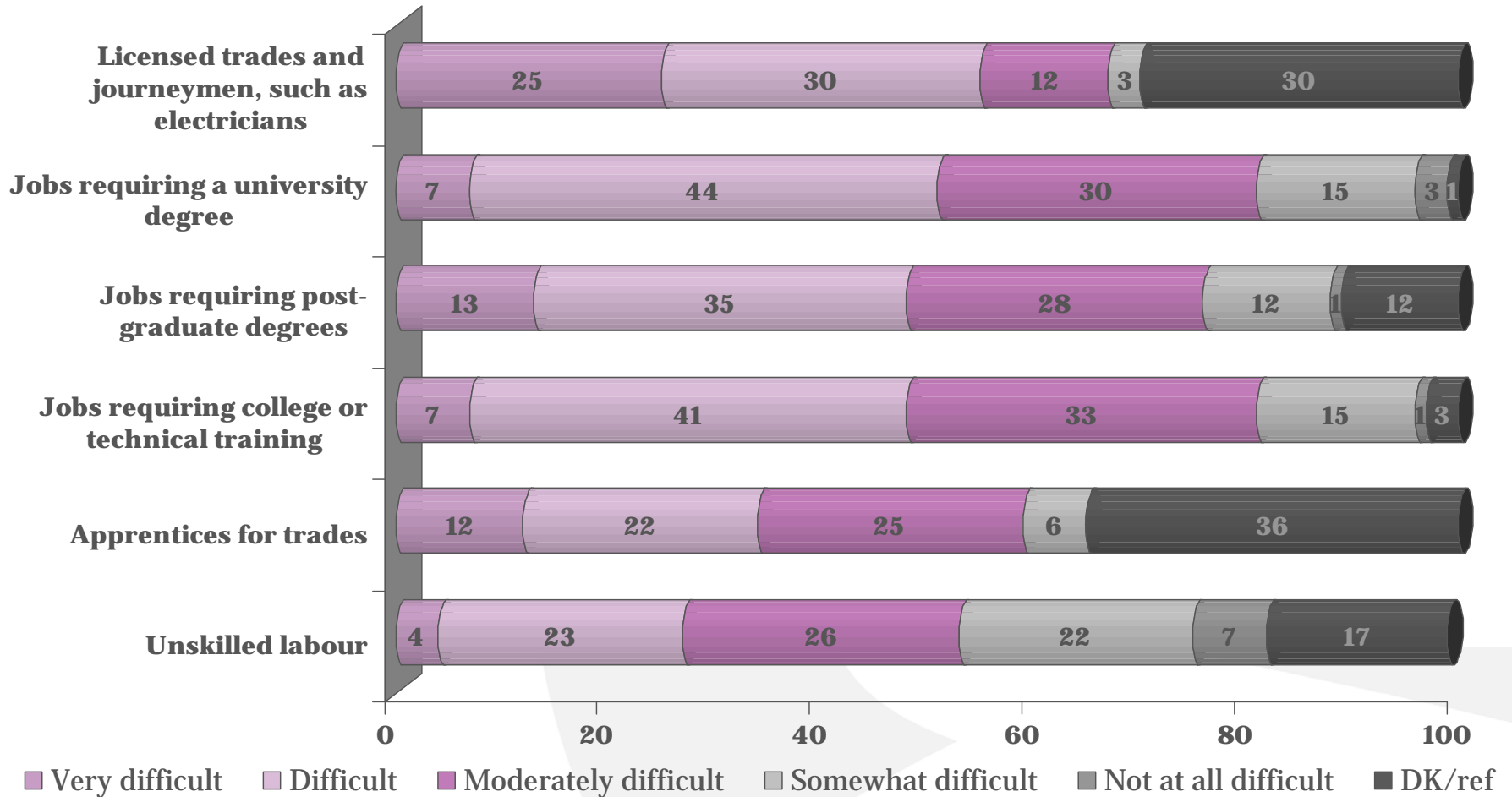
How difficult would you say it is to find qualified applicants for _____ ?





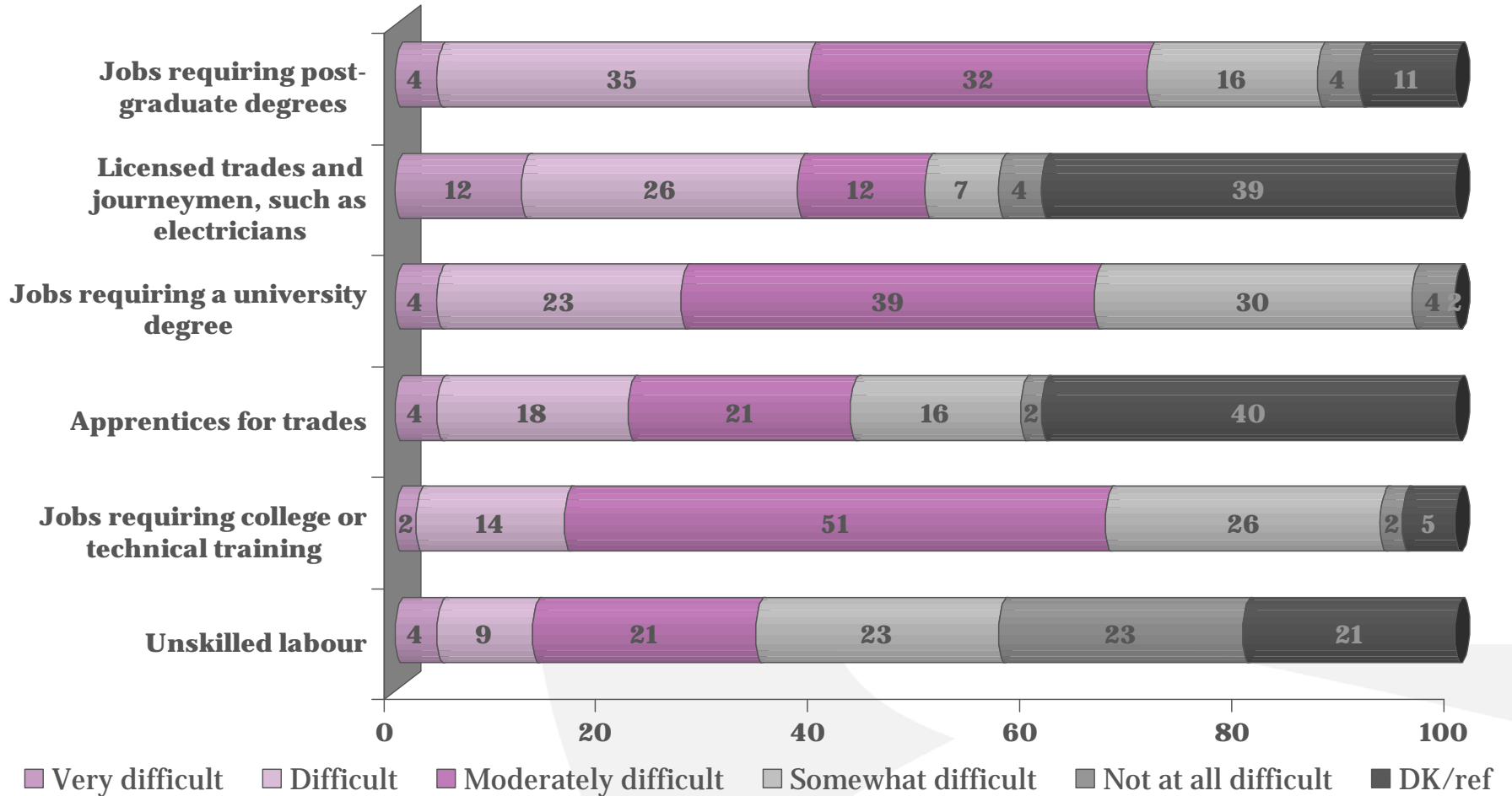
Difficulty Finding Applicants: Western Canada

How difficult would you say it is to find qualified applicants for _____ ?





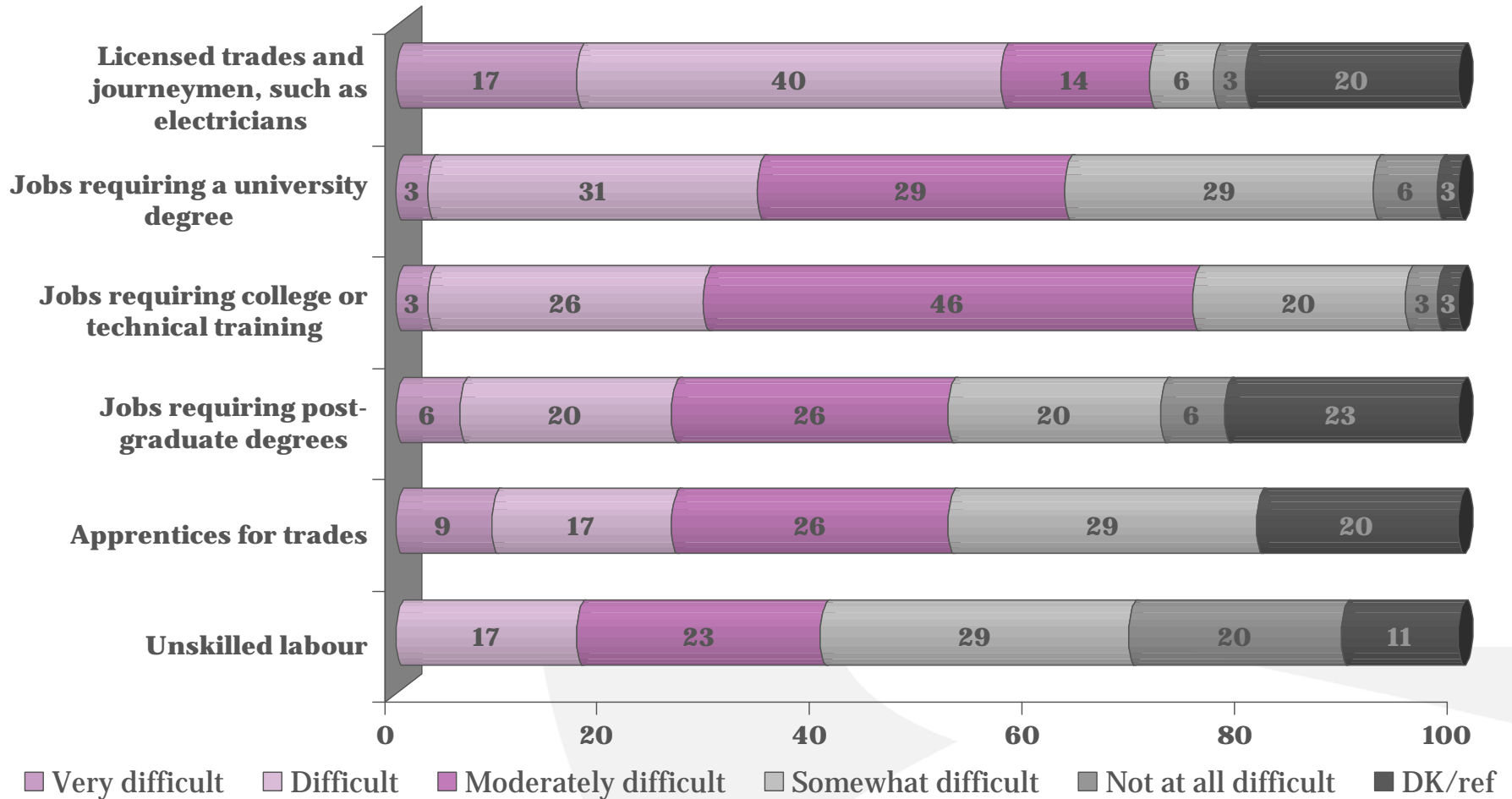
How difficult would you say it is to find qualified applicants for _____ ?





