

# HR Q&A: Looking Ahead to 2018

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ALEXANDER WHITEHEAD  
EXECUTIVE SEARCH



# HR Q&A: Looking Ahead to 2018

Dear Colleagues,

Welcome to **HR Q&A: Looking Ahead to 2018**. This report is the culmination of input and opinions collected in our annual survey of established and emerging HR leaders about what lies in store in the year ahead.

The 2018 report represents growth and diversity. For the first time, our survey extended across Canada, from coast to coast to coast, as we engaged HR practitioners in every province and territory to provide their thoughts on the “macro” issues regarding the economy, and the “micro” issues, such as enterprise risks impacting their organizations. We invited over 4,500 HR leaders to participate, and the collective response from HR professionals across the career spectrum highlights the diversity of our country’s expansive economy as we had representation from over 25 industries in both the private and public sectors.

We are also introducing a new feature in this issue. We welcome additional commentary from your colleagues on topics impacting their business and industries in 2018. We value their insights and thank them for their contributions.

We remain committed to seeking perspectives from the professionals most aligned with the trends, issues, and challenges impacting the economy’s most valuable resource: human capital. HR leaders offer an informed perspective about external influences and how they impact workplace diversity and inclusivity; compensation trends and professional development requirements; and employee development, retention, and succession planning. HR leaders are well-poised to contribute to strategic planning, and once again our survey reports on the lack of involvement from this critical resource. Finally, the impact of external influences, such as trade agreements, increases to minimum wages, and marijuana legalization are also top of mind among Canadian HR executives.

On behalf of the team at Alexander Whitehead Executive Search, we wish you increased influence in your organization and continued professional success in the year ahead. Welcome to 2018.

**Terry Whitehead**

MANAGING PARTNER  
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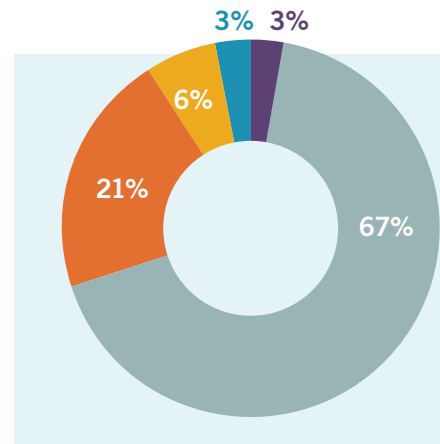


## The Nation

Regarding the Canadian economy in 2018, which of the following statements best reflects your opinion?

### ANSWER OPTIONS

- I anticipate strong economic growth in 2018 • 3%
- I anticipate moderate economic growth in 2018 • 67%
- I anticipate no change in economic growth in 2018 • 21%
- I anticipate moderate economic decline in 2018 • 6%
- I anticipate significant economic decline in 2018 • 0%
- I have no opinion • 3%



For the third consecutive year, HR leaders predict the Canadian economy will continue to grow. Compared to 2017 when 51 percent of overall respondents predicted moderate to strong economic growth, the consensus for 2018 is much more bullish as 70 percent of respondents predicting the national economy will experience moderate to strong growth. They are not alone. Pundits from various sources<sup>1</sup> predict Canada's GDP growth to be around two percent, and they point to 2017's blistering 3.1 percent GDP growth and over 350,000 new jobs as indicators of good, if not great, things to come in 2018.

At the provincial level, enthusiasm about our national economy in 2018 varies. HR leaders in British Columbia, Alberta, Manitoba, New Brunswick, and the Territories are the most optimistic, with over 70 percent of respondents predicting Canada's economy will experience moderate to strong growth. Slightly less optimistic are the HR leaders in Saskatchewan, Ontario, and the Maritimes whose expectations of moderate economic growth hover near a still respectable 50 percent.

HR leaders in the private sector are slightly more optimistic about Canada's economy than their public sector counterparts, with 72 percent planning for moderate to strong economic growth, compared to 61 percent from those working in government and the not-for-profit sector. Still, both represent strong optimism heading into 2018.

What assumptions drive these predictions? Optional comments submitted by participants note stable commodity prices (especially oil and lumber), robust commercial and residential real estate prices, and infrastructure spending, specifically in Ontario and Quebec, as positive economic drivers. Potential headwinds that could dull economic growth in 2018 include higher interest rates and stricter mortgage rules, lingering uncertainty over NAFTA negotiations and the Softwood Lumber Agreement, high consumer debt loads, and the short-term economic policies of our neighbours to the south (e.g. increased protectionism). One large, looming uncertainty is the overall impact legalized marijuana will have to the national and provincial economies, although early predictions suggest it will have a positive impact in terms of job creation and tax revenue for government coffers.

