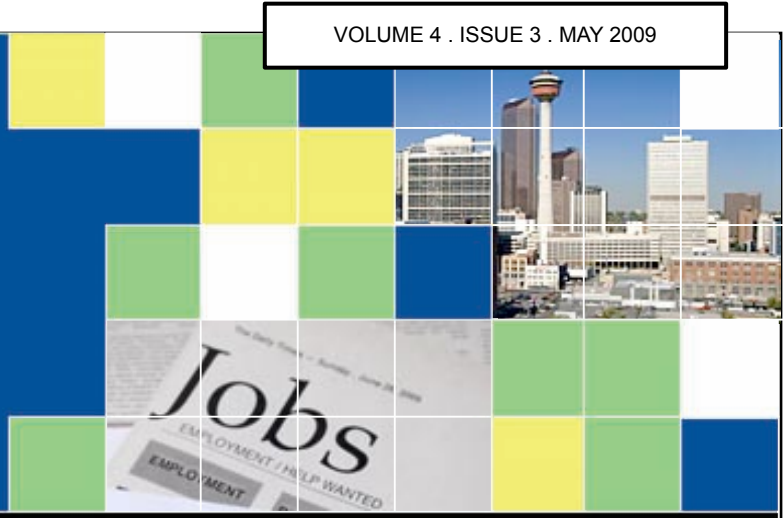


# EMPLOYER Labour Market News

CALGARY AND AREA



## Adjusting to the economy: don't lay off yet

**FLIPPING THROUGH THE** recent business pages of the newspaper can be a depressing exercise for employers, as stories about layoffs and downsizing are dominating the world's headlines.

Companies that were previously struggling to find workers to meet their labour needs may now be faced with a different problem—a decrease in revenues that means slashing costs and in some cases, laying off employees.

“Layoffs are unfortunately a necessity for some organizations, and here in Calgary we are definitely seeing an increase in the number of companies that are laying staff off,” says Glenn Tibbles, president of the Human Resources Association of Calgary.

While in some cases layoffs may be mandatory, companies should think carefully before deciding to hand out pink slips.

Layoffs can have serious consequences and often don't result in cost reduction. It can also put companies at a disadvantage when the economy does swing upwards once again.



The shifting economy doesn't mean your company needs to lay off staff.

That's why layoffs should be considered the last resort of a company under fiscal pressure.

“There are many other choices for employers which don't include laying people off, and those should be looked at and tried first before choosing to decrease your workforce,” says Tibbles.

Some of those alternatives include cutting perks, focusing on efficiency, reducing hours, rethinking the workplace and reducing pay.

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## Do layoffs pay off?

Cutting jobs in your company may seem like a quick way to reduce costs but history has shown

us that it's not necessarily the best course of action.

During the recession of the 80s and 90s, pink slips were abundant. Companies needed to shed their costs, and looked to layoffs first. But in reality layoffs had little to no effect on cost reductions. In fact, a survey done in the 1990s by the Wyatt Company (Best Practices in Corporate Downsizing) found only 20 per cent of firms that laid off staff met their cost-cutting goals.

Those actions also had major consequences in the long run. Many companies found they needed staff once again when the economy improved, but many workers were reluctant to go back to the organizations that had laid them off in the first place.

As a result, many companies were left short-staffed and were at a major competitive disadvantage.

But there are many other reasons employers should not lay off the workers in their company.

Severance packages alone can hurt the company's pocketbook, but more importantly, when you lay off staff, it's not just the staff that leave, but their expertise as well.

## A 1990s survey found only 20 per cent of firms that laid off employees realized their cost-cutting goals.

And for companies that have not documented their procedures, methods and contacts, this can result in a severe strategic setback.

Employers need to also consider the effects layoffs will have on the people who remain in the workplace. Record of Employment

forms, more commonly known as pink slips, can send a ripple of terror through the workplace and hurt office morale.

"Layoffs are stressful for both the people who are getting let go as well as the survivors," says Tibbles. "In a lot of cases, staff who are still there have seen the layoffs and are unsure of what will happen to them, and are wondering if they are next."