Difficulty Finding Applicants: Manufacturing Sector

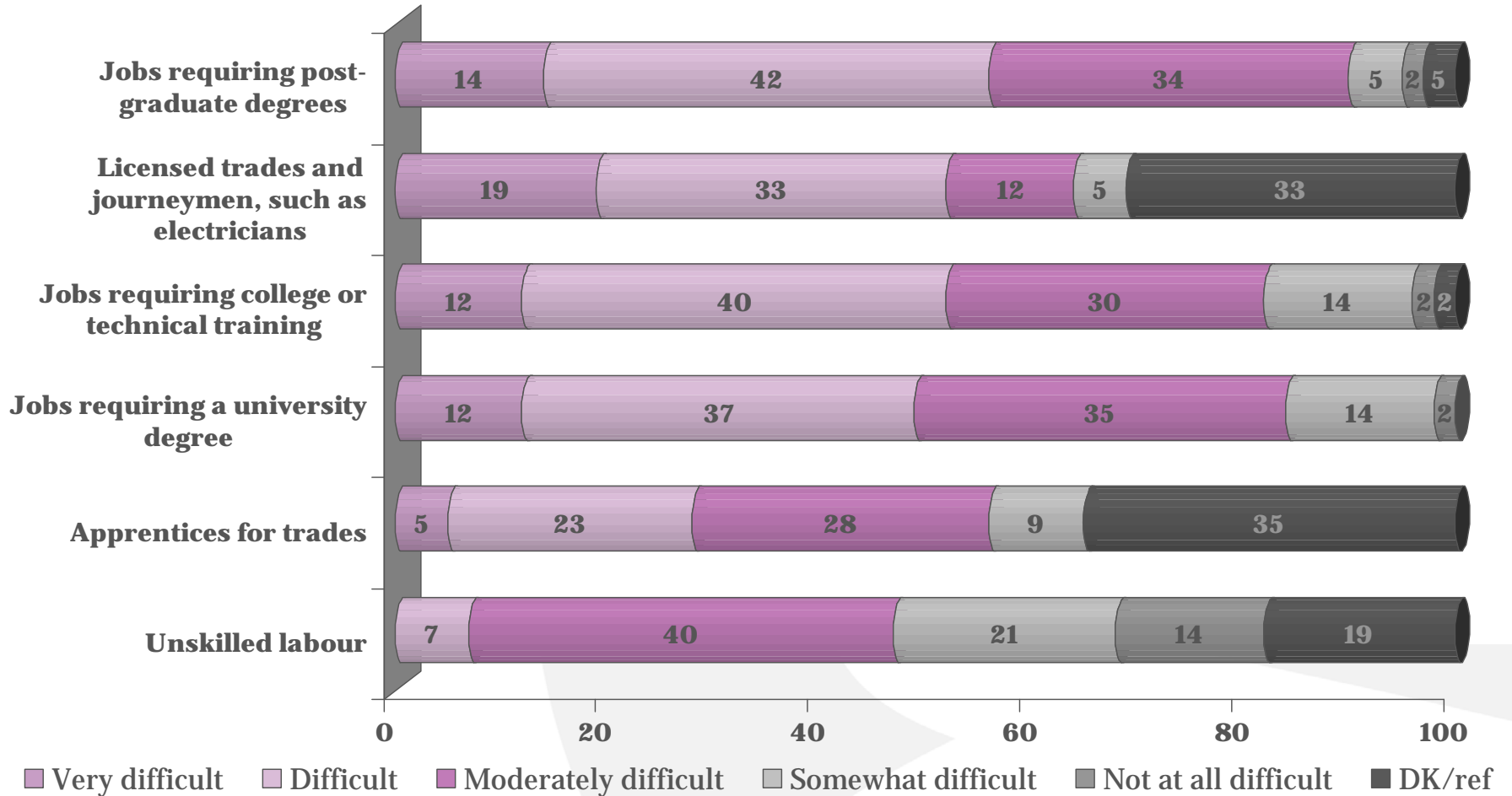
How difficult would you say it is to find qualified applicants for _____ ?





Difficulty Finding Applicants: Resources Industry

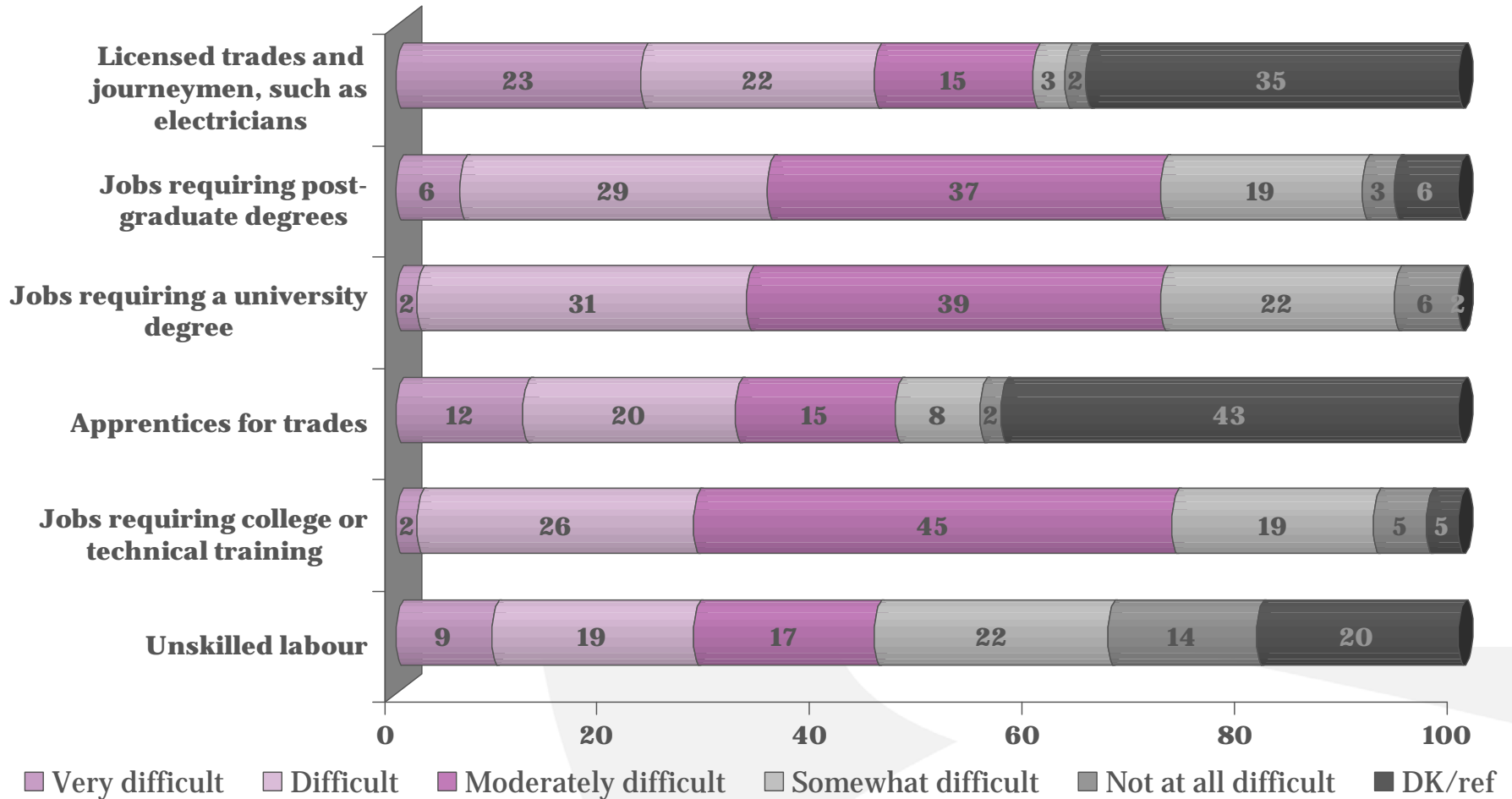
How difficult would you say it is to find qualified applicants for _____ ?





Difficulty Finding Applicants: Services Industry

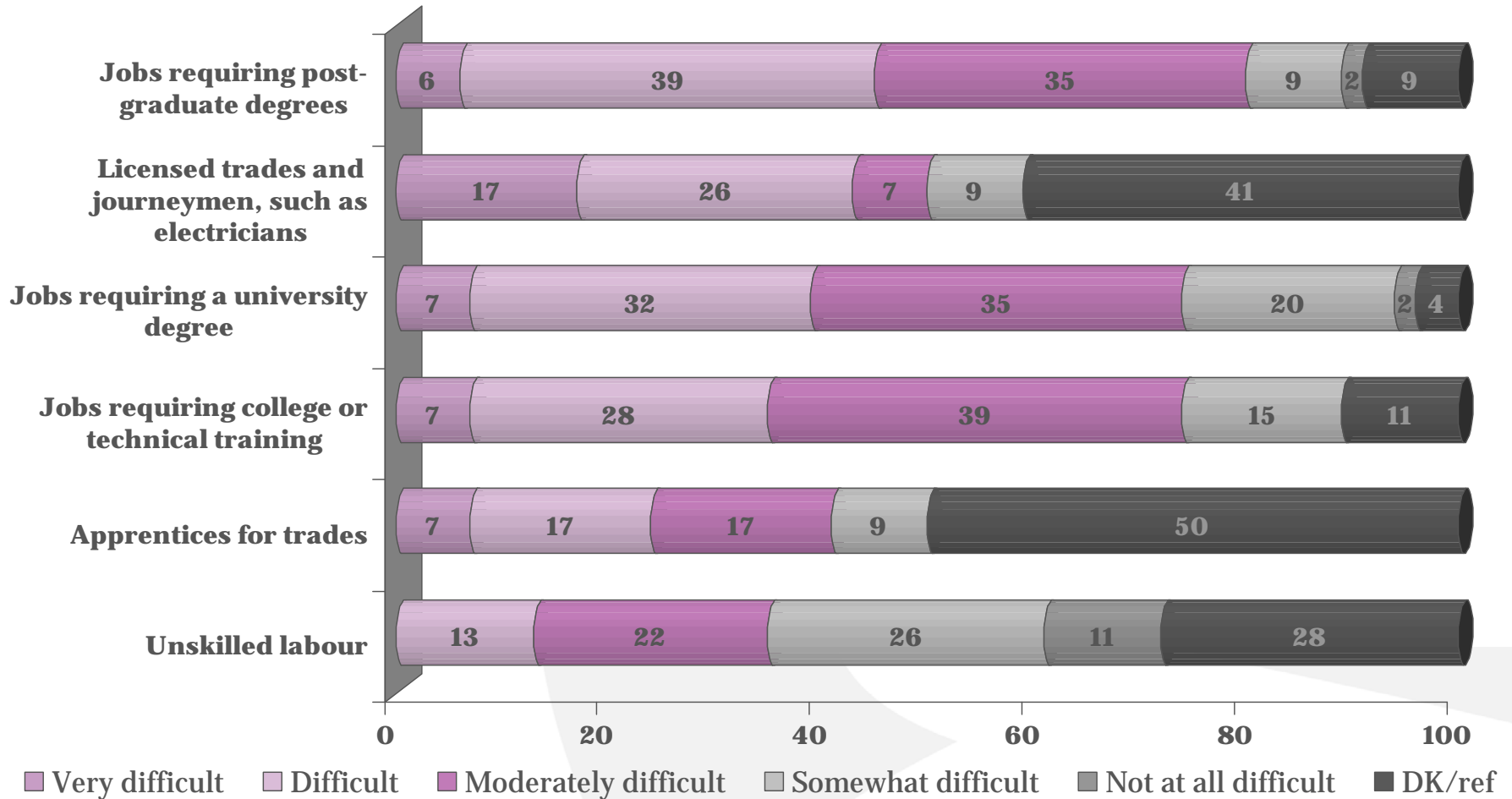
How difficult would you say it is to find qualified applicants for _____ ?





