HRMA

HR Trends in BC – 2009 Survey Report

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Executive Summary

In March 2009, BC HRMA conducted its second annual survey of HR trends. The survey gathers information relating to the challenges and issues facing HR functions in BC as well as projections regarding changes in staffing, HR budgets and the focus of resources over the next 12 months. In addition, this year the survey collected data on HR involvement in strategy and areas which HR should be discussing but is not.

The survey found that 2009 is a very different year to 2008. The projections for 2009 are:

1. Staffing levels in organizations to decrease (39%)
2. HR budgets to remain flat or decrease (77%)
3. 41% of organizations to see their revenue reduced
4. 31% of organizations to see their revenue grow

In 2008 these figures were very different with the majority of organizations projecting increases in revenue and increases in staffing levels.

It is clear from the data that the economic impacts are being felt differently by each organization and there is no clear pattern to suggest that any geography, size or sector is doing better or worse from the shift in economic conditions.

It was also clear that organizations are paying attention to a much wider range of issues and challenges than last year and that their responses to these challenges are equally varied. In reviewing the data, the range of areas receiving an increase in resource was very broad as was the range of issues considered important. This suggests that many organizations are experimenting with new approaches or programs in order to respond effectively to the changes they are experiencing. This will be a year when comparing your actions to other organizations may not be so relevant. However, going forward we recommend close monitoring to determine which of the various approaches being tried is leading to organizational success.

The one constant within the data is a focus on organizational change and the development of employee and leadership skills. The need to re-structure and develop employee capability was a priority area for all sectors in several different questions. Achieving this investment-related goal will be extremely challenging for HR functions across BC as they will be required to do so with a reduced or restricted budget.

1. Introduction

In March 2009, BC HRMA conducted its second annual survey of HR trends in B.C. The aim of this research is to gain an understanding of the current and future plans and challenges facing the HR profession in BC.

The data was gathered through an online survey distributed to BC HRMA members. The survey was open during March of 2009 and received 671 responses, an increase of 57% from 2008 levels. The sample group very closely matched the experience level, organizational sector and geographical distribution of BC HRMA's overall membership. The only area where a significant difference was noted was in organizational size. In keeping with last year's sample group, there was a tendency for people from large organizations (2000+) to answer this survey as opposed to smaller or medium-sized organizations (50 – 500). However, the overall results can be seen as representing the current and future challenges facing BC HRMA's members and the HR profession in B.C.

This report follows a thematic approach, where key themes emerging from the range of data are explained and supported. In addition, the report describes key areas of comparison between this year and last year's results as well as specific items from new questions that were introduced.

2. Key Themes

The themes which emerged from the survey are described below. Each theme will be addressed in more detail in the following pages of the report.

2.1 All Change

It is clear from the data analysis that HR is facing a very different year from the previous year. In terms of budget availability, staffing actions, the areas of importance and challenge there has been considerable change in priorities between 2008 and 2009.

2.2 One Size Does Not Fit All!

Having analyzed the data from multiple perspectives in terms of organizational sector, size, and geography, it is clear that there is no single common impact that is affecting all organizations and there is no single, clear challenge that is driving their strategies and plans for the coming year. The patterns in the data suggest that the current economic situation is having both positive and negative impacts on organizations in all sectors and geographies. Hence the range of activities which are being considered and resourced is broad and diverse.

2.3 Preparing for the Future

The third theme to clearly emerge from the range of information is that organizations and their HR functions are very engaged in preparing for the future. The one area from the data analysis that suggested a common purpose is a focus on re-shaping organizations and developing new capabilities in order to continue to operate successfully in whatever new economic conditions come to prevail.

3 Key Themes in Detail

The following is a detailed description of each of the key themes and the associated information.

3.1 All Change

There has been a rapid and significant change in the focus of HR functions in B.C. In 2008, the predominant challenges were filling vacancies, retaining staff and handling an ever increasing demand for labour in a constrained labour pool. The overwhelming expectation for organizations was that they would be increasing their revenue and increasing their staffing levels.

This is not the same picture for 2009. In general, organizations are expecting to maintain or reduce their staffing levels (73%). Similarly, a majority of organizations (45%) are expecting to see flat or reduced revenues. In keeping with this trend, the majority of organizations (77%) expect their HR budgets to be flat or reduced. It will be even harder to achieve some of the goals and plans set with more limited resources.

However, this picture is not universal and there is a significant group who are expecting both to increase their revenues (32%) and increase their levels of staffing (24%). Business organizations that are privately-owned are slightly more likely to show this positive tendency than other organizations; however, the projections for growth come from all sectors and geographies of the B.C. economy.

See the charts below for more details.

Chart 3A

The chart below shows the revenue projections for 2008 and the actual revenue achieved as reported in 2009. 39% of organizations who made positive projections saw their actual revenue decline during 2008.

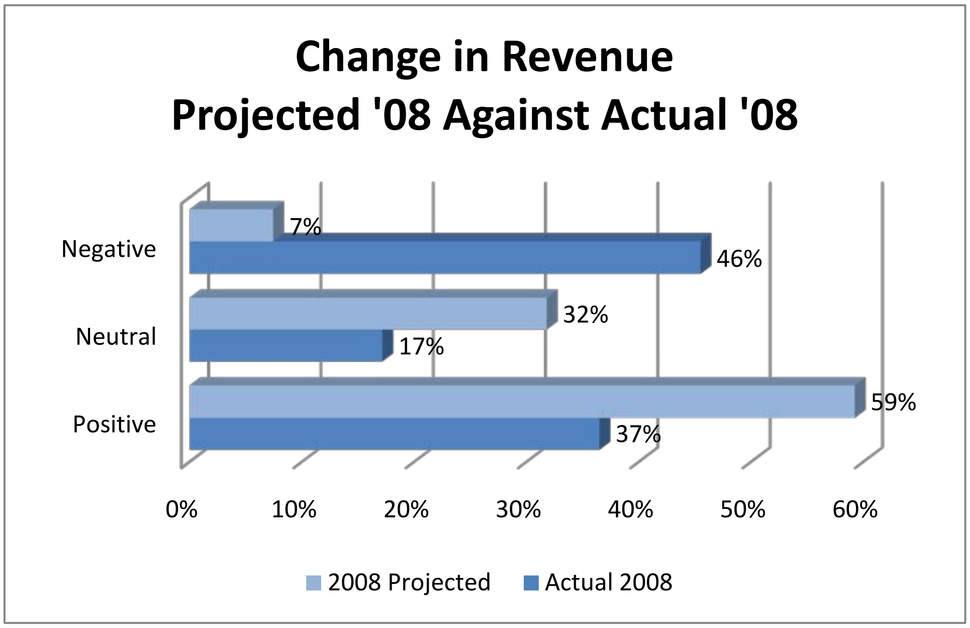


Chart 3B

The chart below shows the overall revenue projections for 2009. Approximately 60% of organizations expect their revenue to remain flat or reduce. Approximately 32% of organizations expect their revenue to increase in 2009.