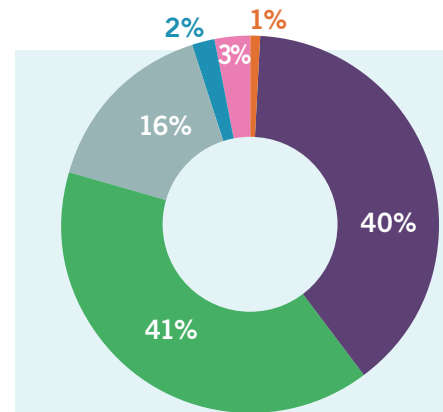
<sup>1</sup> The Business Development Bank of Canada predicts the national economy to grow 2.2 percent, as does Paris-based Organisation for Economic Co-operation and Development (OECD). The Conference Board of Canada, CIBC, and the Bank of Canada all predict a 2.1 percent growth for the Canadian economy. The Economist magazine pegs Canada's GDP will expand by 2 percent while RBC predicts 1.9 percent. When we refer to GDP growth throughout this report we are quoting Real GDP, not Nominal GDP.

## The Regions

Regarding your provincial economy in 2018, which of the following statements best reflects your opinion?

### ANSWER OPTIONS

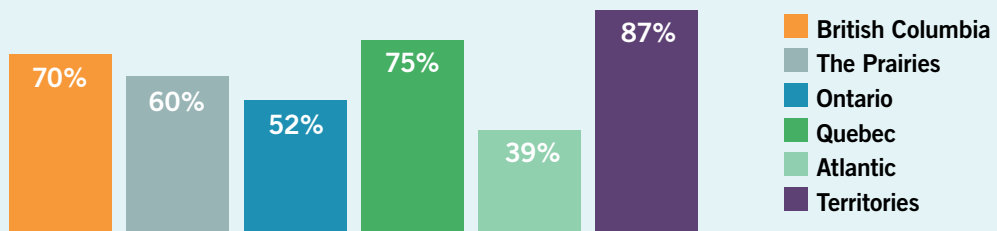
- I anticipate strong economic growth in 2018 • 1%
- I anticipate moderate economic growth in 2018 • 40%
- I anticipate no change in economic growth in 2018 • 41%
- I anticipate moderate economic decline in 2018 • 16%
- I anticipate strong economic decline in 2018 • 2%
- I have no opinion • 3%



While HR practitioners, on average, are bullish about our national economy in 2018, when asked about their own regional economic fortunes, the predictions—and the reasons for them—are as diverse as Canada’s landscape. The overall sense is that economic growth is on the horizon, as a combined 64 percent of respondents predict moderate to strong economic performance for their region. This enthusiasm fluctuates depending on regional boundaries.

Which regions of Canada are the most optimistic about their provincial/territorial economy? The following graph reflects the combined average percentage of HR leaders in each region anticipating moderate to strong economic growth for their region.

### Anticipated Economic Growth by Region



## The Regions, continued

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British Columbia-based HR leaders predict 2018 to be another solid year of economic prosperity, although not at the same blistering pace in 2017 that saw the province's GDP growth exceed three percent. The Business Council of British Columbia (BCBC) predicts a step back to sustainable 2.3 percent. The forestry sector continues to prove resilient amid ongoing uncertainty with the Softwood Lumber Agreement, thanks to high lumber prices and strong demand from the United States. HR leaders in retail, tourism, and hospitality anticipate a strong year thanks to increased consumer spending and a low Canadian dollar, although these sectors are vulnerable to high rental housing costs which impacts the ability to attract and retain entry-level workers. Higher interest rates and stricter mortgage rules are expected to cool the housing market and consumer spending in general.



HR executives across the Prairie region are generally positive about their provincial economies, although they, too, anticipate economic headwinds. Alberta appears to have put their recession behind them, and with oil over \$60 per barrel, thanks to OPEC's restrictions on output extending into 2018, the prognosis from Alberta HR leaders is cautiously positive. ATB Financial, Economics & Research estimates 2.1 percent GDP growth in the province and the Conference Board of Canada predicts the economies of Calgary and Edmonton to grow by 4.6 and 3.9 percent, respectively. While HR leaders in Alberta's traditional energy and energy services sectors celebrate higher oil prices, this enthusiasm may get tempered by increases in US shale activity and the ongoing uncertainty surrounding the fate of the Keystone XL and Trans Mountain pipeline projects.