Difficulty Finding Applicants: Small Companies (1-200 employees)

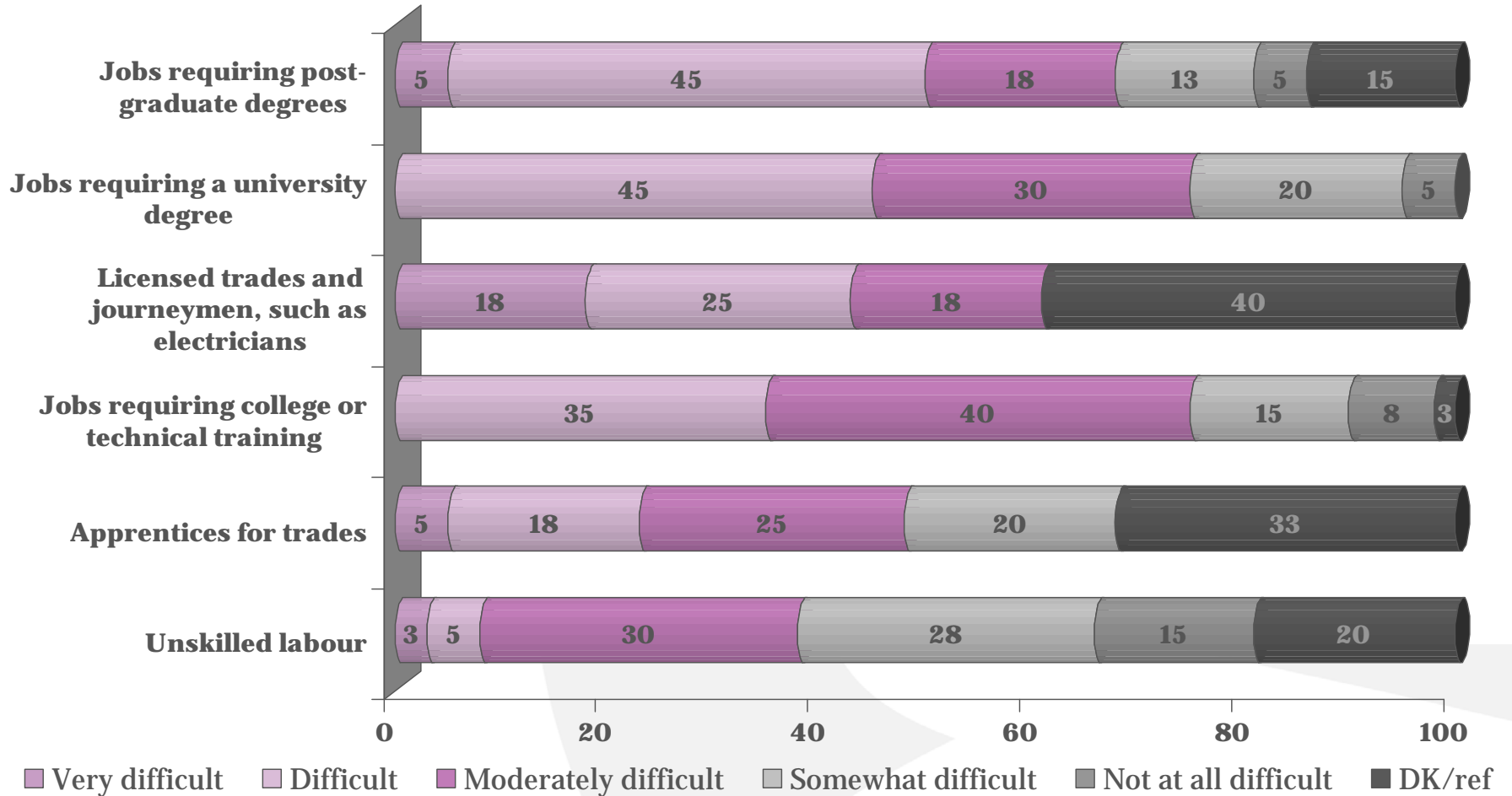
How difficult would you say it is to find qualified applicants for _____ ?





Difficulty Finding Applicants: Mid-Sized Companies (201-1000 employees)

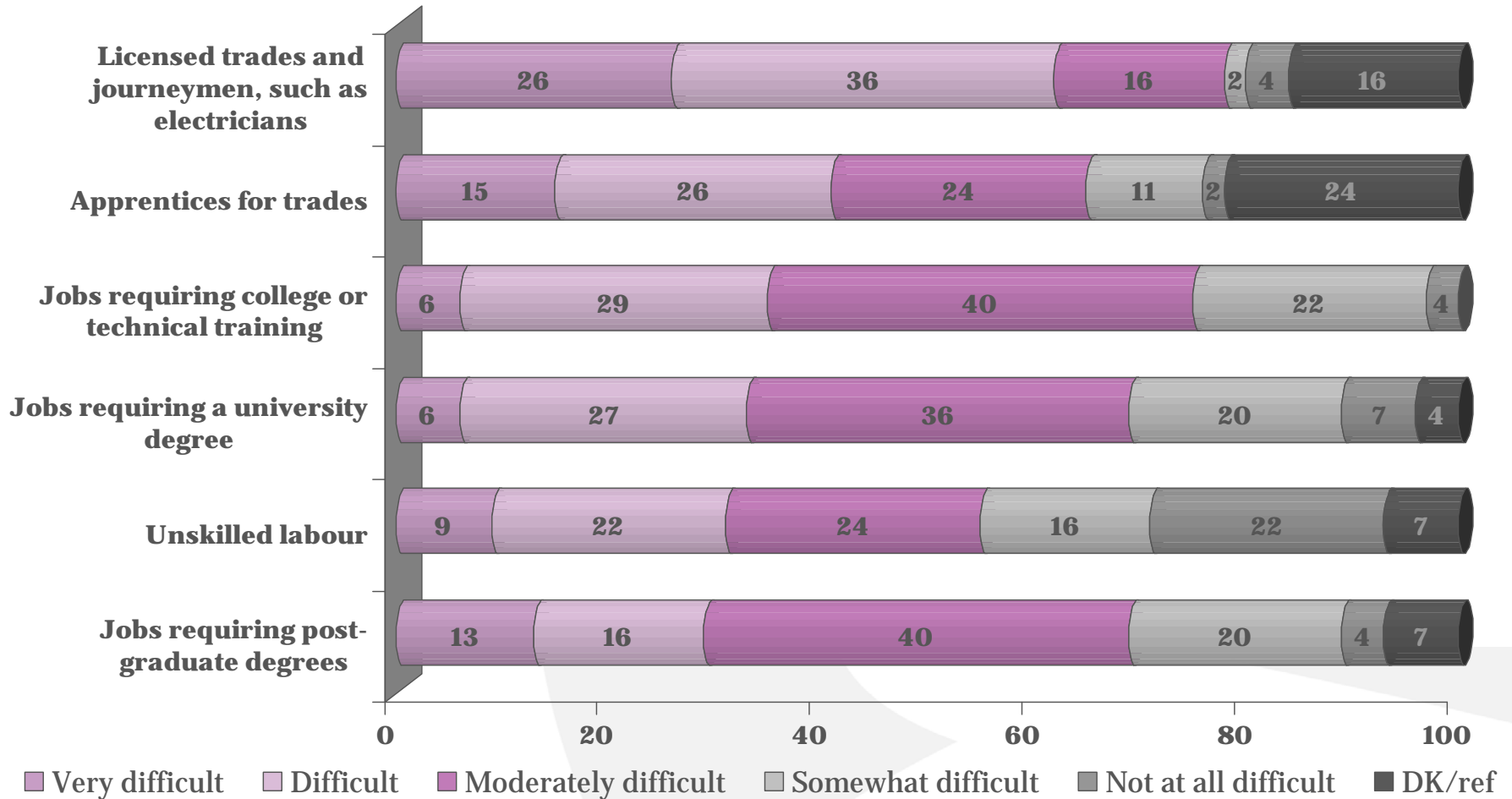
How difficult would you say it is to find qualified applicants for _____ ?





Difficulty Finding Applicants: Large Companies (1000+ employees)

How difficult would you say it is to find qualified applicants for _____ ?





