

BOOM, BUST or BOUNCE

What's Up With Alberta's Workforce?

by Valerie Nishi, Consultant at the Calgary office of the Refinery Leadership Partners Inc.

Historically speaking, times of great uncertainty are also times of great opportunity. I would argue that the *difference between organizations that perish, merely survive or become great organizations - lies in the critical thinking and conscious choices made by leaders*. Sifting through the aftermath of last quarter's economic hurricane, organizations are facing a brave new year. Waking up with a New Year's hangover, leaders must step up to the challenge and opportunity of contemplating and acting in a different world. All bets are off the old world order, trusted financial institutions and the market valuation principles that drove decision making in the financial markets. Sinking into recessionary quicksand, many are struggling to keep their heads above water and their sight on the horizon. Perhaps the upside is that we all have a stake in the collective soul-searching and revisioning for what lies ahead. So, how is this impacting organizations in Alberta? As we look ahead, what is the expected outlook in Alberta, and specifically, what are Alberta leaders thinking and doing in this new business environment?



Will Alberta be less impacted than other provinces by the economic downturn?

Yes and no.

Adam Legge, Vice President and Chief Economist for Calgary Economic Development (CED), believes that 2009 will be a challenging year for Alberta, and that the return of confidence is perhaps more essential to economic recovery than credit and liquidity. Confidence and trust will be key ingredients to investment in new innovation, capital expansion and products and services needed to stimulate the economy.

“We haven’t seen the worst of it and likely won’t for another six months or so. However, it is a cycle like others, and we will recover at some point,” says Legge. While Alberta enjoyed a strong-performing economy in 2008, CED believes the energy sector may face a perfect storm driven by rising costs, negative public opinion, a new royalty framework, volatile commodity pricing and demand, and a global economic slump.

About \$60B in oil sands projects have been delayed or cancelled and Alberta had the highest loss of full-time positions in Canada for December. Of 34,000 full-time job losses in Canada for that month, Alberta accounted for 16,000, with 1,600 in Calgary, spread primarily across construction, healthcare and manufacturing. However, of the staggering 129,000 job losses in Canada for January, Alberta accounted for only 5,700.

Despite a recent increase of 0.3 percent in the unemployment rate to 4.4 percent, Alberta still maintains the second lowest unemployment rate in Canada compared to the current national average of 7.2 percent. Many argue that Alberta is a sheltered harbour, riding on the long-term strength of the energy sector.

This strength flows through to other sectors in Alberta, which, according to Mona Hale, VP Finance and CFO for Edmonton Economic Development Corporation, provides advantages that position Alberta better than other provinces during this economic downturn.

Edmonton has the second-lowest unemployment rate in the country at 3.8 percent for January, and the lowest rate of business bankruptcies in Canada. While many projects in the oil and gas sector have been put on hold, there are still \$172B in projects underway, and Northern Alberta and the greater Edmonton region are still forecasted to grow in 2009 between one and two percent.

Hal Kvisle, President and CEO of TransCanada Corp., and Canada’s CEO of the year, shares the same sentiment. In a recent interview with the *National Post*, he recalled that the local economy in Calgary was in much worse shape in the ‘80s and early ‘90s than today with natural gas around \$1.50/GJ and oil bottoming out at \$10 per barrel. While we’re not at the bottom of the cycle, he maintains his view that it’s just going to take some time.

In summary, Alberta’s economy is expected to pick up strongly once oil prices rebound. To its advantage, Alberta hosts many major head offices and has a good economic base and strong workforce – educated, highly skilled, highly paid and in healthy demand, and Canada has the most stable and solid banking system in the world. However, there remain many uncertainties tied to global market conditions, including the yet-to-be-determined impact of the policies and decisions of the newly minted Obama Administration.



What is different in how leading organizations are responding?

Laurie Maslak, Executive Director of Organizational Effectiveness at the Calgary Health Region, believes that a key difference between this economic downturn and the one in the '90s is that HR is more likely to be at the senior leadership table this time.

“As organizations face recruitment challenges and future shortages, talent has become a strategic business issue and not just an expense. Progressive organizations are not overreacting by cutting people. Instead, they are looking for creative ways to keep and develop their good people for the long term,” states Maslak. After years of planning and preparing for the retirement of the baby boomers and the influx of a younger workforce, organizations have put more focus on building their recruitment, development and retention capabilities. This has resulted in more flexible and customized employment practices that benefit both organizations and employees. Options such as unpaid time off, part-time hours, sabbaticals, secondments, re-deployment, contracting and phased retirement can be used for short-term adjustments to the workforce as an alternative to job or salary cuts.

Ron Parent, VP Human Resources for ATCO Power, sees more organizations focusing on sustainability over the long haul. “This means continuing to invest in human capital despite economic hard times, and positioning the organization strategically for when the economy turns around,” says Parent. “At ATCO, we are following these principles, although focus and priorities may change given the economic environment.” Adam Legge of the CED is also seeing healthy organizations viewing this time as an opportunity to “tune up” the workforce. Such organizations see the current

economic turmoil as a blessing in disguise, to rationalize, re-skill and generally prepare the workforce for performance and productivity improvements and future opportunity. “Many organizations, particularly in the engineering, accounting and legal professions, had inflated expectations about future needs and had overstaffed for peak times to unsustainable levels. Thus some of the job reductions we are seeing are due to staff rebalancing – and will likely lead to better productivity over time.”

Leadership is critical in organizations faced with changing needs in the business environment. Many organizations see the economic climate as a driver to strengthen their competitive muscle.

Leaders at all levels of an organization must be strategic, decisive and disciplined in differentiating between high- and low-value activities, and managing opportunity, cost and risk in complex environments. They also need to be rational and principled, communicating with employees in an open, caring and genuine manner. Treating employees with dignity and respect goes a long way during upheaval and when it's time to hire again in the future. Building trust and a path forward is fundamental to helping employees and teams perform effectively during times of uncertainty, and to mobilize for change, innovation and expansion.

While the intensity of the economic crisis may not hit this province as deeply as elsewhere, there remains great uncertainty that will pose challenges for leaders. This presents an opportunity to demonstrate and develop leadership excellence and a robust workforce for a global future. And unleashing a new brand of leadership will be the hallmark of *great* organizations that emerge from the ashes. A true test for Alberta's entrepreneurial spirit.