Alberta's renewable energy sector should benefit from the provincial government's commitment to eliminating coal power from the provincial grid. Alberta introduces an increase to its minimum wage in 2018 which is a primary concern of HR leaders with small and medium-sized enterprises and industries that employ more entry-level workers, such as retail, tourism, and hospitality. New changes to the province's Labour Relations Code are also expected to impact operating costs across all sectors, according to survey participants.

Saskatchewan is set to continue its recovery, and HR leaders in the province's private sector are generally optimistic about their economy in 2018. Improved commodity prices in agriculture, greater investment in the energy sector, and potash are all expected to contribute to the province's forward momentum. HR leaders in the

## The Regions, continued



public sector are less enthusiastic than their private sector counterparts, as depleted provincial coffers in recent years have impacted funding and this is not expected to improve in the new year.

Manitoba's economic fortunes are projected to be less robust compared to their prairie neighbours, and HR leaders are bracing for a slight contraction in GDP from 2017. The Conference Board of Canada anticipates GDP to grow only by 1.8 percent due to the impending closure of three mining operations in northern Manitoba. Decreased investments in Manitoba Hydro projects are also expected to negatively impact the economy, according to RBC. Comments from survey participants in the public sector reflect concern about the ability to receive increased operating funds from government sources impacting the sector's ability to attract and retain employees.

Ontario HR leaders are more restrained in their forecast for their provincial economy, as 52 percent predict moderate to strong economic growth. Comments offered by survey participants point to the January 1, 2018 increase in the minimum wage as a buffer to growth, especially as it increases operating costs for small businesses and industries such as retail, hospitality, and entertainment. The contrarian view notes that more money in the pockets of lower income earners will quickly make its way into the economy, and this increase in consumer spending will have a positive overall effect. A critical uncertainty is the outcome of NAFTA negotiations and the implications of its demise for industries exporting goods. Despite the noted concerns, according to RBC and TD, Ontario's GDP is set to grow by 2.1 percent and 2.3 percent, respectively, driven in part by increased infrastructure spending.

HR leaders in *La Belle Province* are extremely bullish about Quebec's economy in 2018, as 75 percent of respondents anticipate moderate to strong growth. Fueling this optimism is the momentum from 2017, which saw high employment numbers, improvement in exports, and increased construction activity. Quebec's residential real estate market is expected to generate growth, although not to the same degree as Ontario and British Columbia in recent years due to tighter mortgage restrictions. Recent cuts to personal income tax, thanks to healthy budget surpluses, should keep consumer spending high which bodes well for many sectors in the Quebec economy.

Apart from Prince Edward Island, the enthusiasm for their respective provincial economies wanes among HR leaders across the Maritimes. PEI is set to lead the region with GDP growth of 2.2 percent, and HR leaders in the province share this optimism as over 80 percent of respondents anticipate moderate to strong economic growth across the housing, tourism, food manufacturing, and construction sectors.