The Human Resources Challenge

- ❑ Executives offer a variety of explanations for the HR challenge, including the strong economic growth in the country for some time, lack of focus on education in the country, the western, especially Alberta - economic boom, and demographics.
 - Western executives see the source of the problem as an economic boom, manufacturing executives see the problem as the boom in western Canada driven by the oil sands

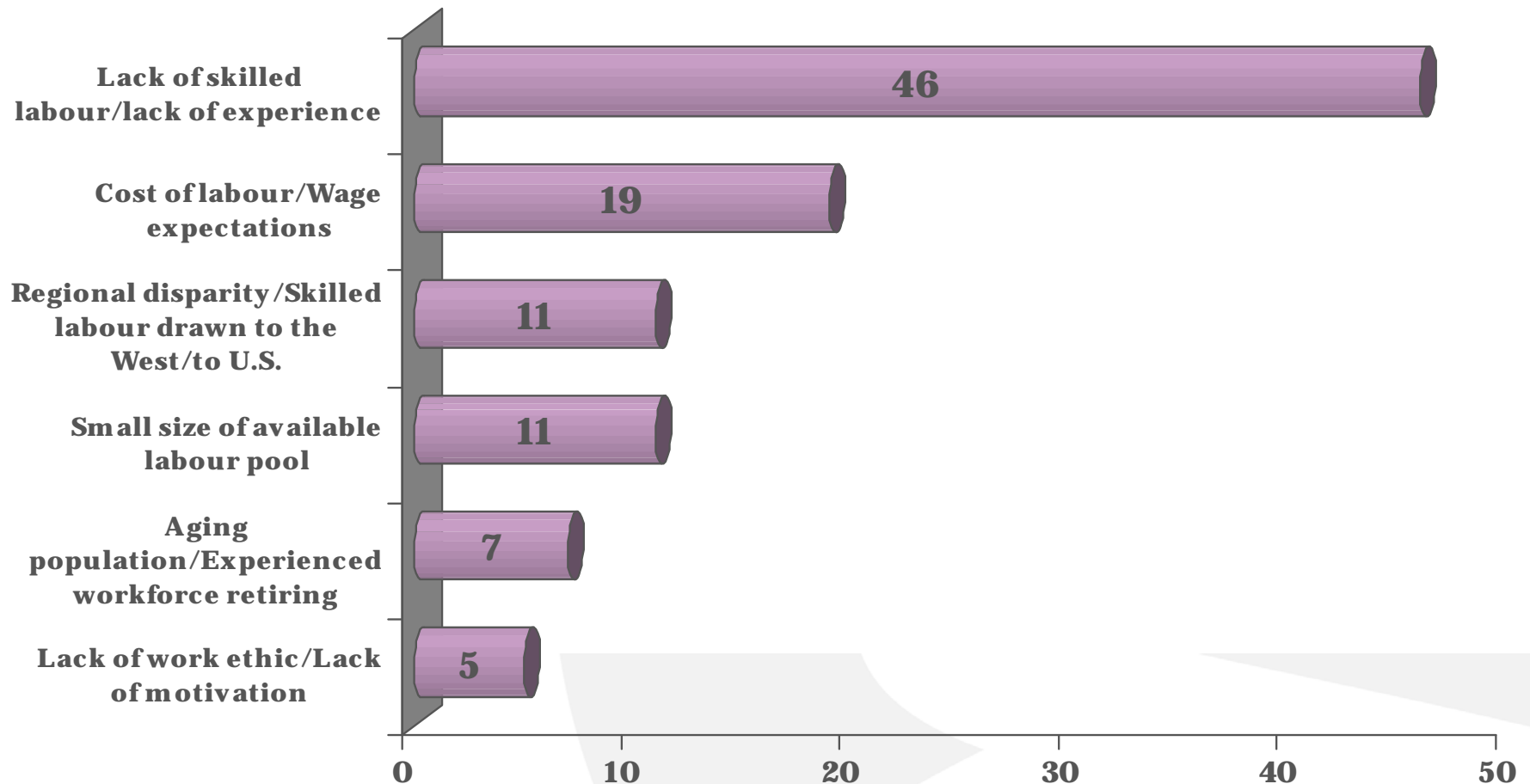
- ❑ Skills or lack of experience is the most common concern employers have when it comes to human resources. So for many businesses it is not so much a shortage of supply as it is of qualifications and experience. It is indicative of the confidence in their own businesses that executives are much more concerned about finding qualified employees than they are about the cost of labour

- ❑ Interestingly, the brain drain to the US is mentioned by less than 1% of executives.



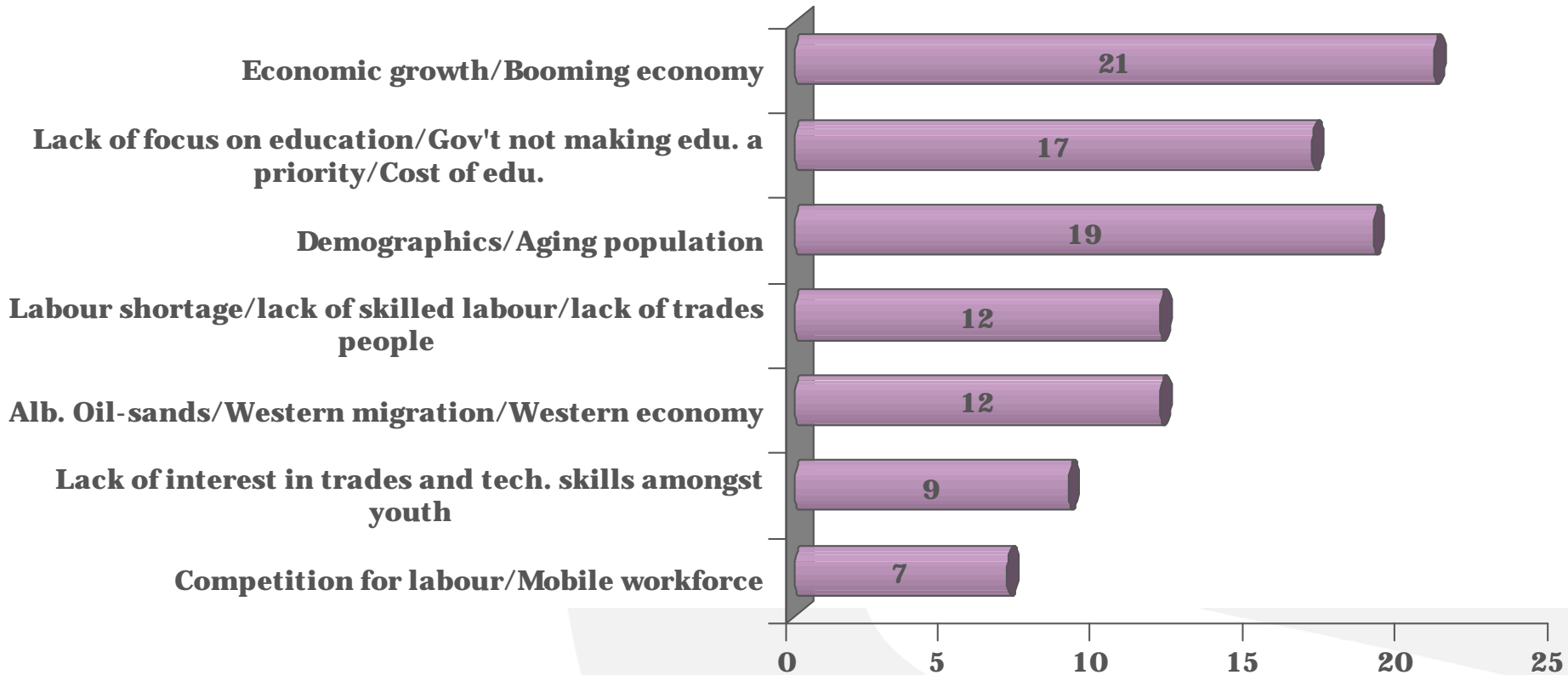
Major Human Resource Issues

When thinking about the labour pool in Canada, what are the major current human resources issues?





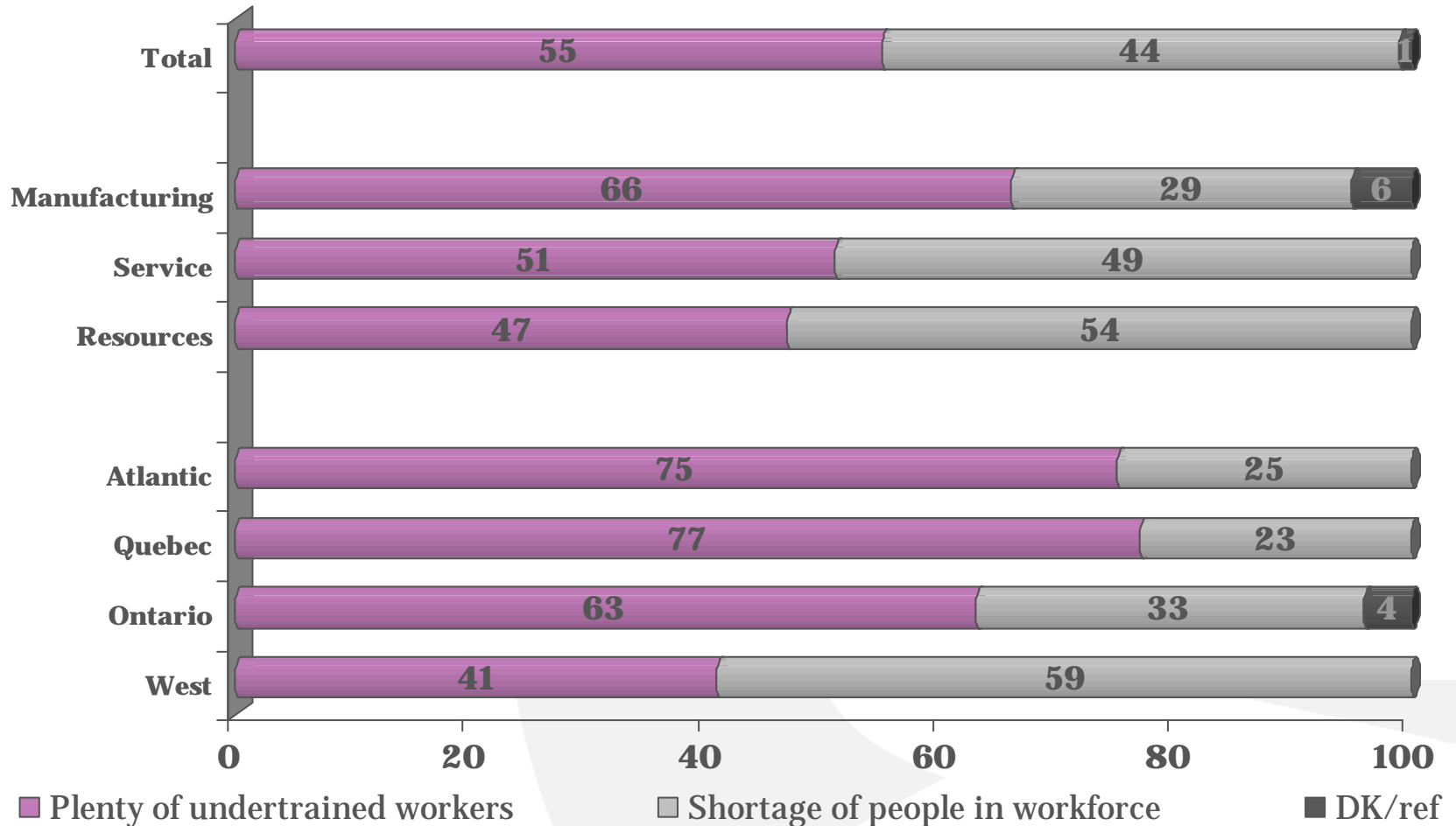
What do you think are the causes of those human resources issues?