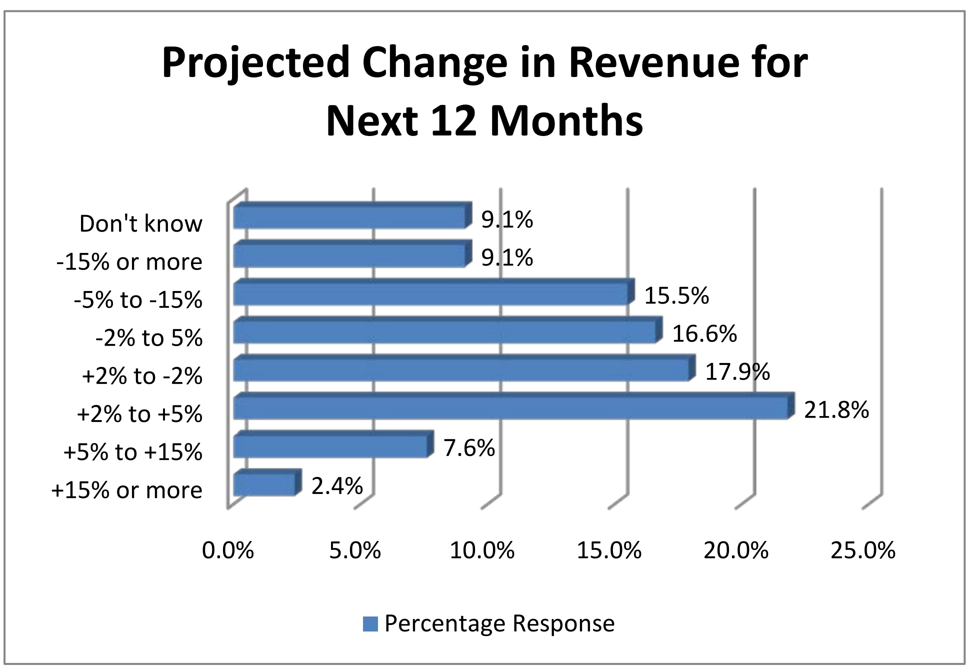


Chart 3C

The chart below compares how organizations expected their staffing levels to change in the years 2008 and 2009. The expectations for staff growth have halved. The expectations for staff reductions have increased fourfold.

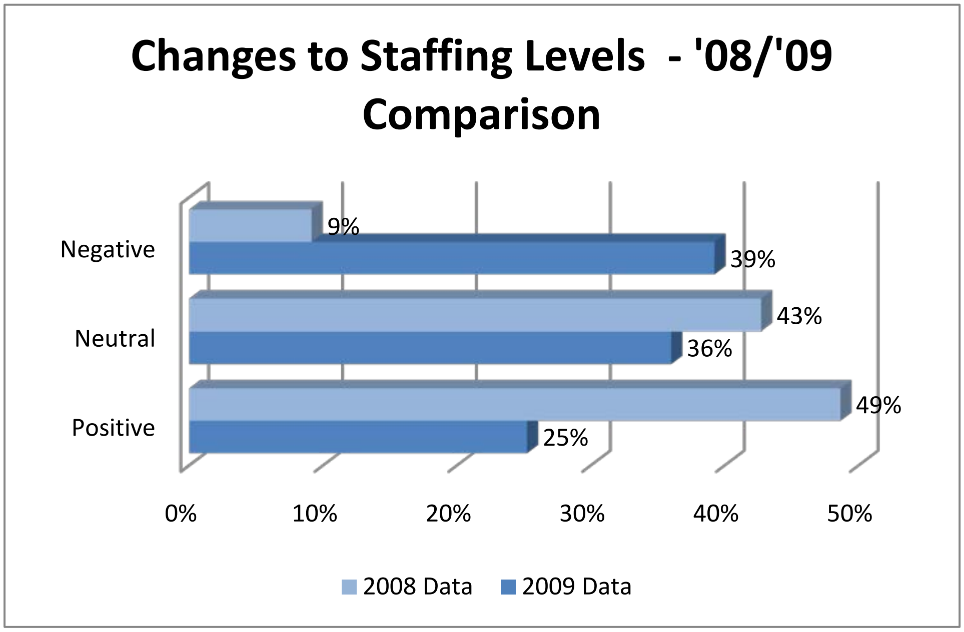


Chart 3D

The chart below shows how organizations expect their staffing levels to change during 2009. The majority (39%) of organizations expect to reduce their staffing. Counter to this, 24% of organizations are looking to increase their staffing levels.

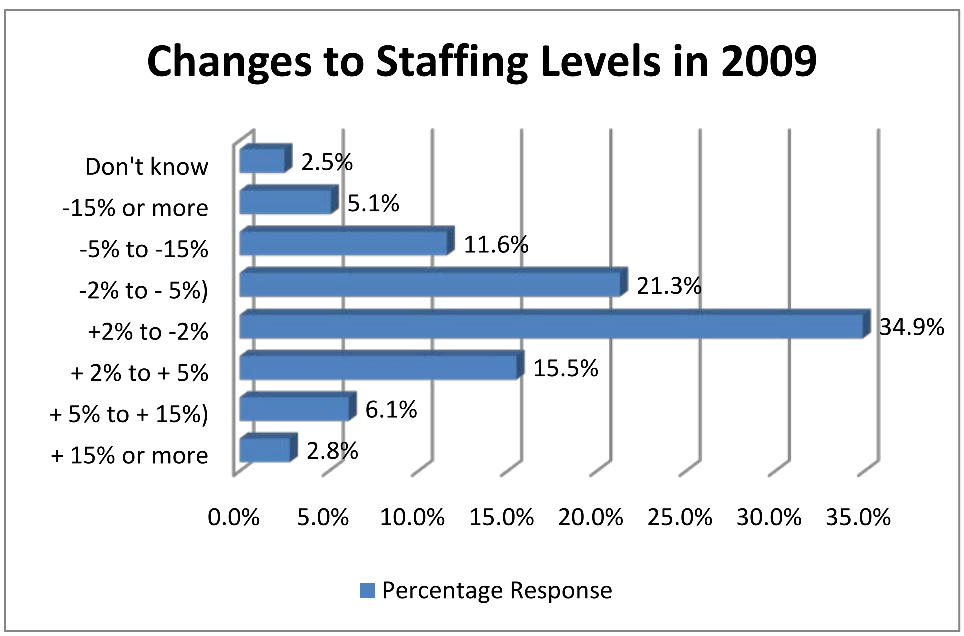


Chart 3E

The chart below shows how HR budgets are set to change for 2009. Increases in budget are rare and approximately 44% of organizations will be reducing their HR budgets.