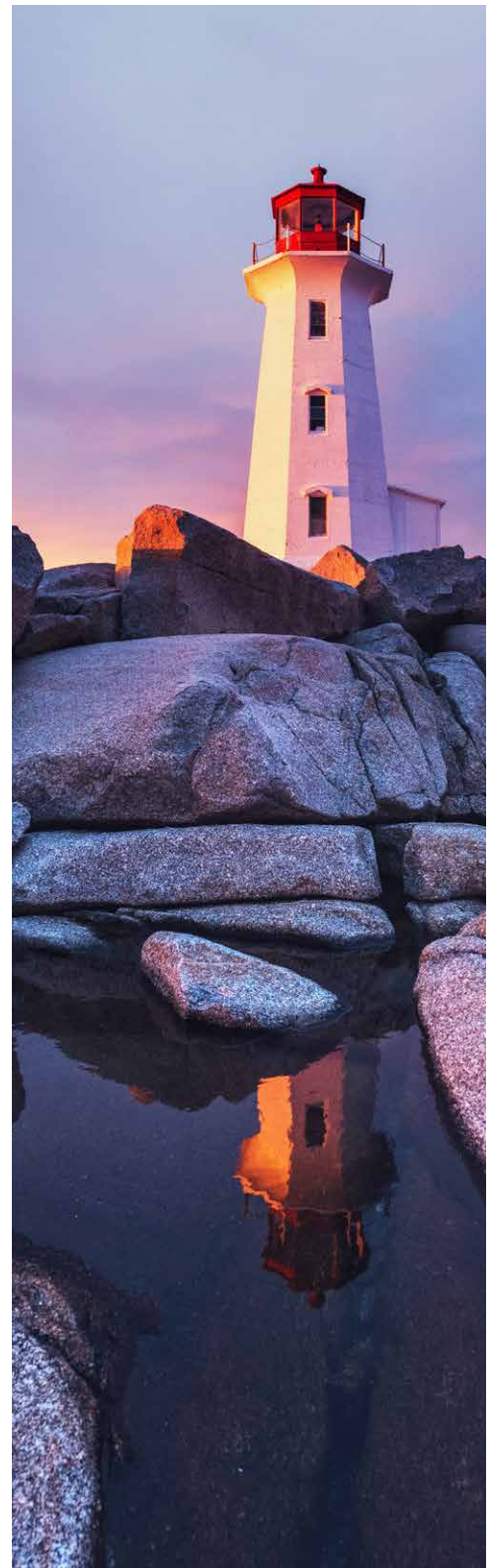
## The Regions, continued

New Brunswick and Nova Scotia are bracing for economic decline, according to RBC, which pegs growth for each province at 0.7 percent and 0.6 percent respectively. HR leaders in each province anticipate their respective economies to remain at 2017 levels, which suggests some lingering optimism heading into 2018. Both provinces are contending with a decline in workforce, due to aging populations and younger professionals leaving the region. Construction benefitted both provinces in 2017; however, activity in residential construction is expected to decline. Infrastructure investment could mitigate the overall impact of lower housing construction. New Brunswick's economy will feel the impact of the Softwood Lumber Agreement and tariffs, although increased demand in the United States for Canadian Lumber remains strong.

Newfoundland and Labrador HR practitioners are the most pessimistic about their provincial economy, as only 23 percent of respondents predict moderate economic growth with the balance anticipating the same economic contraction the province experienced in 2016 and 2017. Comments from survey participants point to the government's plan to reduce the deficit by cutting spending as having a significant impact in both the public and private sectors.

There are some green shoots of optimism, however. RBC estimates Newfoundland and Labrador's economy will grow by 2.1 percent thanks to increasing oil prices and two offshore oil production projects coming online that will stimulate employment. RBC also points to higher iron ore prices as another positive indicator.

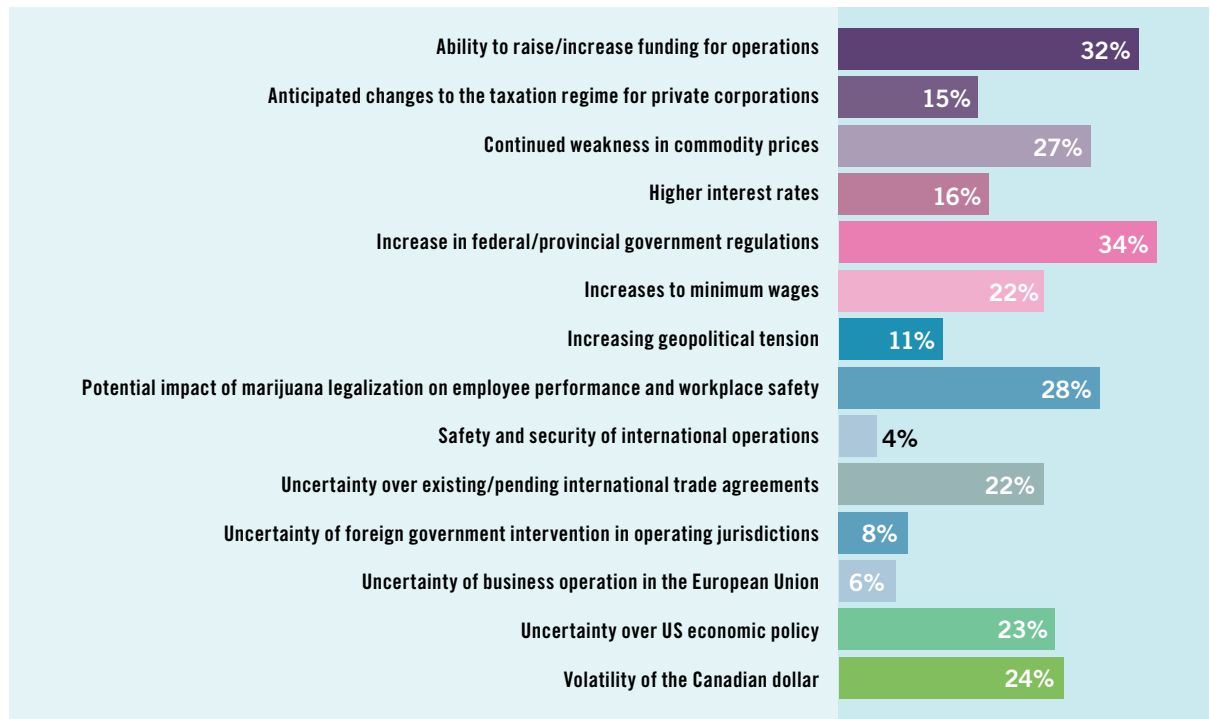
By far, the greatest optimism for 2018 provincial economies comes from HR leaders in northern territories. Over 85 percent of survey respondents in Nunavut, the Northwest Territories, and the Yukon predict their respective economies will experience moderate to strong economic growth in 2018. Fueling this enthusiasm are boosts to infrastructure spending and higher commodity prices in base and precious metals driving increased investment in the mining sector.