Employees who are worried or unhappy at their job are distracted, and this can result in less productivity when the company actually needs more. Or, even worse, that fear of job loss could result in employees jumping ship—leaving even more gaps in corporate skills and knowledge.

And once a company's financial situation improves, the cost of training a new employee is often a lot more expensive than the cost of firing someone. That is, if there is anyone around to hire.

Unlike previous downturns, there won't be a lot of young workers desperate for a job two years down the road. The workforce is aging and by the time the downturn is over an employer may find it incredibly difficult to find new workers.

For all these reasons, employers should look for other alternatives before deciding to hand out those pink slips.

### Looking for options

"There are many other ways of cutting costs," says Tibbles. "In Calgary, many companies are finding alternatives that are better for them in the long run."

Cutting perks and benefits, reducing the workweek, job sharing, employment freezes, implementing increased efficiency initiatives, reducing pay and rethinking the workplace are some options that will be reviewed in the next few pages.



Think before you hand out those pink slips. Laying your staff off can have serious consequences and could leave your company at a competitive disadvantage in the long run.



## Option 1: Cutting perks/benefits

Reviewing your company's perks and/or benefits package of your employees is a great place to start when looking for some cost savings.

By eliminating things like bonuses, reducing the costs of holiday parties or other company celebrations or opting for less expensive benefits packages, your company can save money.

However, not all workplaces should use this option. In some cases, perks are the foundation of the office morale, particularly in lower paying positions.

## Option 2: Reducing the work week

During the Great Depression many companies cut the length of their work week by 25 per cent to keep jobs. In the 1970s, when the economy tanked, Hewlett-Packard Co. came up with the "nine-day fortnight" that required workers to take every other Friday off without pay. This can be a great way to not only keep costs down, but also keep your workforce for when economic conditions improve.



## Option 3: Implement job sharing

Reducing working hours may be another option for your company.

"This is actually looked at quite favourably by employees most of the time," says Tibbles.

"Not everyone wants to work full-time and by working fewer hours employees get more of a work-life balance."

Older workers may want to start easing into retirement or parents may want to start spending more time with their young families.

The Government of Alberta has also made job sharing easier on employers by implementing a Work Sharing program that can help supplement lost wages to employees. Look to the right for more information on this program.

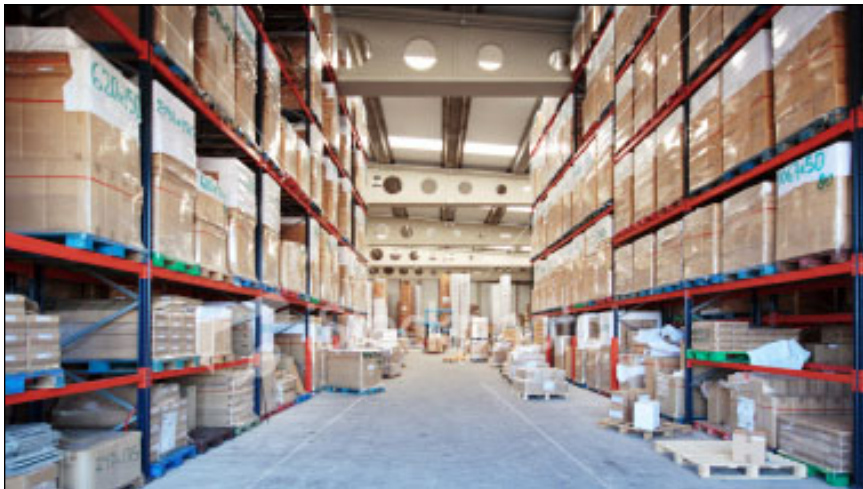
## Work Sharing

The Government of Canada's Work-Sharing Program lets employers retain staff when business is slow.

Rather than lay off staff, this federal program helps employers cut back hours by supplementing lost wages from a slowdown with Employment Insurance (EI) benefits (55 per cent of their maximum yearly insurable earnings). This way, employers can decrease work hours while employees still earn a large per cent of their original wages through EI.

There is no Employment Insurance waiting period. Companies can apply for this by visiting [servicecanada.gc.ca](http://servicecanada.gc.ca). Link to "Employers" and then to "Work Sharing program," for applications and more information.