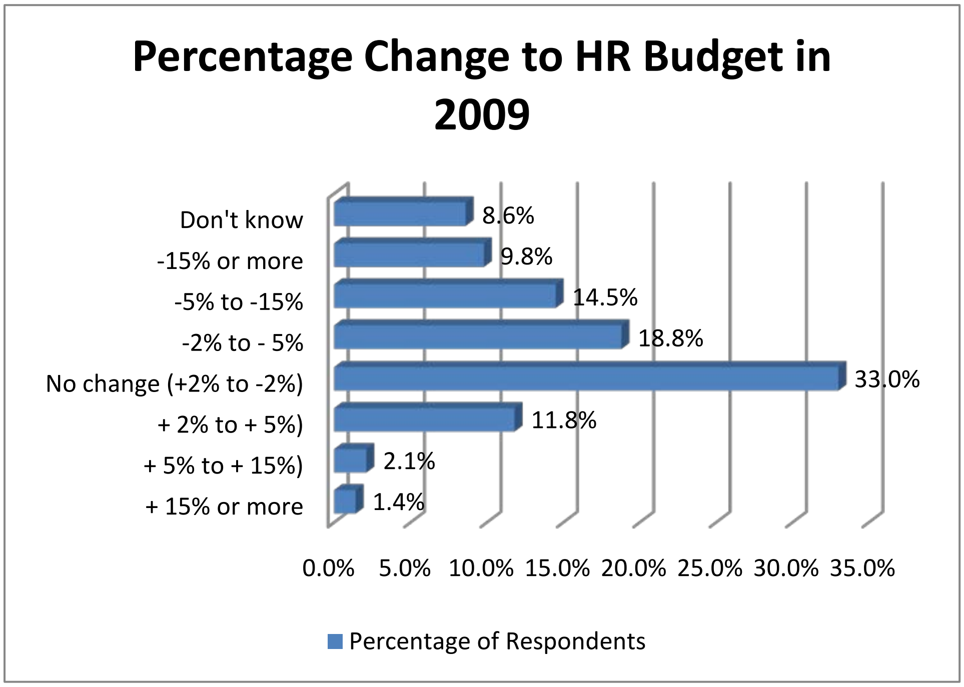
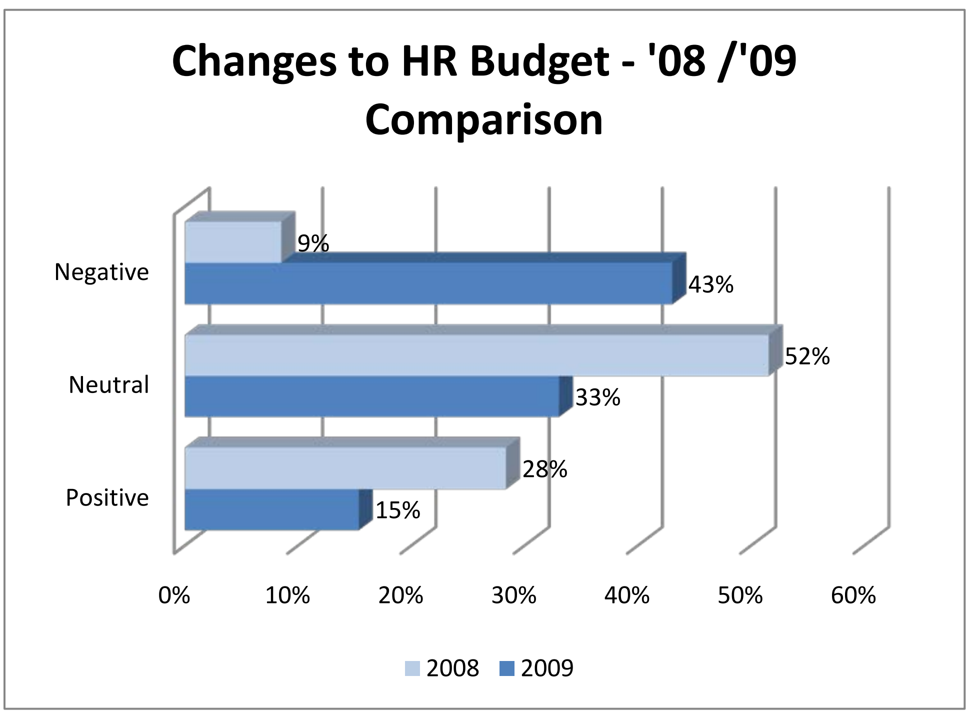


Chart 3F

The chart below compares HR budget changes between 2008 and 2009. There is a fourfold increase in those whose budgets are being reduced.



3.1 Summary

The information above demonstrates very clearly the nature and the extent of the change that is impacting HR functions in BC. There has been a rapid reversal in business expectations from growth to hold or decline. There has been a similar switch in terms of expectations of staff growth and a significant reduction in budget expectations. Despite the size of this shift, there is a minority of organizations who are doing well in these turbulent times and we see a smaller but significant group who look set to grow both in terms of revenue and staff.

The rapid economic change within organizations leads to significant staff change and a high workload for the HR function. At the same time, this workload is being managed with a reduced budget. This suggests that HR functions will either "burn out" or need to innovate and adapt to meet their demands with less resources. 2009 will continue to be a very challenging year for HR professionals.

3.2 One Size Does Not Fit All

Organizations are being impacted in different ways and are anticipating different futures. Analysis of the data shows that organizations are focusing on a wide range of solutions or programs and that there is no single thing that is driving the behavior of all organizations. In short, no assumptions can be made about how organizations are responding to the current economic crisis or that there is a single, clear path towards future success.

The impacts of the downturn are having different effects on specific organizations. The effects cannot really be seen as sector specific, or industry specific, hence the diverse areas of importance and resource allocation that are seen in the data and the range of experimentation which is happening as organizations adapt.

Chart 3G

The chart below shows the challenges that HR professionals in BC believe will have the biggest impact on their organizations in 2009. The challenges are varied and relate to both the availability and capabilities of staff.

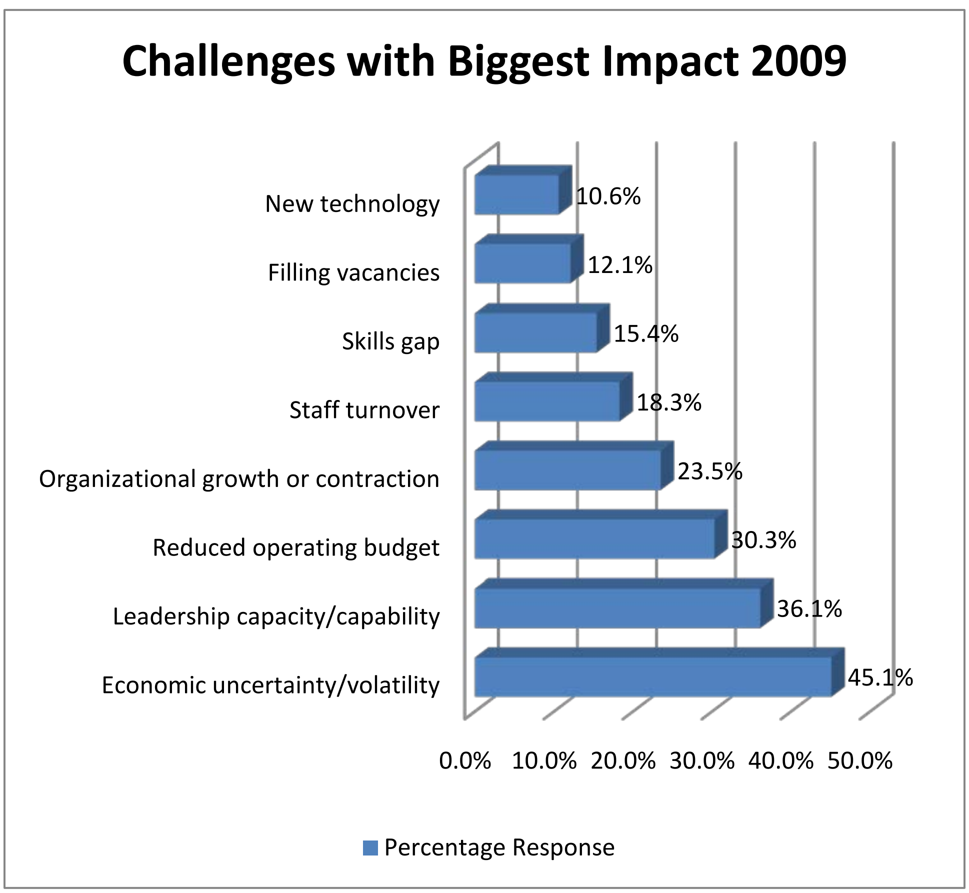


Table 3A

This table compares the private and public sector view of the challenges with the biggest impact in 2009. The overall areas of concern are similar; however, the priorities for the two sectors differ. Economics, staff turnover and leadership capacity are key for the private sector. Leadership and economics are also impacting the public sector; however, retirements is a more significant concern than staff turnover.

Current Challenges	Private Sector	Current Challenges	Public Sector
Economic uncertainty / volatility	50.8%	Leadership capacity / capability	50.0%
Leadership capacity / capability	31.9%	Economic uncertainty / volatility	33.3%
Reduced operating budget	31.1%	Reduced operating budget	28.3%
Organizational growth or contraction	24.6%	Retirement volumes	25.8%
Staff turnover	18.9%	Organizational growth or contraction	17.5%
Gap between required skills and existing skills	15.8%	Filling vacancies	17.5%
Filling vacancies	10.5%	Gap between required skills and existing skills	16.7%
New technology	9.9%	Staff turnover	15.8%

The two exhibits above provide the background for the investment decisions and programs which HR functions in BC are focusing on in 2009. Unlike 2008 where the main problem was attracting and retaining staff, 2009 presents a more complex picture. There remains the challenge of keeping good staff; however, at the same time the focus has shifted to developing the capabilities of existing staff and leaders. Many organizations are faced with some level of restructuring in response to the economic impacts on their organization.