Plenty of Workers Vs. Shortage of People in the Workforce

Some people say there are plenty of workers in Canada but they are not trained to fulfill the job. While others say we have a shortage of people in the workforce. Which is closer to your own?



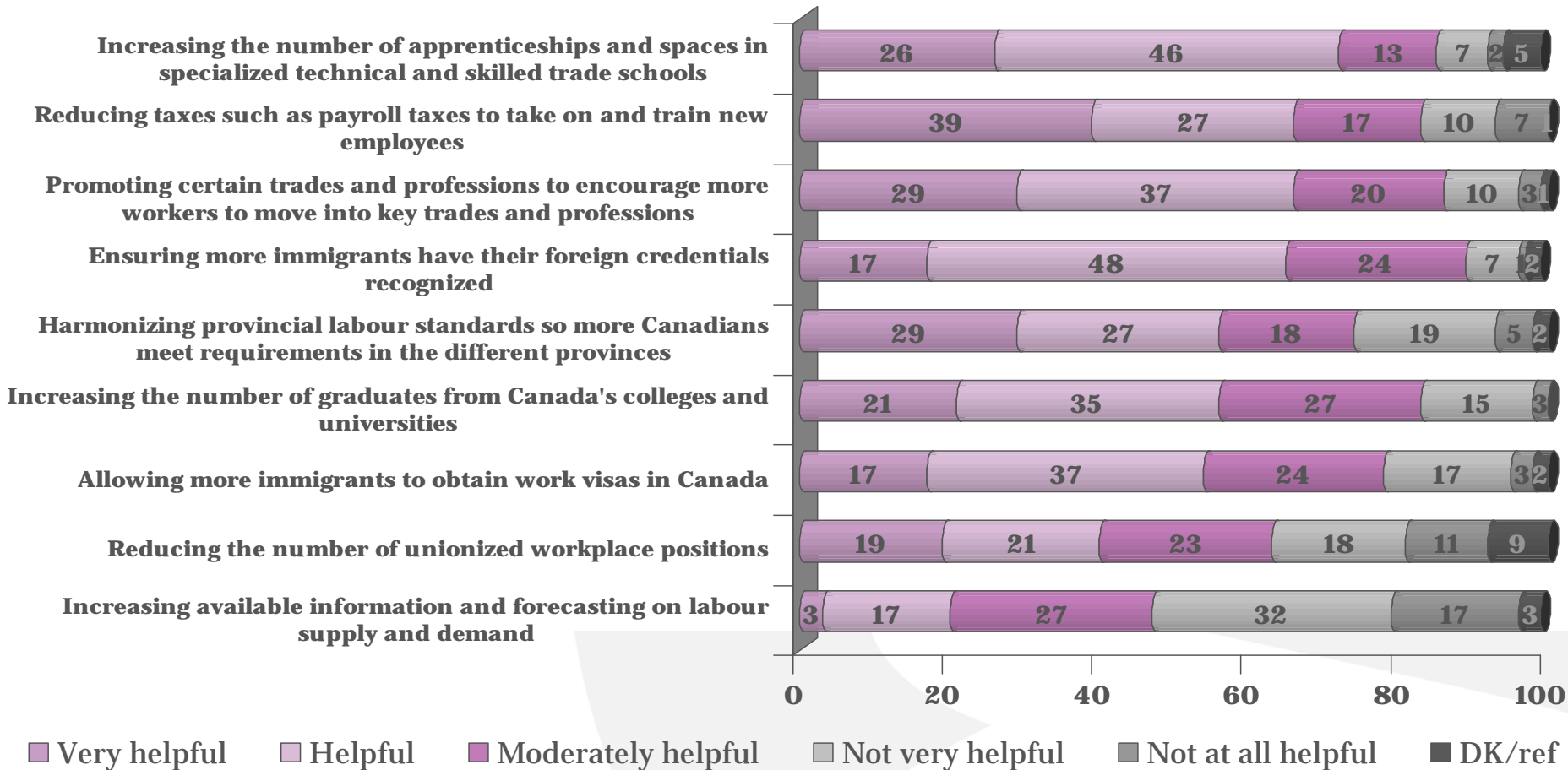


- ❑ In terms of solutions, C-Suite executives essentially endorse two approaches:
 1. **Education and training** - Executives would like more spaces created in technical and skilled trades schools and incentives to expand enrollment in those kinds of programs – as well as increasing the number of university and college graduates;
 2. **Labour mobility** - Most executives think it would make a difference to harmonize Canadian standards to encourage mobility across provincial boundaries. Most – stronger in the west, less in Ontario – support increased immigration and greater recognition of foreign credentials.
- ❑ Two thirds of western executives endorse the idea of providing more foreign workers with visas to work in Canada, compared with about 40% of Ontario executives who support that idea.
- ❑ Doing more to recognize foreign credentialed workers – on the federal government’s policy agenda for several years – has majority support from the C Suite community.



Rating of Government Measures to Solve Labour Shortage Issues

Where would you place the following government measures at solving the labour shortage: _____?





The Human Resources Challenge

- ❑ Despite the fact that executives say that labour issues are not primarily up to government to solve, fewer than half say that their companies have done anything innovative to try to address the problem.
 - Those with the biggest problems – service industries and those based in western Canada – are least likely to have done anything themselves to address the issue
 - This is an especially difficult challenge for smaller employers. Most large employers have taken matters into their own hands, offering training and apprentice programs and increased benefit programs. Very few companies who employ fewer than 200 people have taken any action on their own.

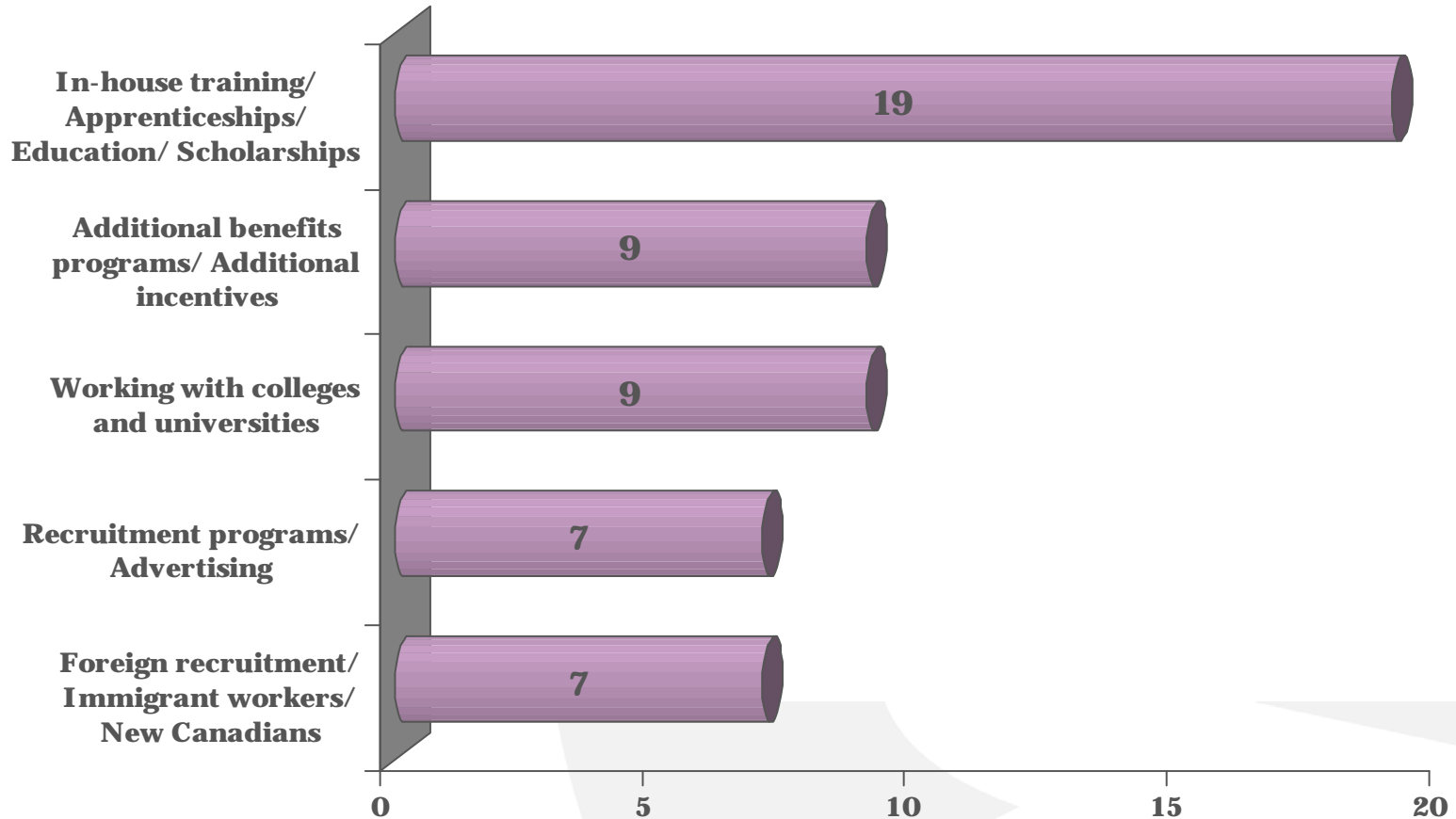
- ❑ While employers see education and training as areas where more effort could be invested, they view these programs as generally positive in as much as they help currently. Most feel Canadian education programs are adequate when compared to what's offered overseas (slide 58).

- ❑ They have a sharply critical view of the effect of unions, and say inflation and currency issues are a negative factor on the labour supply .