## Option 4: Make efficiency a priority

One of the advantages of an economic downturn is an opportunity for companies to review and revamp their systems.

By enhancing the quality of their products and services, reducing costs, improving delivery and making the most of their labour force, companies can survive these uncertain economic times.

Lean thinking is probably the best overall solution to making your company more efficient. Lean thinking is the premise of doing more with less—less human effort, less equipment and less space.

Kudu Industries Inc. was nearly bankrupt when it decided to implement lean thinking. “Lean manufacturing brought us out of the red,” says Vaughan Lacharite, senior lean champion for Kudu. “If it wasn’t for these practices we may not be here today.”

By incorporating lean thinking, companies can save money on operating costs, such as equipment and inventory space.

For more information on lean thinking, see the September 2008 edition of [Calgary & Area Employer Labour Market News](#).

## Option 5: An employment freeze

If someone is leaving your company or choosing to retire, it may be a good idea to take a hard look at that position and see if it needs to be filled.

“Usually when someone leaves a company, employers tend to automatically look for someone to fill that position,” says Tibbles. “Instead, companies

should look critically at every position and ask themselves if that position needs to be filled or not.”

In some cases companies are deferring hiring people to replace someone or are choosing not to re-fill that position at all.



Another option is to choose not to renew employees who work on a contract basis, or terminate contracts early if possible.

## Option 6: Re-think the workplace

In many companies some employees are already working from home. “The nature of work has changed,” says Mark Lange, senior director of human resources for Telus.

“There used to be a time where employees went to the office at a certain time, worked at their desk for a few hours, had a designated time for lunch and then went home. That is no longer the case.”

But in most cases, having employees work from home is more of an informal “don’t ask, don’t tell” situation, where it’s allowed, but not encouraged. “Many companies are either pretending it’s not happening or not encouraging it when they should be,” Lange says. That’s why a few years ago, Telus decided to make it official by implementing Telework and using at-home call centre agents.

“This project has been a triple win for our company,” says Ian Cruickshank, manager of project planning and delivery at Telus. “It saves our company in real estate costs, it saves the employees money through less commuting costs and it saves the environment by lowering the amount of greenhouse gases related to daily commutes.”

The company has seen great success with the project, with thousands of employees now working from home either part-time or full-time. “We found our employees had increased morale, productivity and a better work-life balance, which is great for everyone involved. We have a lot of people who are interested in working from home though both programs,” says Cruickshank.

This may not work for all workers or for all jobs, but if your company can close even one of its offices by having more employees work from home, it can mean big savings for your company through lower operational costs.

And if you do need real estate space, be sure to look around. The current economic climate has meant a reduction in leasing spaces, and moving outside of the downtown core can mean even lower costs for your business.

### Option 7: Reduce pay

When it comes to trimming costs, cutting pay is one of the quickest and most efficient solutions.

However, it's one of the least popular options with employees. But when done right, it can be a good option.

In fact, a 2009 Towers Perrin poll found 41 per cent of Canadian companies either imposed staff salary cuts or were planning cuts.



When considering salary reductions, employers should be cautious and keep fairness and communication in mind. For example, if managers or owners cut employee salaries and not their own, this could lead to morale problems.

But if employers lead the way and explain the issues to employees, they will often join in the team effort and understand what needs to be done during these tough times.

## If layoffs must be done, do them right

While laying your workers off may be the last thing you want to do, realistically it may be the only option available to your business. But there are ways to make layoffs run more smoothly for all involved.

Here are some tips that can help make layoffs better for your company and your employees.