In keeping with the wide range of impacts, organizations are focusing on a wide range of possible solutions. The range of areas which are receiving an increase in spending or resources next year is very broad. This does not mean that each organization is trying to do a lot of things. Instead, many organizations are focusing on different areas in order to respond to their challenges and this means that we will see fewer common approaches and more experimentation. With each organization developing a different response, comparing HR activities will not be very informative. However, keeping track of how well HR functions are performing through key HR metrics will help to determine which areas of experimentation are more effective than others in the long-term.

Chart 3H

The chart below shows the range of areas which are receiving an increase in spending or resources. It is worth noting that both the range of areas from labour relations to leadership development and the relatively even height of the bars indicate an even distribution of input. This suggests different organizations are prioritizing different areas with little commonality of approach.

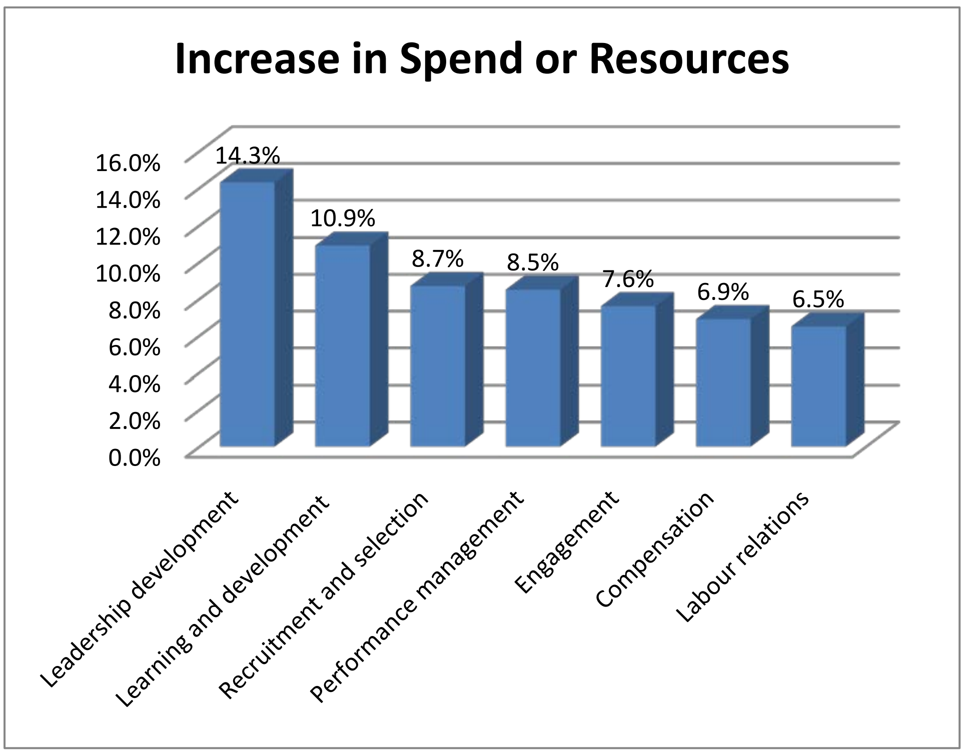
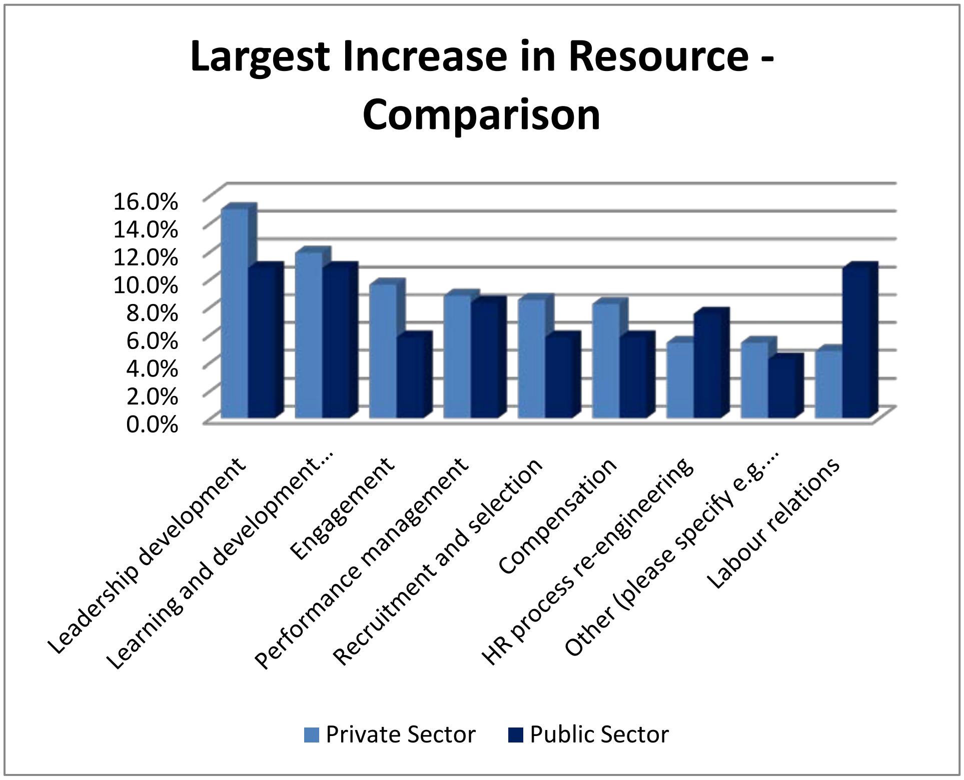


Chart 3I

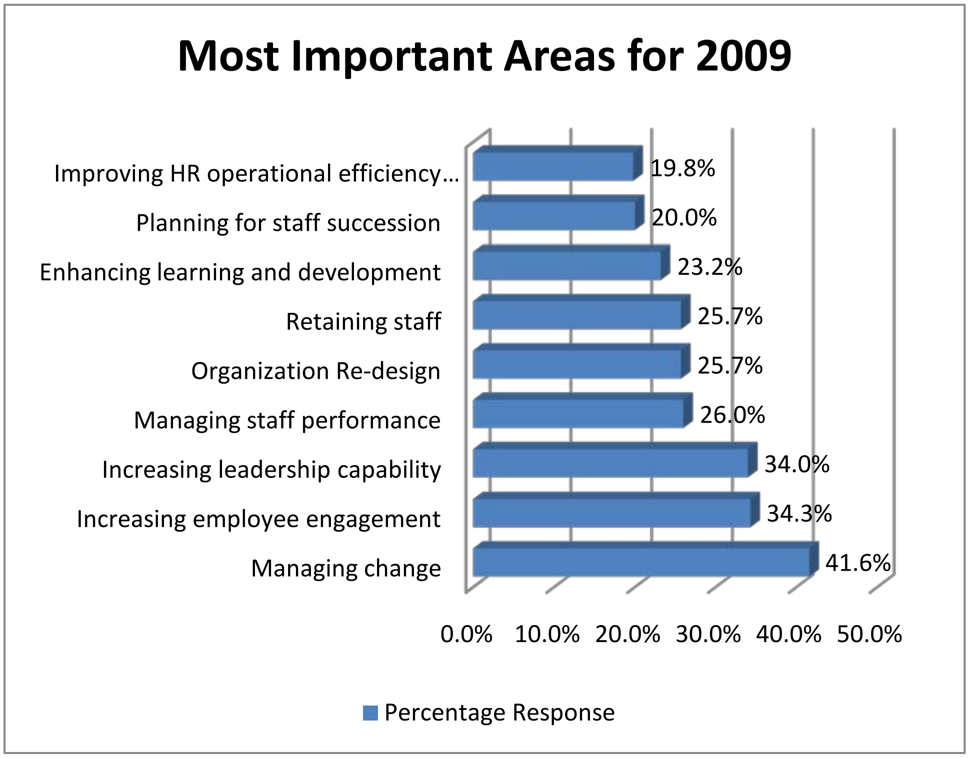
The chart below compares the private and public sector approaches to their increases in spending or resources. Leadership development and engagement are more significant areas for the private sector. Learning and development and labour relations are more significant areas for the public sector.