Innovative Programs to Address H.R. Shortages

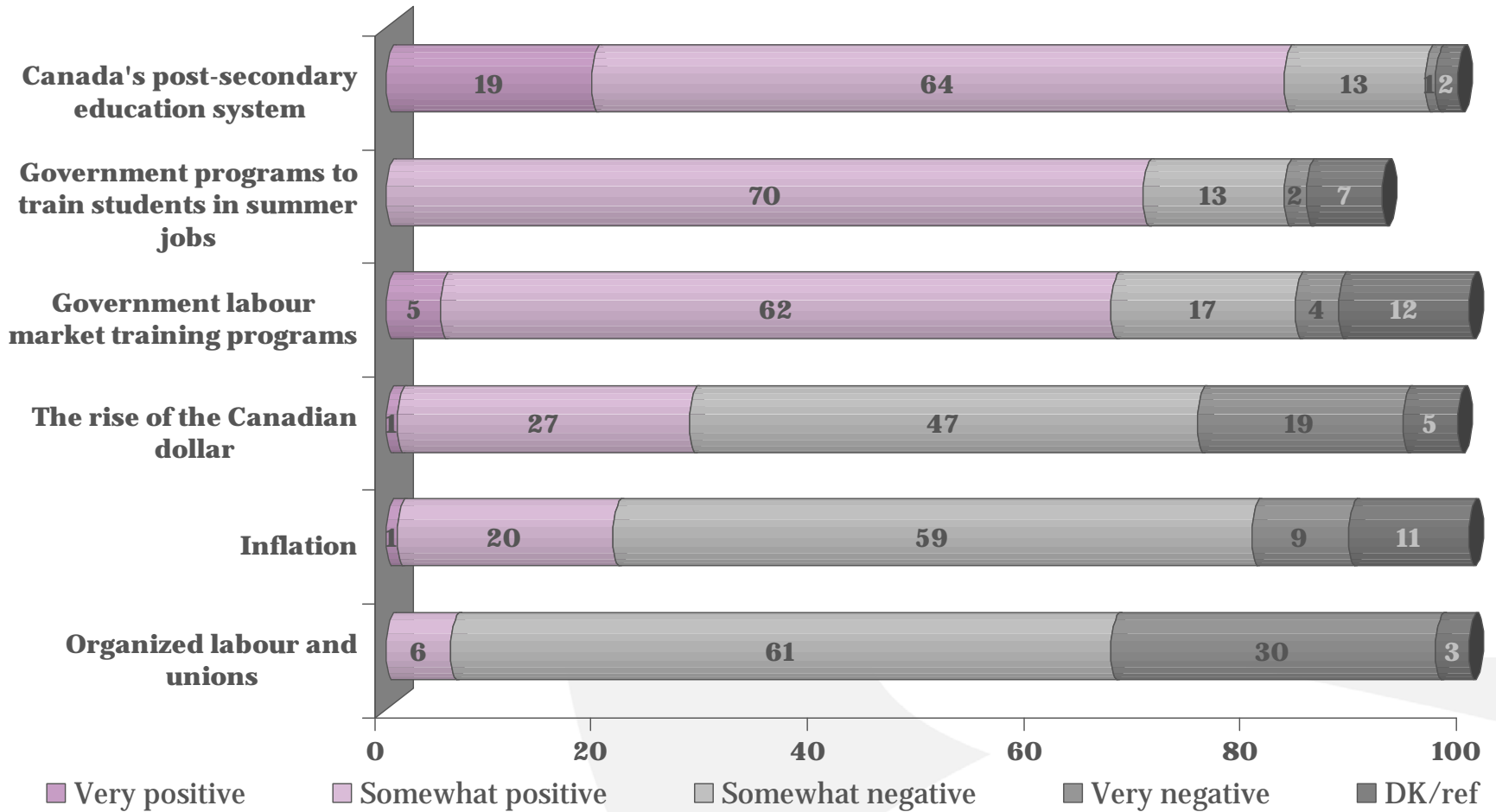
Has your company adopted any innovative programs to address your human resources shortages?
(those who answered yes, n=74) If yes, what are they?





Factors Affecting The Labour Shortage

What are the affects of the following factors on the labour supply: _____ ?



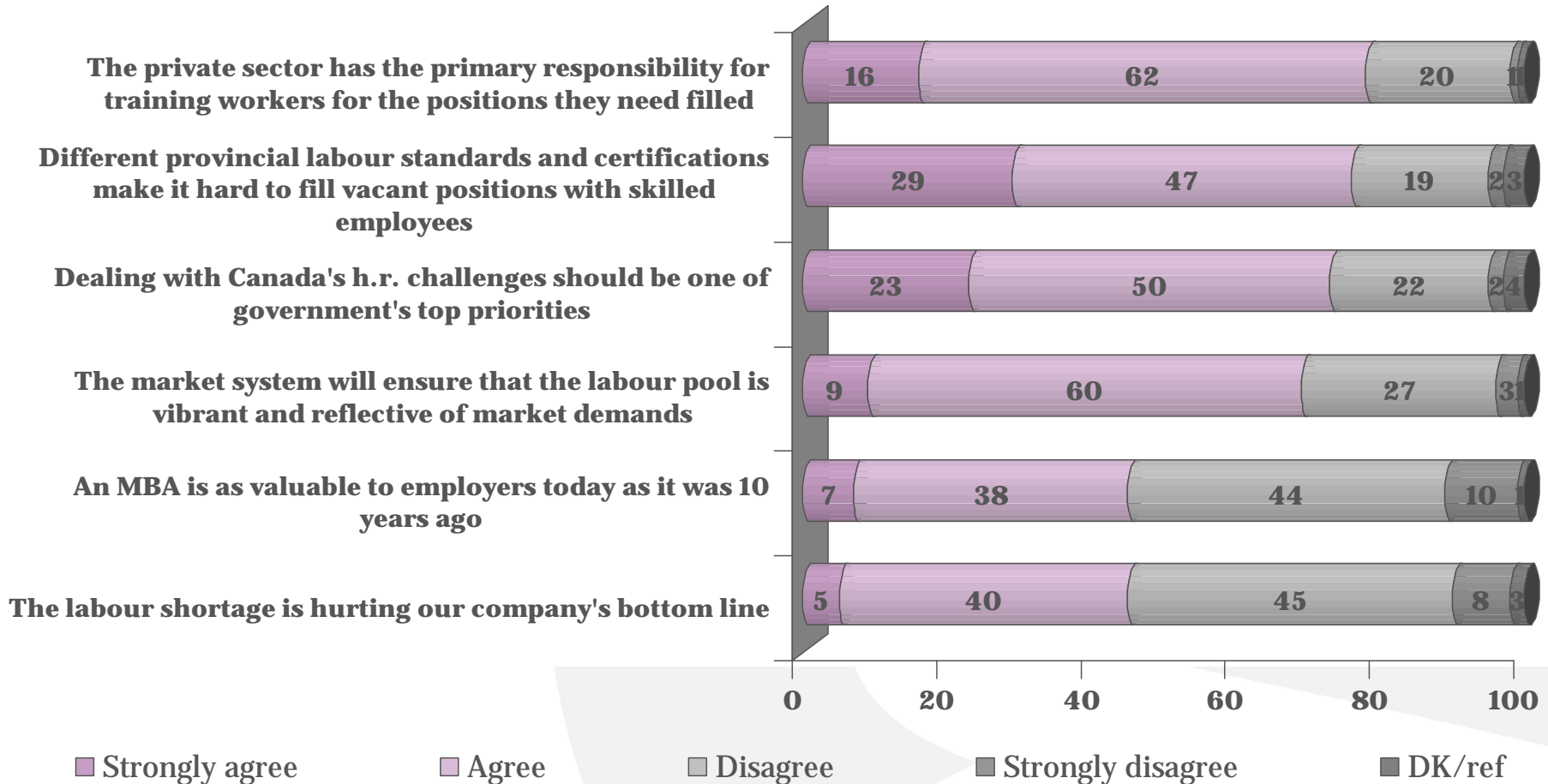


The Human Resources Challenge

- ❑ The C-Suite sees the private sector as having the main responsibility for training their workers and express confidence in market forces to find an appropriate mix of skills over time. However, it is clear that executives also think there are things government could do to help and think that the HR challenge should be one of governments top priorities.
- ❑ Half of participants say their company's bottom line is being hurt by the labour shortage. Forty per cent say it's holding back their company's growth.
- ❑ Most executives say an MBA is not as valuable a designation as it was ten years ago.



Do you strongly agree, agree, disagree, or strongly disagree with the following statements:





Do you strongly agree, agree, disagree, or strongly disagree with the following statements:

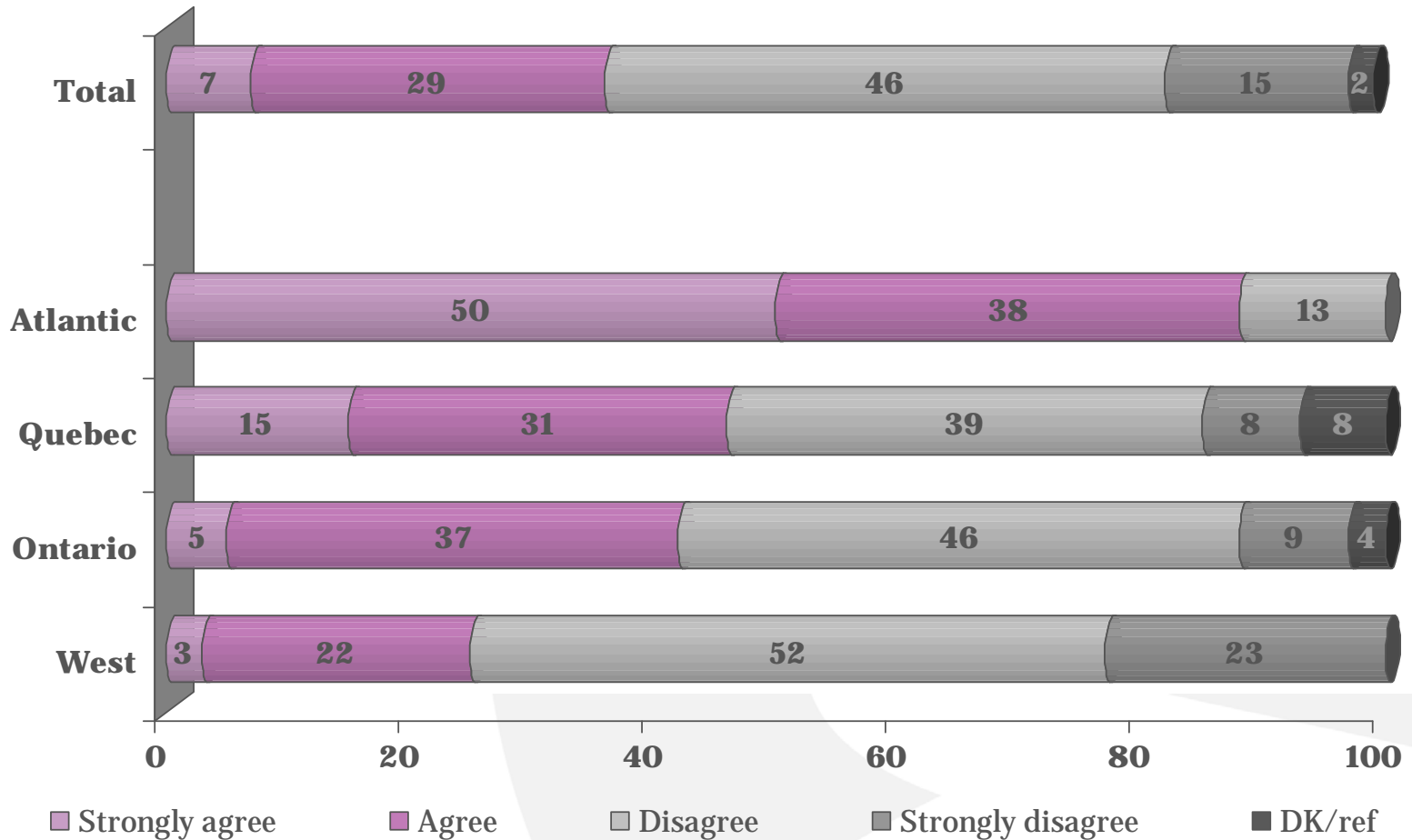




- ❑ With the exception of those in Western Canada, executives say they are losing workers to other provinces – which suggests they are feeling negative effects from the job creation we're seeing in the West.
- ❑ Executives in the resources sector are less likely to say they are seeing employees leave for opportunities in other sectors, while a majority in manufacturing are seeing workers lured away by higher salaries in other sectors.