- ✓ Think about when the layoffs should occur. What timeframe will cause the least disruption to your company's workflow?
- ✓ Give notification. Figure out ahead of time how you want to relay the information and who will be privy to it. Make sure that those who are going to be laid off don't learn about it through the grapevine, but rather from the appropriate source. People who must deliver the news should be well-trained and well-prepared to answer questions in a professional, yet compassionate manner.
- ✓ Don't make any layoff announcement until everyone affected has been informed. It's best to tell all the employees who will be laid off prior to announcing it to the company. If you tell all the employees first, everyone will wonder if they are personally affected, workflow will cease and rumours will run rampant.
- ✓ Don't piece-meal your layoffs. Lots of layoffs in quick succession can be a sign of bad planning. It's better to cut deep and infrequently. A culture of near-constant layoffs can create fear in the workplace.
- ✓ Use the fairest possible standards for choosing who will have to be let go. Make sure you're not discriminating against any particular group.
- ✓ Decide ahead of time on what severance packages and outplacement support you plan to offer, including health coverage. Because the economy has performed so poorly in recent months, many companies have cut back on outplacement services and the generosity of their severance packages. Still, consider offering some post-employment benefits. They can help pre-empt any possible future problems with former employees.

- ✓ Take into account the needs of your company's survivors. Your remaining employees are the ones you're relying on to bring your company through these tough times.
- ✓ Don't lay off anyone by email. This should be obvious to any good manager. If the person is in a satellite office and you can't travel, then at least pick up the phone.

### Need more information or help?

**Alberta Employment and Immigration** has business and industry liaisons that can provide information and resources to employers who are faced with laying staff off. To speak with a business and industry liaison, contact one of the Labour Market Information Centres and ask for employer services (see contact information on page 10).

There are a number of human resource companies in Calgary that can assist companies looking to downsize their operations. To locate these companies, search online for "Human Capital" or look in the Yellow Pages under "Human Relations Consultants."



## Watching the rigs: What they mean for you

IF YOUR COMPANY is not directly tied to the oil and gas industry, you may be unfamiliar with rig counts or how they can affect your business.

The oil and gas and financial industries pay attention to rig counts to stay ahead of the competition and track pricing pressure when they contract out drilling or service rigs.

But all companies should keep an eye out for rig counts. These numbers have a far-reaching impact on all businesses and all industries, not just here in Calgary, but across the country. Less drilling means less employment, not only for those being laid off in the oilfields, but for all those jobs that were created to support the oil field as well.

According to BMO Financial, there are roughly 20 people employed by each rig, and another 20 indirectly. And with fewer people earning money, the ripple effects could be felt by your business as well.

### So what are rig counts?

“Rig counts are the ratio of the number of rigs in use at the moment compared to all the rigs currently available in the province,” says Todd Hirsch, senior economist at ATB Financial. “Rig counts are a good indicator of the overall health and activity level of the oil and natural gas sector.”

And that health and activity level has dropped quickly in recent months. The number of rigs operating in Alberta is lower than it's been since 1992, and half the amount it was in 2005 and 2006.

**“When head offices start to lay off staff—and rumours are circulating that this may happen soon—this will definitely have an effect on the Calgary economy.”**



The number of drilling rigs operating in Alberta is lower than it's been since 1992.

In March, only 22 per cent of drilling rigs were being used, compared to 49 per cent last year.

While there are generally fewer rigs used in spring, these rates are unusually low even for this period. And even in the normally high drilling months of December, January and February, the rates were lower than usual. For example, in December 2005, 85 per cent of drilling rigs were being used, while in December 2008 only 41 per cent of rigs were drilling.

The main reason these rates have been low is due to price. Lower oil and natural gas prices mean less money coming into drilling and all service companies related to the industry. “Oil and natural gas prices have been very low throughout this past winter, which makes it a discouraging environment for the oil and gas industry,” says Hirsch.

Getting additional funding through loans has also become more difficult in recent months. Oil and gas companies that would normally seek financial assistance through loans are having a difficult time accessing credit through Canada's banks.

With no money to drill, there is an over supply of rigs sitting idle. While the total number of rigs in Alberta has been increasing and is now higher than ever, the number of rigs actually being used is very low.

### Why are there more rigs?

Part of the reason there are more rigs than needed in the province is due to previous forecasts in the industry. Oil prices were at their peak last year, selling for \$147 a barrel, and demand was high. Natural gas was also high, which accounts for most drilling in the province. So oil and gas companies continued building rigs to keep up with supply.

Now, these rigs are sitting idle while more are being shipped in from other places as well.

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# Coping with change

"Rigs are transported from region to region, and in the past couple of years these rigs have gone to places like Saskatchewan and the U.S.," says Hirsch.