The focus areas in this chart are very different from the areas prioritized in 2008. In 2008, an overwhelmingly majority of organizations were solely-focused on retention (15%) and recruitment and selection (25%). In 2009, the focus has moved more to developing existing capability and managing the performance and engagement of existing staff. From growing organizations, people are now trying to work out how best to re-shape, develop and motivate their organizations to perform at their best. Public sector agreements are being re-negotiated in 2010, hence the increased focus on labour relations in the public sector.

Chart 3J

The chart below shows the HR areas that practitioners in BC consider to be the most important in 2009. This chart shows a broad distribution reinforcing the varied focus and responses of HR functions in BC. Change and restructuring are strong themes as are the development of leadership and overall staff capability.



For the first time, the area of improving HR operational efficiency has made it onto the chart. Given some of the other important areas identified, this activity will be a vital first step in creating the resources required to fund organizational restructuring and investments in learning.

We have seen HR budgets either reduced or maintained at the same level. The activities involved in organizational restructuring and learning programs require significant investment over and above the day-to-day transactional elements of HR. HR functions will only be able to support this work effectively if they can find ways to simplify or speed up their transactional activities, reduce costs and create spare resources to put towards their identified priorities.

Table 3B

The table below compares the top five areas of focus for the private and public sector. It is worth noting that the top three areas are the same for both sectors; however, staff succession planning and managing staff performance are higher priority areas for the public sector compared to retaining staff and re-designing organizational structures for the private sector.

Private Sector - Most Important Areas	Score	Public Sector - Most Important Areas	Score
Managing change	42.4%	Managing change	40.8%
Increasing employee engagement	35.3%	Increasing leadership capability	32.5%
Increasing leadership capability	34.5%	Increasing employee engagement	28.3%
Retaining staff	26.8%	Planning for staff succession	28.3%
Re-designing organization structure and roles	25.7%	Managing staff performance	27.5%

3.2 Summary

In the 2008 trends survey, there was a clear single direction in which the majority of organizations were moving. In 2009, the picture is different. Organizations are moving in many different directions as they seek out effective and appropriate responses to the new economic climate. The economic crisis has had a range of differing impacts and this has led organizations to focus on change, increasing the capabilities of their staff and leaders, and looking to change the structure and functions of their organizations.

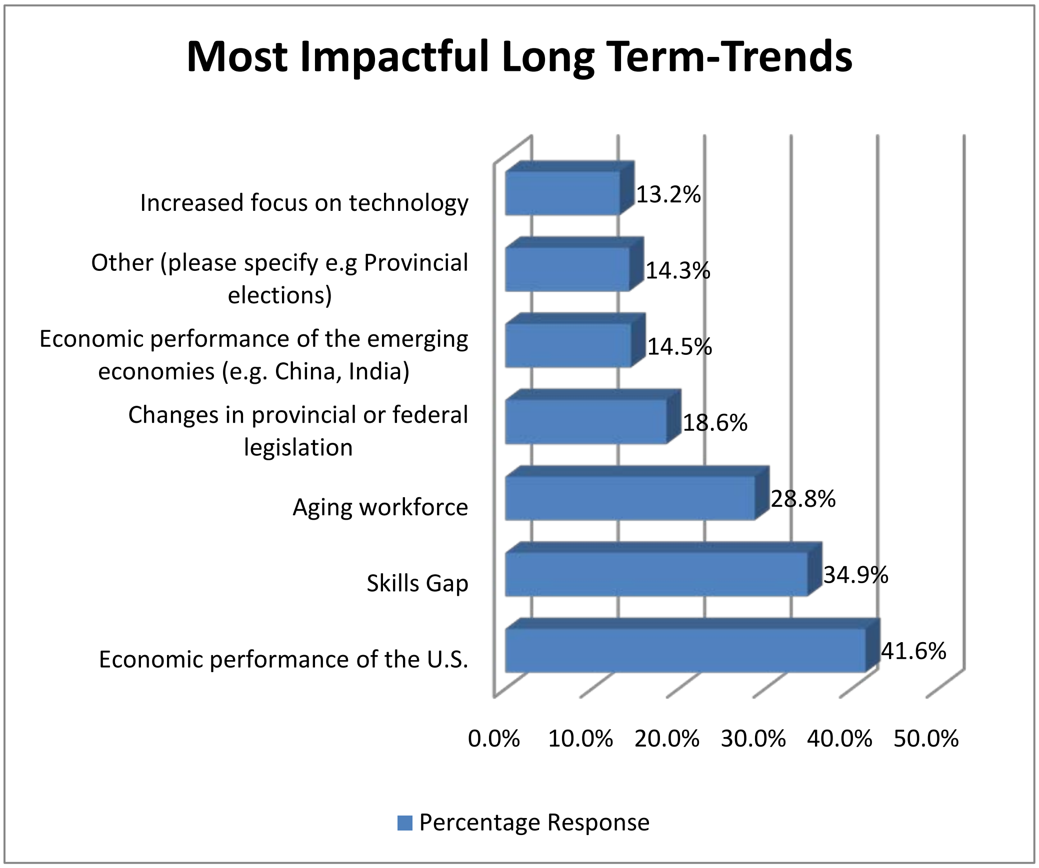
All of these areas require significant investment and are not part of HR's day-to-day operations. It will require careful planning, increases in efficiency to generate spare resources and the potential re-deployment of staff and skills to meet the priorities set out. Delivering an investment-based program of activities in a year when budgets are decreasing and finances are being watched very tightly will only be achieved if resource savings are created elsewhere. The profession has the opportunity to further increase the influence and credibility of the function if we can focus on innovation, breaking with inefficient practices and measuring the value of what HR delivers.

3.3 Preparing for the Future

As noted above, there is one common focus that comes through from the survey data and that is organizations are preparing for the future. No one is quite sure what that will look like or which areas will be a priority but the common focus on changing organizational structures and developing both leadership and staff capability indicate a desire to upgrade skills and prepare for success in a new economic order.

Chart 3K

The chart below shows the long-term trends which HR professionals believe will have the biggest impact on their organizations. Although the economic performance of the US remains a key feature of this list, the performance of emerging economies has become a more prominent trend. The May 2009 provincial elections in BC were also a very significant event which prompted the high scoring related to the Other category.