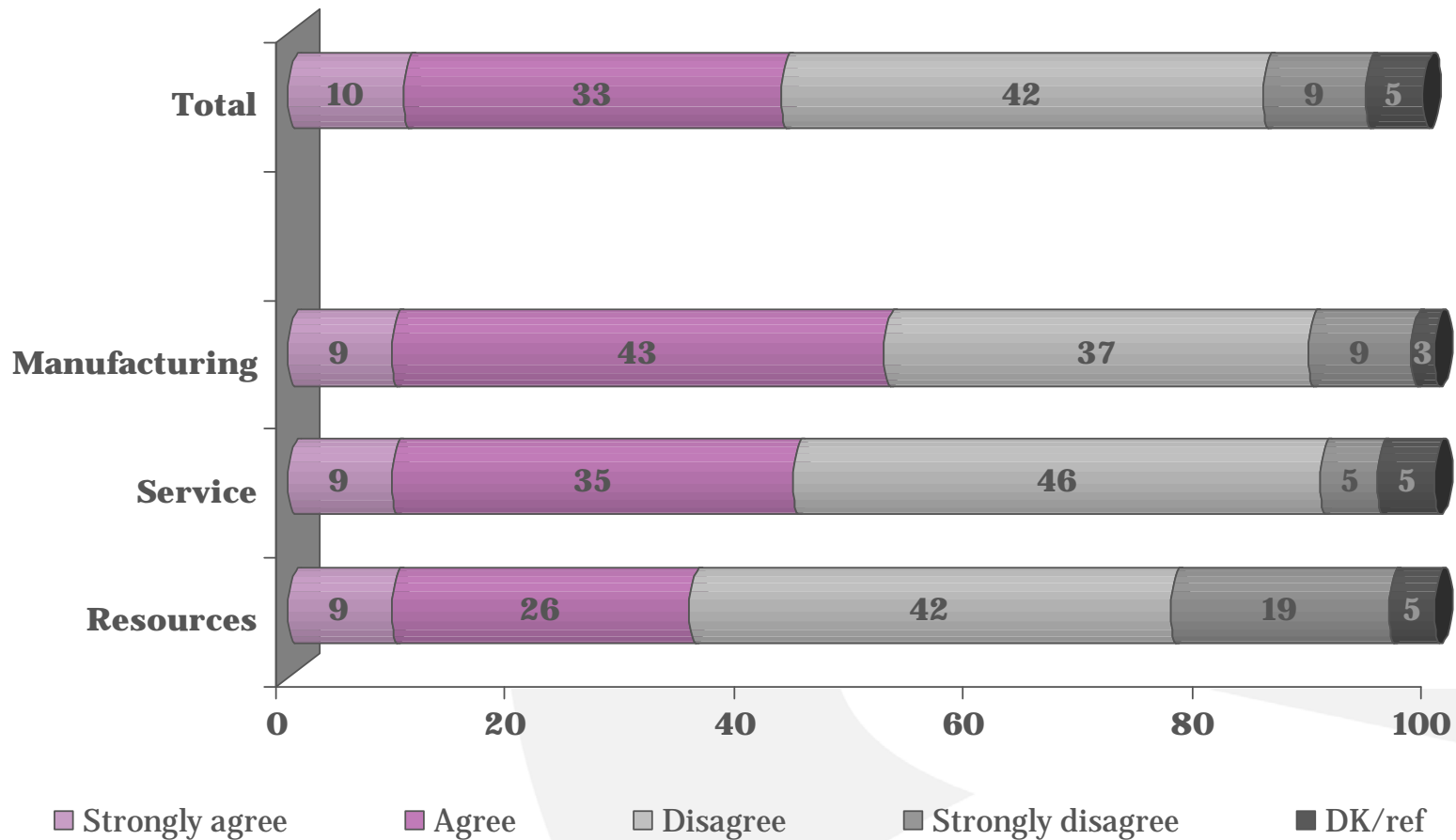


Do you strongly agree, agree, disagree, or strongly disagree with the following statement: **The labour shortage in my region is due to higher salaries paid in other provinces?**





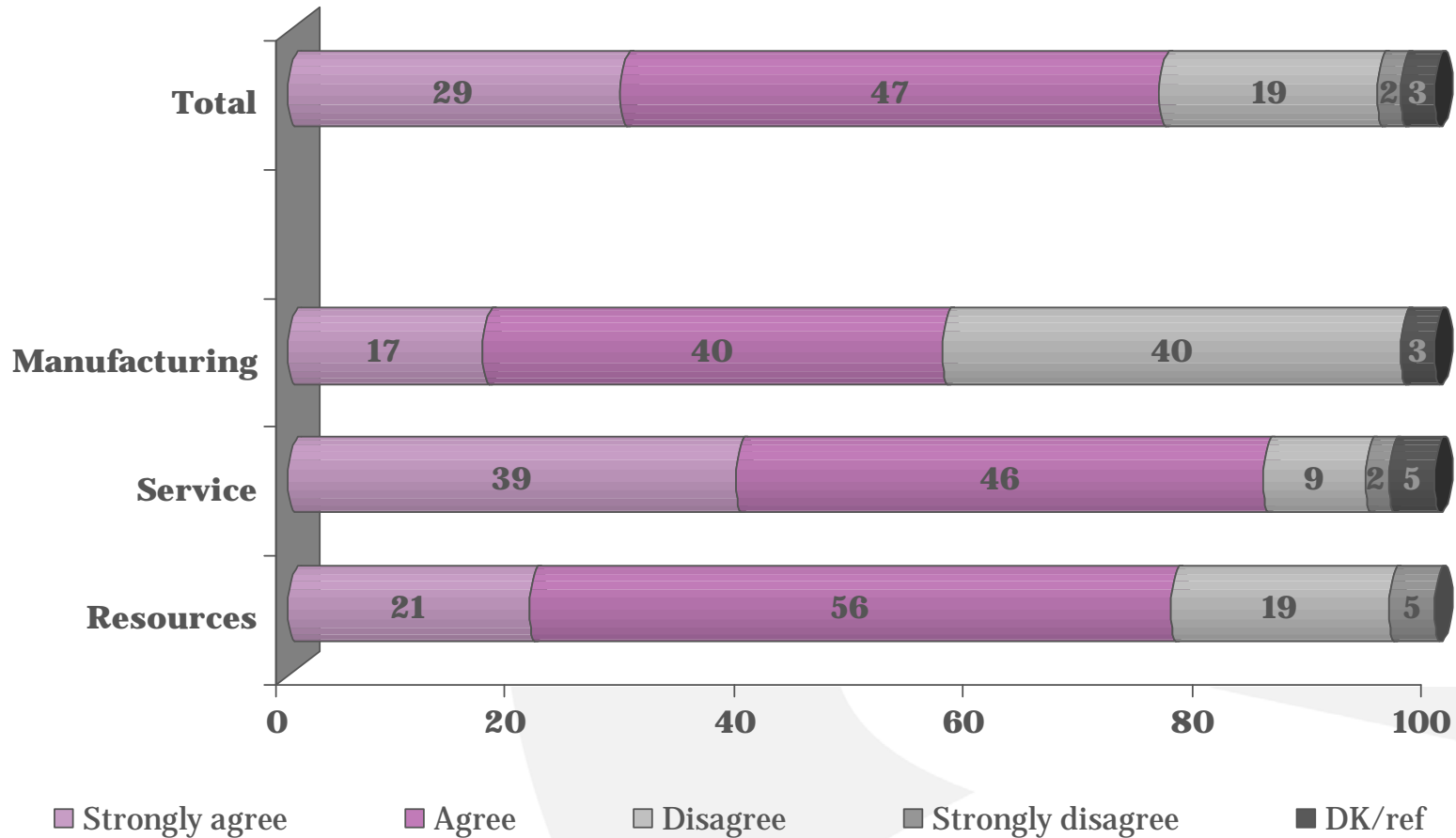
Do you strongly agree, agree, disagree, or strongly disagree with the following statement: **The labour shortage in my region is due to higher salaries paid in other sectors?**





Agreement: Government's Priorities

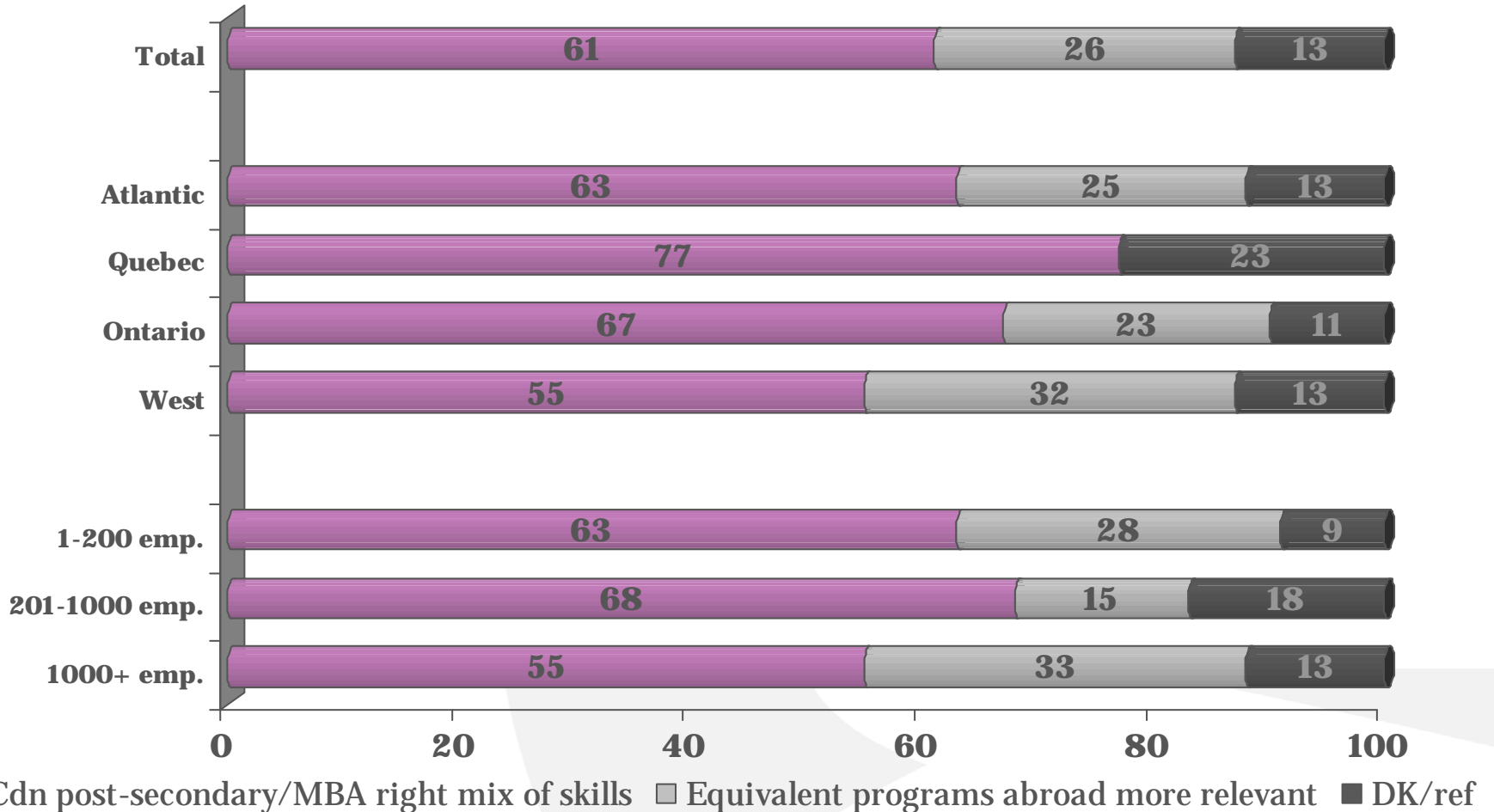
Do you strongly agree, agree, disagree, or strongly disagree with the following statement:
Dealing with Canada's H.R. challenges should be one of the government's top priorities?