"Now these rigs aren't being used in those places and are being sent back to Alberta, which is in part why we have higher total rig rates than ever before."

When these rigs are not in use they are stored in industrial areas, taking up space in places like trucker's yards, technical centres and farmer's yards throughout the province.

"This is a problem for the energy sector because companies have spent a lot of money to make these rigs and now they aren't being used," says Hirsch.

While lower rig use seems discouraging, none of this is new for Alberta. "People need to keep in mind that over the past 10 to 20 years rates have always risen and fallen regularly, it's quite normal," Hirsch says. "We are now in a period where the rates have fallen quite low, but when the prices of oil and natural gas go up again, the rig use rates will increase as well."

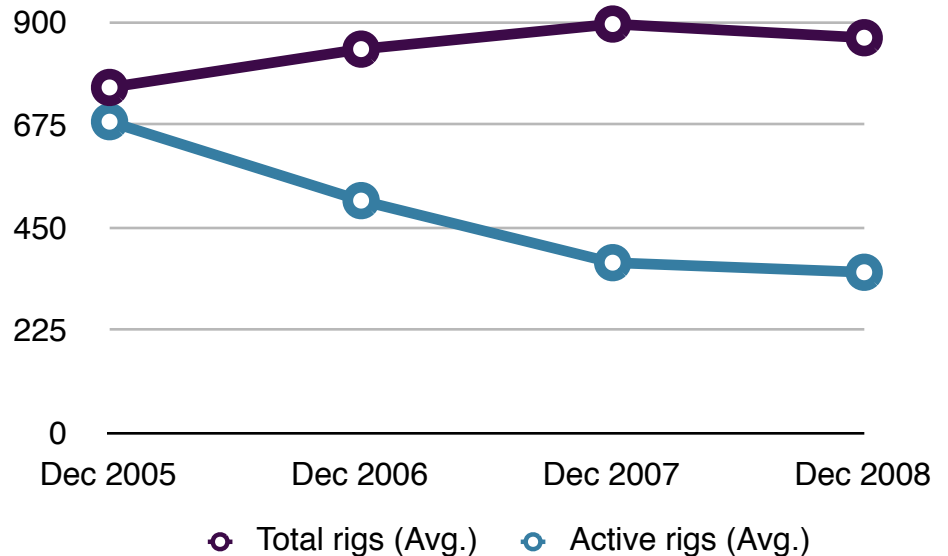
But until then, companies may want to keep an eye out for these rates. While communities who rely heavily on field crew activity will, and are being affected first, Calgary is not immune to the problem.

## And the forecast says...

Because rig utilization rates are contingent on oil and gas and natural gas prices, they are notoriously hard to forecast, but there is a general feeling among forecasters that prices will rise slowly to \$60-\$65 a barrel.

"Forecasts for the rest of the year are not good," says Don Herring, president of the Canadian Association of Oilwell Drilling Contractors. "We're forecasting utilization rates of 30 per cent."

## Active drilling rigs and total rigs, monthly average



Source: Canadian Association of Oilwell Drilling Contractors

"When head offices start to lay off staff—and rumours are circulating that this may happen soon—this will definitely have an effect on the Calgary economy," says Hirsch. "Sectors like retail, hospitality and business and personal services will feel the ripple effect of lost wages and people potentially moving out of the city."

## Where to find rig counts

There are two main sources where employers can find out more information on rig counts, including current rates and forecasts:

- The Canadian Association of Oilwell Drilling Contractors ([caodc.ca](http://caodc.ca))
- The Petroleum Services Association of Canada ([psac.ca](http://psac.ca))



Declining drilling activity could mean less demand for new office space in the City of Calgary.



Elaine McPherson dreamed of living in the mountains and owning her own business—and now she has both.

# E=MC<sup>2</sup>

## Making dreams a reality

**ELAINE MCPHERSON, 44**, owner of accounting and bookkeeping firm E=MC<sup>2</sup>, is all about making her dreams come true.

Originally from Winnipeg, McPherson moved to Calgary in her 20s before moving to Canmore five years ago. “Living in the mountains was something I always dreamed of doing,” she says.