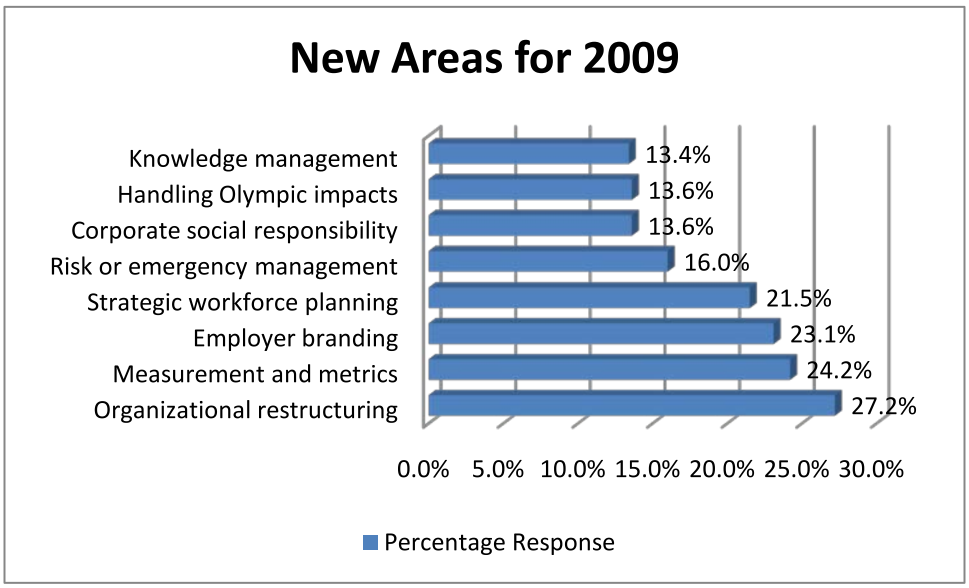


In comparison to last year, the economic performance of the US has moved from second to first place. The skills gap has also moved up the ranking while a concern about the aging workforce has slid from the top issue to the third most important issue. The economic performance of emerging economies has moved up the list while the focus on technology has maintained its position. Overall, the range of issues of concern has broadened with the top scorer this year (42%) significantly lower than last year (71%).

The range of long-term trends which are significant to HR professionals has increased adding more evidence to the sense of increased complexity and variability that is facing HR practitioners in 2009.

Chart 3L

The chart below shows the new areas which have been added to HR agendas across BC in 2009. The most prominent new issue is organizational restructuring. We have seen this area is a priority throughout the data and is a core part of how organizations are responding to the crisis. There will be considerable pressure on those functions where this is a priority and a new area. The lack of experience and organizational ability relating to restructuring will make it harder to achieve this goal – especially if budgets are being cut at the same time.



Of the other new areas, some are familiar and some are new. Measurement and metrics and strategic workforce planning have been emerging trends for the last two years and this makes sense given the greater proof of impact expected from the HR function and the increasing complexity of handling current and future talent requirements. Of the last three new areas identified, corporate social responsibility has been a trend for the last two years but its prominence has reduced significantly this year. The impacts of the 2010 Olympics and knowledge management are new areas for 2009.

In a comparison between the public and private sector, the top areas remained the same. There was a slightly stronger focus on strategic workforce planning and HR metrics in the public sector and a stronger emphasis on organizational restructuring and employer branding in the private sector.

3.3 Summary

In preparing for the future, organizations are considering a wider range of issues and influences. Faced with an uncertain economic picture, many organizations are holding their position and looking to increase the capability of their existing leaders and staff. Others are looking to increase the capability of their people at the same time as reshaping their organization to meet their current or projected volumes of activity. For many organizations the process of redesigning and changing is new and will therefore take considerable focus and resources to achieve.

Of the new areas that are being added to HR, we see some common continuing themes in the areas of metrics and strategic workforce planning. Given the volatility of the economic market and hence the need for a more flexible and variable employee group, workforce planning capabilities are becoming more necessary as well as giving HR a more strategic position. At the same time, the push for the function to prove its value and demonstrate its impact is being met with an increasing focus on metrics and measures.

The two sides of this year's data are highlighted in the charts with many organizations focusing on employer branding to improve their ability to attract staff while others are restructuring to enable them to meet their organizational goals with less staff.

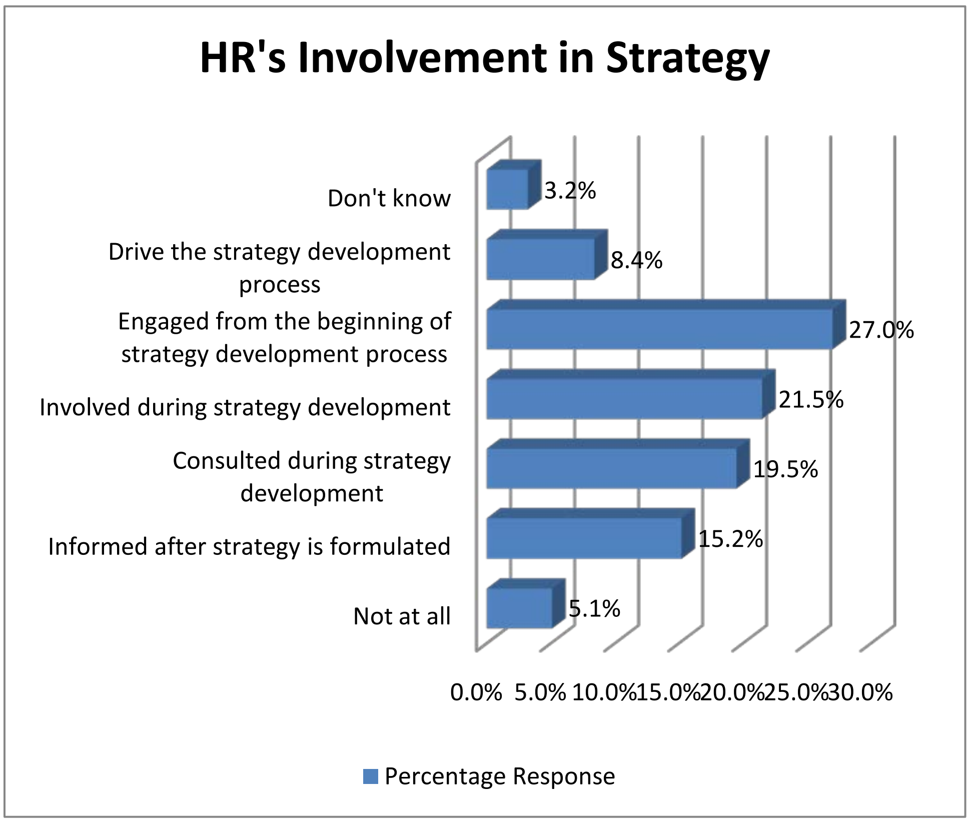
As a backdrop to these changes and developments, organizational leaders have to track and respond to a broader range of global trends which impact their organization and include a reduced emphasis on the US economy and an increased emphasis on the emerging economies of China and India.

4. Strategic Impact and Additional Information

4.1 Strategic Involvement

As part of this year's survey we asked people to indicate their level of involvement in developing organizational strategy. The results are very encouraging and suggest that HR's focus over the years on becoming a more strategic function are starting to create a shift. The chart below shows the extent to which HR practitioners in BC are involved in the development of strategy for their organizations.

Chart 4A



The vast majority of HR functions are either engaged from the beginning of the process or involved in driving the process. A significant number (22%) are involved during strategy development, while 15% are informed after the strategy has been formulated. This suggests a more positive situation than much of the anecdotal information or common perceptions suggest. Although there is room for improvement, the chart suggests the work being done to make HR a more strategic function is generating a level of success.