## Risk

From an enterprise risk perspective, which of the following external factors do you believe are the most likely to negatively impact your organization in 2018. *Note: respondents were allowed to select multiple answers.*

### ANSWER OPTIONS—OVERALL PERSPECTIVE



HR leaders are well attuned to the implications of external enterprise risks on their business. In 2018, the top overall areas of concern are increased government regulations, the ability to raise or increase operating funds, and the potential impact of marijuana on employee performance and workplace safety. HR leaders across the country also anticipate challenges related to identifying and recruiting qualified workers at all levels, especially senior management and executive positions.

Upon deeper analysis based on region and industry, the risks to operations vary considerably. Survey participants in public sector enterprises are principally concerned with the stability of government funding and corporate support, whereas their private sector counterparts rank weak commodity prices and increased federal/provincial government regulations as the top enterprise risks. A volatile Canadian dollar is a blessing or a curse, depending if your business exports goods and services or welcomes tourists versus importing goods and materials. Additional comments reinforced concern over NAFTA negotiations and more protectionist United States economic policies that could impede competitiveness of Canadian companies, especially manufacturers.



## Risk, continued



HR leaders across the country expressed concerns about enterprise risks at regional levels. Alberta and Ontario have introduced increases to the minimum wage which, according to HR leaders in those provinces, will weigh heavily on small businesses and industries that employ low income earners, such as retail and hospitality. Low commodity prices and increases to carbon levies across the country are of primary concern to survey respondents in the energy and energy services sectors. The renewable energy sector stands to benefit from the deployment of these revenues and public policy shifting to more renewable energy sources. HR leaders with forestry companies in British Columbia, Quebec, and New Brunswick rank the uncertainty of the Softwood Lumber Agreement negotiations and future US economic policy as their top enterprise risks.

HR practitioners in banking and finance are most concerned about increased government regulations related to tighter mortgage restrictions and likely increases to interest rates coming from the Bank of Canada in 2018. Digital disruption in banking was also identified as a risk to conventional banking service delivery. Information Technology and Communications (ITC) leaders worry most about trade agreements, US economic policy, and the ability to recruit and retain top talent. HR leaders in mining identified weak commodity prices as the top enterprise risk, and those mining companies with international operations included increased foreign government regulation and intervention as top enterprise risks.

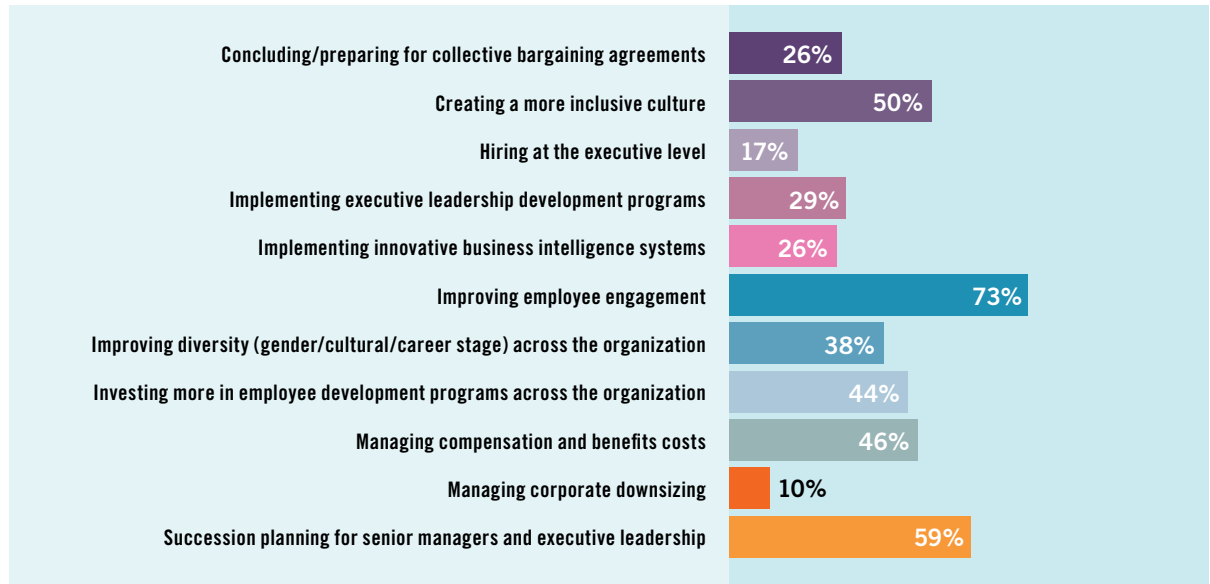
What industries and regions are worried most about the forthcoming legalization of marijuana? HR leaders in manufacturing and those industries utilizing heavy equipment rated this as a top-three area of concern. Across the country, HR leaders in the Maritimes are the most concerned about legalized marijuana and its usage among employees, ranking this enterprise risk among their top three. HR leaders based in Manitoba, Saskatchewan, and British Columbia appear to be the least concerned, ranking marijuana legalization outside the top seven enterprise risks impacting their operations.