Cdn. Post-Secondary/MBA Programs Vs. Equivalent Programs in Other Countries

Some people say that Canadian post-secondary and MBA programs are providing the right mix of skills/education, while others say that equivalent programs in other countries are more relevant. Which is closer to your own?





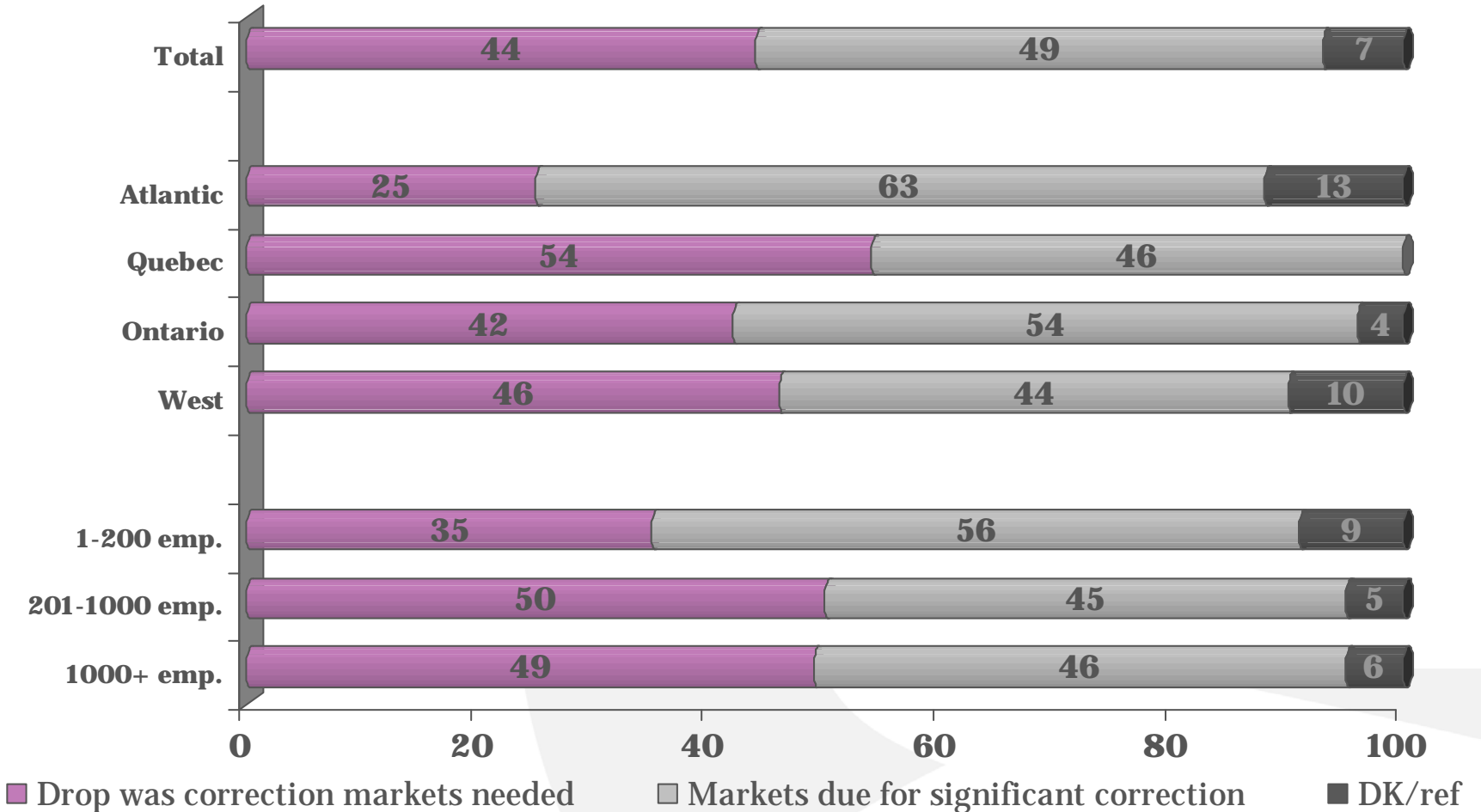
Concerns About the Economy

- ❑ As this survey was being conducted in the month of August, the markets underwent volatility and sustained losses on various trading days. Meanwhile, investors reacted to news about US sub-prime lending. This may well be part of the pessimism we are starting to see from some executives about Canadian economic prospects, and most likely what lies behind US forecasts from executives.
- ❑ Underscoring concerns about economic growth, half of the executives we surveyed felt the markets were still due for a major correction.
- ❑ A majority of executives in all regions expressed concern about recent interest rate hikes by the Bank of Canada. Atlantic Canadian executives were most strongly opposed to the measures.



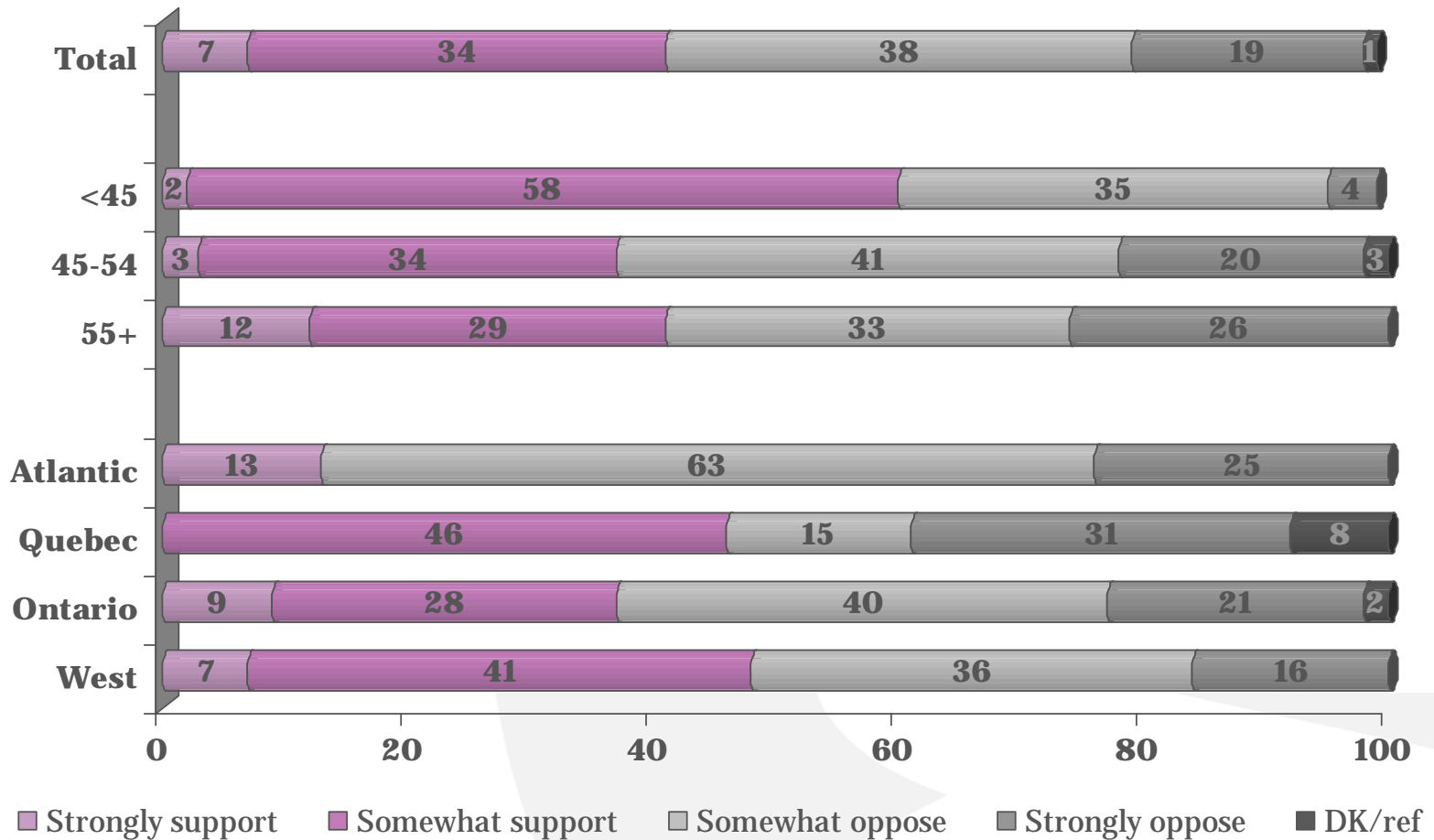
Drop Was Correction Markets Needed Vs. Markets Due for Significant Correction

The major TSE and DowJones indices dropped recently. Some say this was the correction the markets needed and the markets are now stable; others say markets are due for a significant correction. Which is closer to your own?





Recently, the Bank of Canada raised interest rates. Do you strongly support, somewhat support, somewhat oppose or strongly oppose this measure?





- ❑ The C-Suite has moved into a state of high anxiety about the economy
 - They think the US economy is weak and heading into recession
 - They are increasingly worried about the Canadian economy
 - They cite global competitiveness as the major challenge facing Canada as a country as well as the major challenge facing Canadian business
 - Manufacturing is very worried about the level of the currency

- ❑ The HR challenge varies greatly – in its severity, in its nature, and in its causes – from region to region and sector to sector. However, it is restricting the ability of the economy to grow, and creating regional divisions

- ❑ The C-Suite does not see this as a problem created by government, nor do they think government has the primary responsibility to solve it. However, these executives do think it should be a top priority of government, especially in creating the right educational opportunities, in bringing more people into the workforce (especially those with the right skills), and in facilitating more labour mobility