4.2 What We Should Talk About

New for this year's survey was the question: what should HR be discussing that we are currently not? The answers to this question were incredibly varied, ranging from health and safety to spirituality. Where strong common themes emerged they related to:

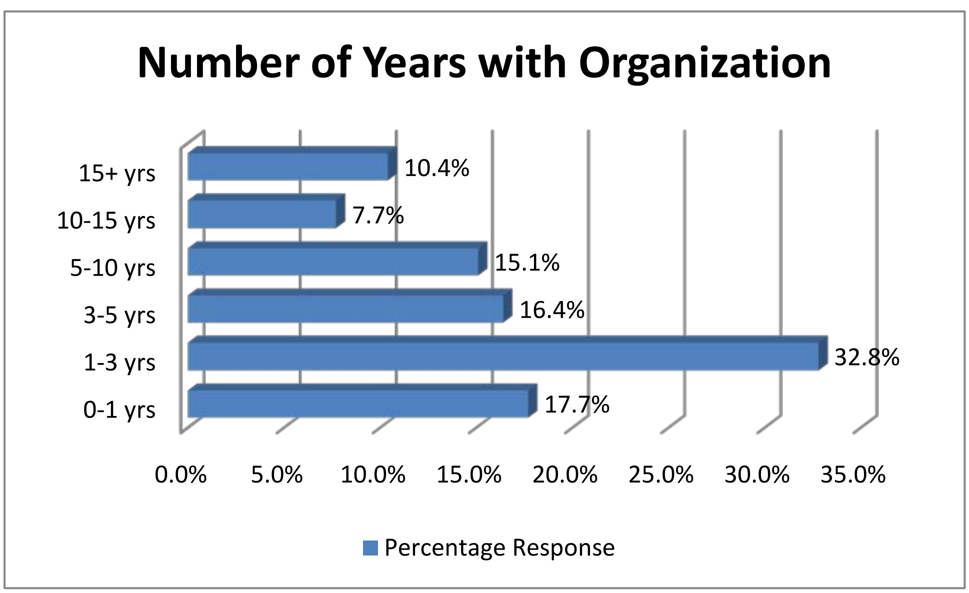
- the development of HR as a value adding function
- how HR can be turned into a profit centre
- more business-oriented information linked to the impact of HR
- how the CHRP designation can be leveraged to increase the status of the profession
- how HR can play a role in the "greening" of business and the associated cost savings
- how we can increase our influence and relevance to the operational side of our organizations
- the looming shortage of people and skills

Despite the steps that have been taken towards demonstrating the strategic importance of HR it appears the goalposts are moving and the demands for relevance, demonstrating value and connection to the business, continue to increase.

4.3 Number of Years with Organization

The chart below shows the number of years that respondents had been with their organization. The average range is 1.3 years suggesting that the majority of HR professionals change roles every 3 years. This is the same result as 2008, indicating a common trend and a potentially important issue when it comes to planning for long-term development of your function.

Chart 4B



5. Report Summary

The HR trends in BC have changed dramatically between 2008 and 2009. The information in this report explains how things have changed and the many directions or approaches that are being taken to create organizational success in whatever new economic order forms. The overall picture is one of increasing complexity and experimentation. The complexity is clear in the range of issues that organizations now need to track in order to determine how to remain successful or how their activities will be impacted. The experimentation is clear in both the range of new approaches that organizations are working on and the need to do this with a reduced budget. There are very few organizations in a position to hold the steady middle ground and we expect most to be working through significant change both to their organization and to their function over the coming year.

The projections in 2008 were for a challenging but focused year. In 2008 the expectations were about finding and holding onto the best talent possible as organizations continued to grow. In 2009 the projections are overall for organizations to shrink and so the focus has shifted to developing the capabilities of those still in the organization and reshaping the organization to meet new challenges. At the same time, some organizations are faring well through this crisis and are still focused on growth. Others, mostly in the public sector, continue to face a long-term talent shortage and are focusing on recruitment and succession. The public sector is also facing the negotiation of new collective agreements in 2010.

The one common theme to emerge from the data is a focus on increasing the capability of organizational leaders and staff. This has moved to being a top priority for many organizations as the impacts of the skills gap become more apparent in these challenging times. At the same time, many organizations are looking at restructuring or managing change.

With regard to the new areas that are emerging for HR, there are some familiar and some new areas. The familiar areas are HR metrics and workforce planning which are quickly becoming an essential part of the HR skill set as the labour market complexity increases and the focus on demonstrating the value of people increases. New for this year are the 2010 Olympics and knowledge management.

The survey also generated proof that the drive to move HR into a more strategic position is working. The data showed that most HR functions are very involved in the development of their organizational strategy. And for the coming year, HR professionals are looking to understand more about the business and the impacts HR has on business outcomes as well as considering how the CHRP designation can be leveraged to increase the profile, standing and influence of the profession.

The year ahead is set to be more complex and challenging than most of us remember. The pressures are on to drive innovation and reduce costs while at the same time delivering on an investment agenda that increases the effectiveness of staff and the overall organization through development work and restructuring. Different organizations are approaching their strategies differently. Some due to differences in economic impacts and others due to different interpretations of how to be successful in the future. It is as yet unclear which is the best path and it will require careful measurement and monitoring of both the performance of HR functions and organizations overall to determine which strategies and approaches will work in our more volatile economic climate.

Appendix A - Survey Demographic Data

Chart A1

The chart below shows the percentage of respondents by organizational sector.

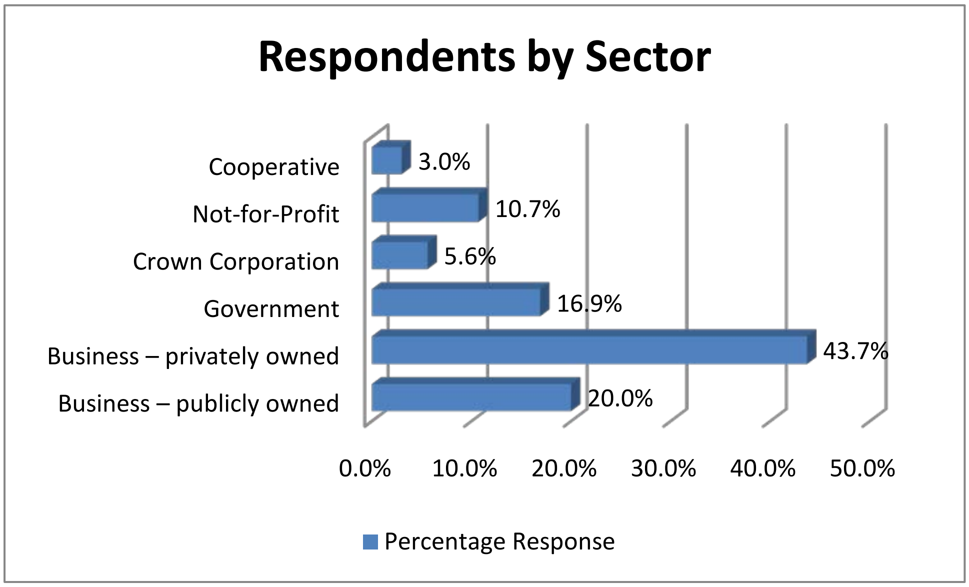


Chart A2

The chart below shows the percentage of respondents by organizational size – based on headcount.

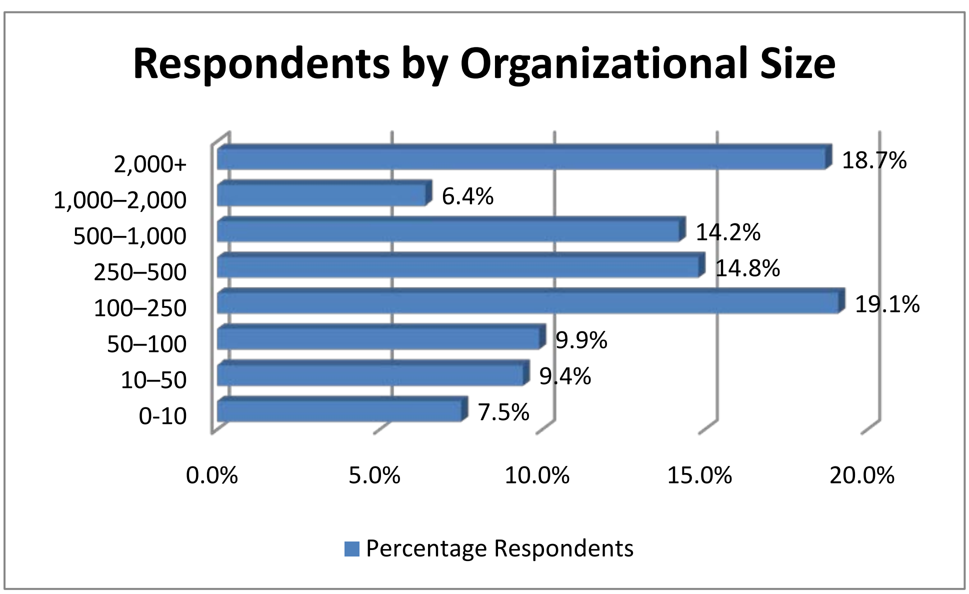


Chart A3

The chart below shows the percentage of respondents by their region within BC.