## Risk, continued

Looking at your own organization from an HR perspective, what are your objectives and priorities for 2018? Please select all that apply.

*Note: respondents were allowed to select multiple answers.*

### ANSWER OPTIONS—OVERALL PERSPECTIVE



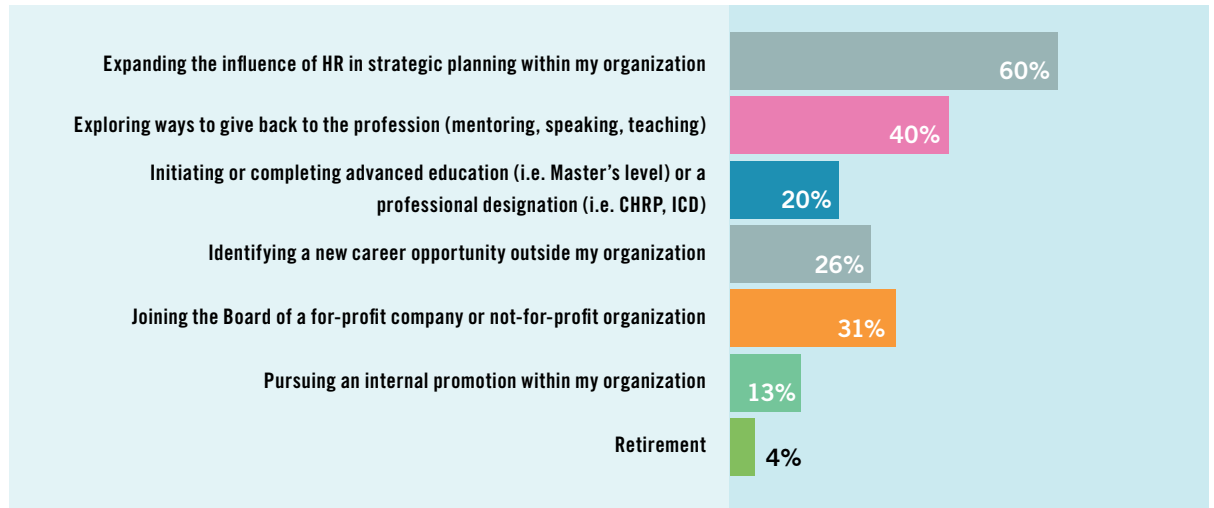
The primary objectives for HR leaders in Canada is improving employee engagement. This is in response to the strong economy and the difficulty attracting and retaining skilled workers and top performers, according to contributed comments. Succession planning at senior levels is also uppermost in the minds of HR leaders as retirement looms for older employees, especially in highly technical positions in the natural resources. To manage this transition of talent, investing in employee development programs is deemed a top priority. HR leaders are also mindful of the bottom line, and managing compensation costs is an objective for 2018. This will become an area of greater concern in industries that are highly competitive for high-demand talent, such as ITC.

## Risk, continued

On a personal level, what are your professional objectives and priorities for 2018? Please select all that apply.

*Note: respondents were allowed to select multiple answers.*

### ANSWER OPTIONS—OVERALL PERSPECTIVE



Once again, HR leaders identify the desire to contribute more to strategic planning within their organization as their top objective for the new year. This is a consistent theme across all industries and regions of the country, which suggests that organizations are underutilizing or possibly ignoring the valuable contributions HR professionals can add to long-term strategic planning. Considering the importance of human capital to every industry, the lack of engagement with HR in strategy development remains a significant blind spot within many organizations.