So when McPherson landed a job as a controller for a Canmore hotel five years ago, she didn’t hesitate to make the move.

“I love it here. I work hard but it feels like I’m on vacation any time I look out the window,” she says.

But living in the mountains wasn’t McPherson’s only dream. Being an entrepreneur was also on her bucket list. “Opening my own business was one of those dreams of mine. I had always wanted to do it but never really had the opportunity or resources to implement it.”

While McPherson was working for the hotel, she began to feel stressed out. “I was working seven days a week and if I could have physically been there 24 hours a day, I would have been.”

McPherson hit her breaking point four years ago, just three days before Christmas.

“One day I kind of just snapped. I realized I hadn’t set up a tree or bought gifts for anyone, and I just kind of realized that life was passing me by. I thought, if I’m going to work this hard I should do it for myself instead of someone else.”

Shortly after, McPherson gave her notice and took another job working fewer hours.

While looking through some old boxes, McPherson found the inspiration she needed. “I came across some old notes for a business plan I had done years before and I realized it was something I had to pursue. It’s actually pretty funny because those notes are pretty much exactly what I used when I did open my business.”

But McPherson admits being an entrepreneur didn’t come easily.

“Opening my own business was pretty intimidating at first,” she admits. “But once I started doing some research it became clear that I was definitely on the right path. At that point it became scary not to do it because it seemed so feasible and something that really was going to work.”

She also got some help through Alberta Employment and Immigration’s funded self-employment program in the Town of Canmore.

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McPherson's business has now grown to service over 30 clients.

"It was my second year in Canmore just after I had left my controller position at the hotel. There weren't a lot of opportunities in a small community so I visited the job resource centre managed by Community Futures Centre West (CFCW) in Cochrane to find out information on contacts for jobs. Then I found out about the self-employment program and enrolled in that."

The CFCW ended up being where McPherson spent much of her research time. "The program really provided me with a lot of the support I needed to start my own business. More than financial support, they helped me with peer support. They made sure I was doing my market research properly and showed confidence in me. I think going through that program was really important, and I can honestly say I don't think I'd be here talking about my company today if it wasn't for the program," she says.

In 2006, McPherson was ready to start up her accounting and bookkeeping business, E=MC2—The Centre for Business Excellence.

"The first year the company grew gradually," says McPherson. "Although I had lived in the community I had been working so much that I never really got the opportunity to meet people in the community." But that was something she quickly changed.

**"I love it here. I work hard but it feels like I'm on vacation any time I look out the window."**

McPherson started chatting to people on the street and going to networking events in town. "I really started investing some time in the community and have met some great people."

In its second year, the company flourished.

"Most of our business didn't come through newspaper ads, but through word-of-mouth and referrals, which I am really grateful for," McPherson says.

E=MC2 now provides accounting, payroll, business planning and analysis and income tax services for over 30 clients. To meet the company's growing needs, McPherson also added some members to her team.

Last year she found her first employee, a part-time accountant and bookkeeper, in the most unlikely of places—outside her condo. "He was the night auditor and we had chatted here and there in the past. One early morning we got to talking and I found out he had an interest in bookkeeping and accounting so I invited him to join the team."

She found her second employee, a part-time receptionist, through an ad she placed at the local job resource centre.

McPherson's husband also joined the team last May. "He has brought a lot of different things to the business, and I'm so grateful he's here now as well."

While McPherson says her company hasn't lost any clients yet due to the shifting economy, she knows they are starting to feel the pinch. That's why she has decided to add another aspect to her company—a recession package. "We are thinking of more ways we can help our clients because they're definitely suffering lately, so after this tax season is over we are going to offer clients an analysis of their business so we can help them reduce costs," McPherson says.

Knowing what her customers need and acting on it comes naturally to McPherson, who enjoys helping others. In fact, she now holds seminars of her own for the self-employment program, speaks at business conferences and is an active member of the volunteer community in Canmore.

"I have a passion for helping others and through my business and volunteering I get a chance to do that, and it feels great because it's something that's really important to me," says McPherson.