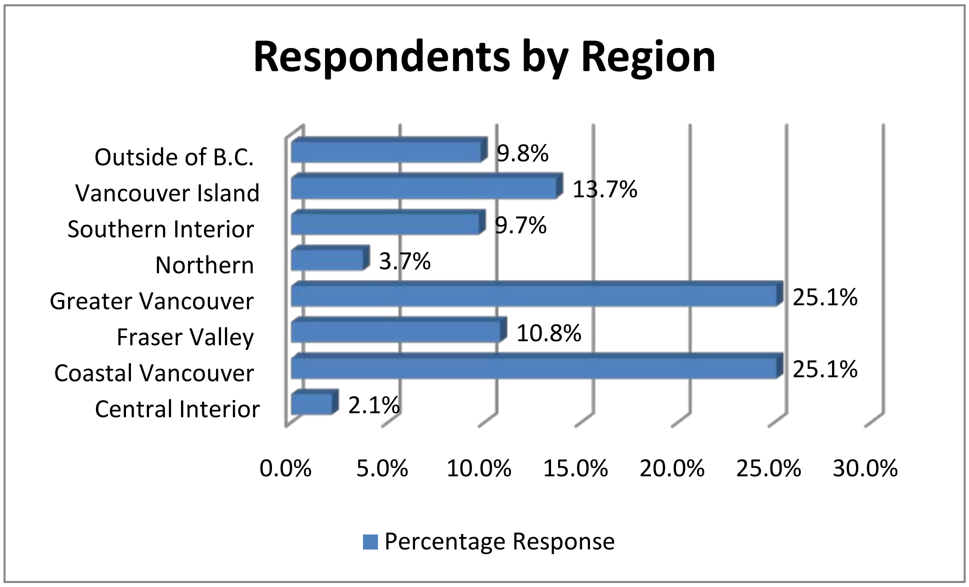


Chart A4

The chart below shows the percentage of respondents by their role within their organization.

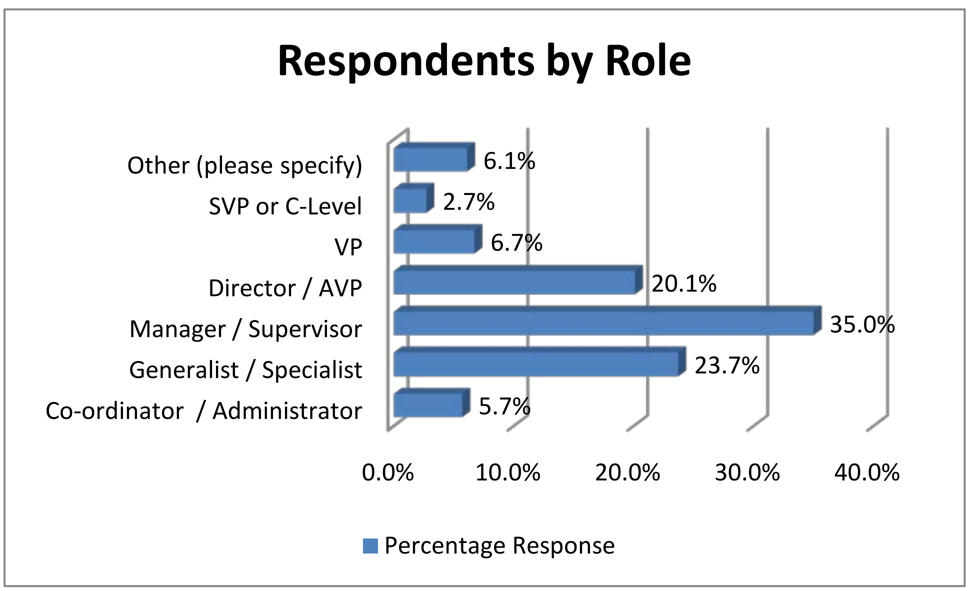
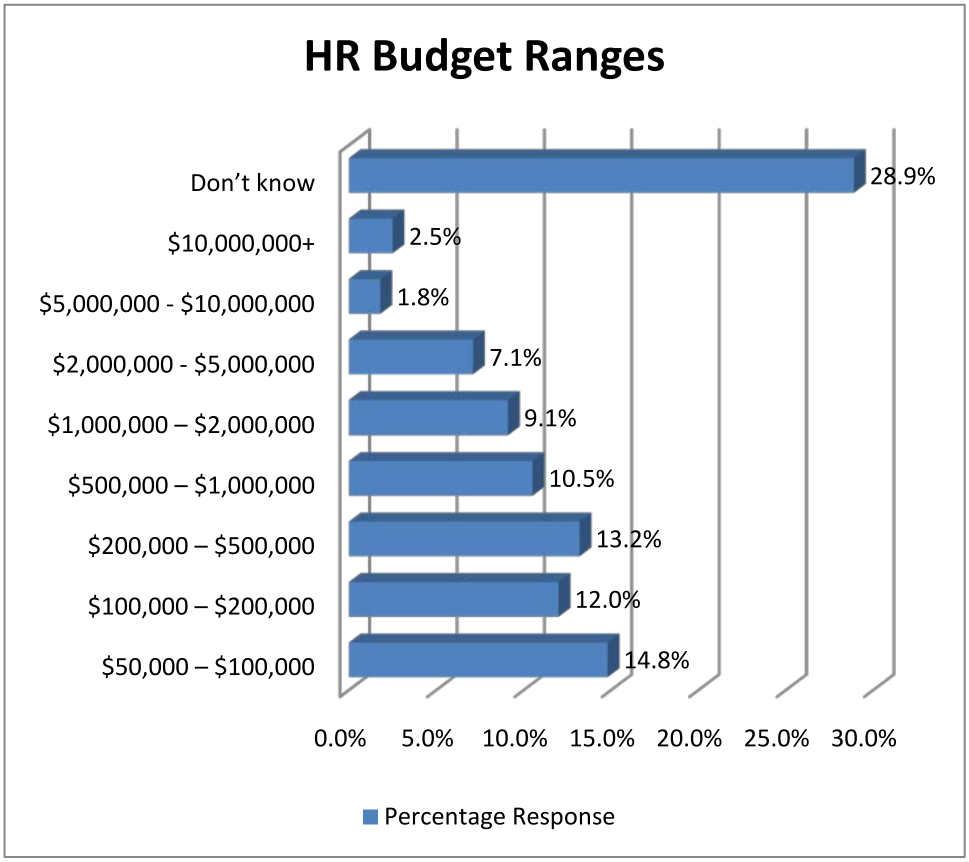


Chart A5

The chart below shows the percentage of organizations falling within the specified budget ranges. It is worth noting that close to 30% of respondents indicated that they did not know the size of their HR budget.



About this Report

This report was authored by Ian Cook, Director of Knowledge and Research at BC HRMA. The support and advice of Helen Luketic, Research Associate at BC HRMA was invaluable in developing themes and interpreting the data.

Any questions or feedback regarding this report can be sent to research@bchrma.org.