## Voices

### Greg Conner

VICE PRESIDENT, HUMAN RESOURCES AND CORPORATE SECRETARY • BC TRANSIT

[In 2018] I see organizations in Canada and other nations advocating for and enhancing corporate social responsibility initiatives as a driver of engagement and social progress. At BC Transit there will be increased focus on leadership development at all levels of the organization. Talent is such a scarce commodity and whatever we can do to enhance the effectiveness of our organization and its people will be a human resource imperative.



### Jenine Ellefson

GLOBAL HEAD OF PEOPLE • GOLDCORP

After a period of business optimization, we are taking an employee-centric approach and focusing on creating a superior employee experience. We are paying attention to employee perceptions and engaging our people to improve all facets of work, including culture, technology and the work environment.



### Jason Elliott

HUMAN RESOURCES MANAGER • CITY OF LETHBRIDGE

Effective communication is a cornerstone of organizational success. A key theme for us in 2018 is leveraging the “power of conversation.” The individual ability to have meaningful conversations in the workplace is the key to creating trusting relationships. Strong relationships open windows of opportunity and help to prevent issues from developing into complex problems. Specific areas where the power of conversation will show results include: higher levels of respect and civility, increased supervisor capacity and effective approaches to physical and mental health challenges. Our success will be determined by how well we communicate with each other.



### Matt Handford

SENIOR VICE PRESIDENT, PEOPLE • HOOTSUITE

Stop talking and get serious about making real change on the topic of global diversity and inclusion. If we want to get serious about making a difference, we need to markedly change our approach as employers and find effective solutions to creating environments where employee differences are valued and create competitive advantage.



### Layla Khalil

VICE PRESIDENT OF HUMAN RESOURCES • EAST COAST CREDIT UNION

At East Coast Credit Union, our main objectives have been to enhance our employee engagement and create a vibrant corporate culture to attract and retain top talent. Building a diverse and resilient workforce will address our needs to have a high-performance team and an enriched culture. In 2018, we will be reaching out to our skilled immigrant population through a partnership with the local immigrant settlement service provider and applying to the Atlantic Immigration Pilot (AIP) to become a designated organization. AIP is a new employer-driven immigration program designed to address labour gaps in Atlantic Canada and support skilled immigrants and international student graduates.



### Paul Proulx

SENIOR VICE PRESIDENT CORPORATE SERVICES • DPM INC.

In 2018 and beyond, the disruptive role that digital plays in reshaping our industry and the world will continue to gain critical mass. Traditionally the mining business has been slow to respond to changes. We look to harness the power of digital as the essential element in transforming our business and achieving competitive advantage. HR’s challenge is to bridge the gap between the current and future state by ensuring our people thrive during what will become an increasingly turbulent time.



## Voices, continued

### Chris Reid

VICE PRESIDENT HUMAN RESOURCES • SEASpan ULC

Nearly three generations have passed since Canada saw any significant shipbuilding industry on the west coast. With that, the knowledge and skills associated with building ships and marine vessels had all but been lost within Canada. Seaspans ULC has been awarded the opportunity under the National Shipbuilding Strategy (NSS) to design and build the non-combat surface vessels for the Canadian Coast Guard and the Canadian Navy, and we are faced with the challenge of also rebuilding the Canadian shipbuilding industry at the same time.

Over the last number of years, we also realized that we needed to focus on the broader eco-system that supports our company and our industry—our customers, educational institutes, our vendors and the government—all were underprepared to build ships. We have had to concentrate our efforts on growing talent from within, and working with our many trade unions and the educational institutes to implement training programs and standards to ensure we have talent necessary to execute this portfolio of projects over the coming decades. This journey has been about more than just designing ships and building them, it has been about reigniting an industry that had almost completely disappeared.



### Mike Roberts

CHIEF HUMAN RESOURCES OFFICER AND VICE PRESIDENT SAFETY, HEALTH & SUSTAINABILITY • NALCOR ENERGY

At Nalcor Energy, our mandate is to realize value from our province's available energy resources. We do this by maintaining and managing our electrical assets, and we are planning thoroughly to ready the province's electricity network for the integration of Muskrat Falls power and interconnection to the North American electricity grid.

This requires a clear vision, strong financial controls and cost discipline, managing enterprise risk, and ensuring forward-looking human resource assessment and capacity building. To meet our HR needs, a key business imperative is our Diversity & Inclusion strategy. A diversity of backgrounds, ideas and experiences enriches the company and contributes to an innovative, high performance environment, while enabling us to attract, recruit, develop and retain employees.