## Need to learn more? Take online courses about employment standards!

Learning more about employment standards can be as easy as a click of the mouse!

The Alberta Government's Employment and Immigration department offers [eLearning programs](#).

These stand-alone, interactive, web-based awareness programs are designed to provide Alberta employees and employers with an opportunity to learn more about minimum employment standards in the workplace.

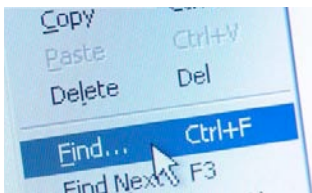
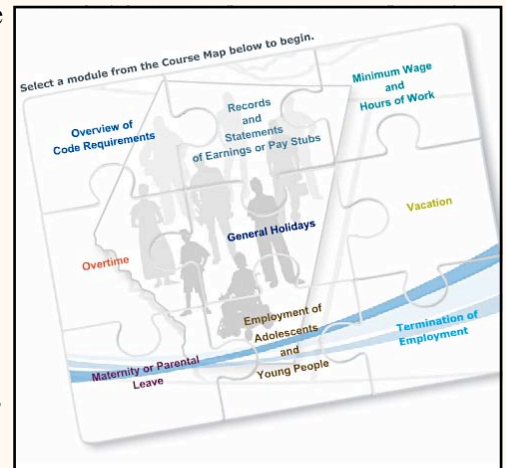
The following online courses are now available:

### Dispute Resolution

Provides basic information and options to help address disputes in the workplace relating to payment of earnings, leaves, etc.

### Basics of Employment Standards

This eLearning program will help you gain a basic understanding of the main topics of Employment Standards legislation.



*Whether it is for workplace support or general knowledge, there are many places employers can turn for information.*

## Health and Safety

### Work Safe Alberta

An organization committed to preventing work-related injuries.

[employment.alberta.ca/whs-wsa](http://employment.alberta.ca/whs-wsa)

### Canadian Safety Council—Occupational Safety and Health

Provides information on how to encourage safety in the workplace and deal with mishaps.

[safety-council.org/info/OSH/OSH.html](http://safety-council.org/info/OSH/OSH.html)

### Canadian Centre for Occupational Health and Safety (CCOHS)

Gives direction to employers regarding what to do if employees suffer from substance abuse problems.

[ccohs.ca/oshanswers/psychosocial/substance.html](http://ccohs.ca/oshanswers/psychosocial/substance.html)

## General Links

### Calgary Chamber of Commerce

An organization for business in Calgary to network and learn business practices. [calgarychamber.com](http://calgarychamber.com)

## Where to find us

This publication and other labour market information products can be found at

[employment.alberta.ca/calgary](http://employment.alberta.ca/calgary).

We welcome your feedback! Send comments or suggestions to [ei.webmaster@gov.ab.ca](mailto:ei.webmaster@gov.ab.ca).

## Building and Educating Tomorrow's Workforce

Alberta government's 10-year labour force strategy. [employment.alberta.ca/betw](http://employment.alberta.ca/betw)

## Calgary Economic Development

Connects businesses to information and networks in the Calgary region and promotes the city.

[calgaryeconomicdevelopment.com](http://calgaryeconomicdevelopment.com)

## Economic development in Alberta

Provides support and assistance to Alberta business and also compiles information on the Alberta economy.

[alberta-canada.com](http://alberta-canada.com)

## Employee Relations

### Alberta Employment and Immigration Mediation Services

Helps resolve disputes in the workplace through collective bargaining agreements.

[employment.alberta.ca/mediationservices](http://employment.alberta.ca/mediationservices)

## Human Resources

### Canadian Council of Human Resources Associations (CCHRA)

The human resources body combining efforts of 10 provincial and specialist human resources associations.

[cchra-ccarh.ca](http://cchra-ccarh.ca)

### Alberta Employment Standards

Information on everything from minimum wage to maternity and parental leave.

[employment.alberta.ca/employmentstandards](http://employment.alberta.ca/employmentstandards)

### Alberta Labour Relations Board

Employment standards information for trade unions, labour law and more. [alrb.gov.ab.ca/index.html](http://alrb.gov.ab.ca/index.html)