### Susan Vann

VP HUMAN RESOURCES • THE LITTLE POTATO COMPANY

We've grown 25 to 30 percent each year across Canada and the U.S., which is both a challenge and an opportunity for our team. To seize on this, we cultivate a culture of learning and advancement to ensure their success. We are in the process of finalizing personalized development plans to help our employees do their best and achieve their aspirations. We believe the best way to plan for and leverage positive growth is to have a diverse, highly engaged, business-focused team and a solid and measurable business plan.



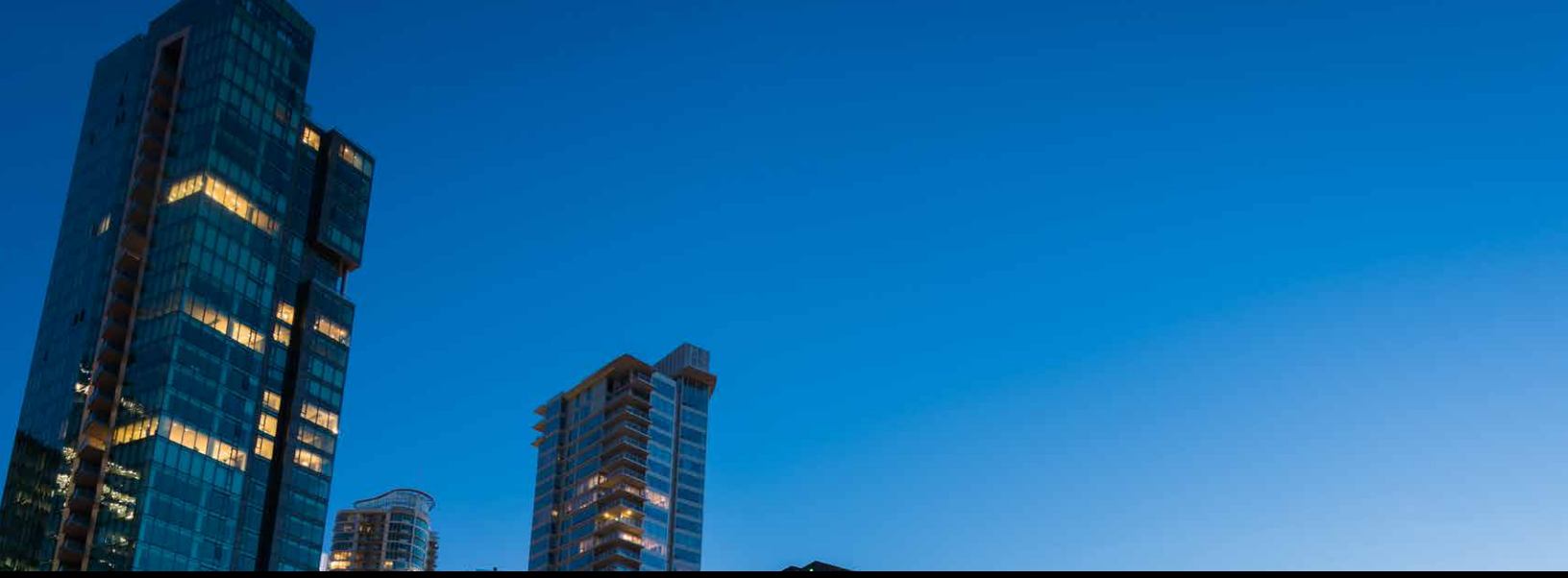
### Rob Van Nus

VP HUMAN RESOURCES & CORPORATE SERVICES • GRAYMONT

In 2018, there will continue to be a risk of disruption to the North American economy. Whether the disruption is from the NAFTA negotiations, carbon regulation, tax reform or new technology, we are trying to stay agile so we can capitalize on any opportunities that might arise.

We are also staying focused on cybersecurity. It is a matter of when, not if, we will get attacked. We have developed some good internal capability which will help us mitigate the risk.





Alexander Whitehead Executive Search is a western Canadian boutique search and management consultancy firm providing advisory services to our clients in the areas of senior management, executive, and board search. Alexander Whitehead operates in Vancouver, British Columbia and Calgary, Alberta.

To comment about *HR Q&A: Looking Ahead to 2018* please contact Terry Whitehead, Managing Partner, Alexander Whitehead Executive Search, at [Terry@alexanderwhitehead.com](mailto:Terry@alexanderwhitehead.com).



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