

RECRUITMENT AND RETENTION OF LOW AND MEDIUM-SKILLED WORKERS IN PRINCE RUPERT AND PORT EDWARD

by

Christopher Armstrong, B.J. Carleton University, 2001

M.L.I.S McGill University, 2008

Kristi Farrell, B.A (Hons) Concordia University, 1997

PDP Ed Simon Fraser University, 2004

Karen Sawatzky

EMBA, Simon Fraser University, 2018

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Approval

Name: Chris Armstrong, Kristi Farrell, Karen Sawatzky

Degree: Executive Master of Business Administration

Title of Project: Recruitment and Retention of Low and Medium Skilled Workers in Prince Rupert and Port Edward

Supervisory Committee:

Ian McCarthy
Senior Supervisor

Date Approved:

Executive Summary: Without People You're Not in Business

Prince Rupert is facing an imminent labour shortage. While the economy is doing well, its small businesses seem to be suffering from the community's success. Local businesses such as small to medium sized enterprises (SME's) and larger enterprises are encountering significant challenges in retaining their current workforce and recruiting new workers to fill vacancies. Small and medium businesses are fighting to retain their existing workforce as their employees are poached by industrial employers. At the same time, employers find it difficult to recruit workers, particularly from out of town, to fill empty positions. The remaining pool of talent is missing key skills and equivalencies for entry-level work. This is compounded by the fact that the population is aging and declining. In other words, the local economy of Prince Rupert and Port Edward is in danger of collapsing due to a worker shortage, despite a thriving economy. Without a solution to this problem – and soon – there is a risk that more businesses will close. As one small-business owner told us, “without people, you're not in business.”¹

To address these issues, the authors have conducted qualitative and quantitative data to explore the root causes of the labour shortage with recommended strategies to overcome this hurdle. The research is outlined as follows:

Chapter One: Demographics and Employment Skill Requirements

- An overview of the British Columbia economy and the trickle-down economics to the Northcost/Nechako regions inclusive of Prince Rupert and Port Edward.

Chapter Two: Global and National Policy

- Macroeconomic trends affecting the Prince Rupert economy, contributing to recruitment and retention shortages

Chapter Three: Skills Gap in BC and Prince Rupert/ Port Edward

- An exploration of local skills gaps and demands required by workers

Chapter Four: What Employers Want

- Key findings of a local business survey showcasing regional employer needs with reference to attracting, training and retaining workers

Chapter Five: What Employees Want

- An examination of labour issues from the workers' point of view

Chapter Six: Exploitative and Exploratory Strategies

- Applying a Blue Oceans framework to solve labour shortage problems. Exploitative strategies are recommended to recruit and increase the number of workers. Explorative strategies are discussed as a solution to business' workers retention problems.

Throughout the chapters, the authors will be relying on both primary (interviews, survey results) and secondary (readings) data collected to match theory with ongoing practice.

Despite this impending problem, there is no coordinated leadership in Prince Rupert / Port Edward to guide and advise business owners on how to recruit and retain good employees.

Nor is there a coordinated effort or plan in place, thus far. This paper investigates how implementing a strategy such as Blue Ocean will lessen the immediacy of the issue and potentially integrate a new approach to an ongoing concern that faces several boom or bust resource-dependent economies like as Prince Rupert and Port Edward.

Chapter One: Demographics and Employment Skill Requirements

The demographics of an ageing workforce and increasingly attractive, well-paid career opportunities outside of the regular retail and service sectors traditionally employing low to medium skilled workers make the recruitment and retention of staff one of the biggest challenges communities all over BC are facing. For areas like Prince Rupert and Port Edward, the situation is often compounded by a rural location, less than competitive provincial wage structure and declining and ageing population.

Chapter One outlines the economic, employment and population demographics of British Columbia and the Northcoast / Nechako region for Prince Rupert and Port Edward. Provincial and regional economic and employment data provide insight on trends and characteristics of labour market participation. A provincial statistical profile indicates how the local workforce is shaped. The chapter features: an economic overview of the province and region; labour market forecast for the next 5-10 years; occupational outlook; investigation of labour demand; and an overview of labour market participation.

1.1 British Columbia's Economy

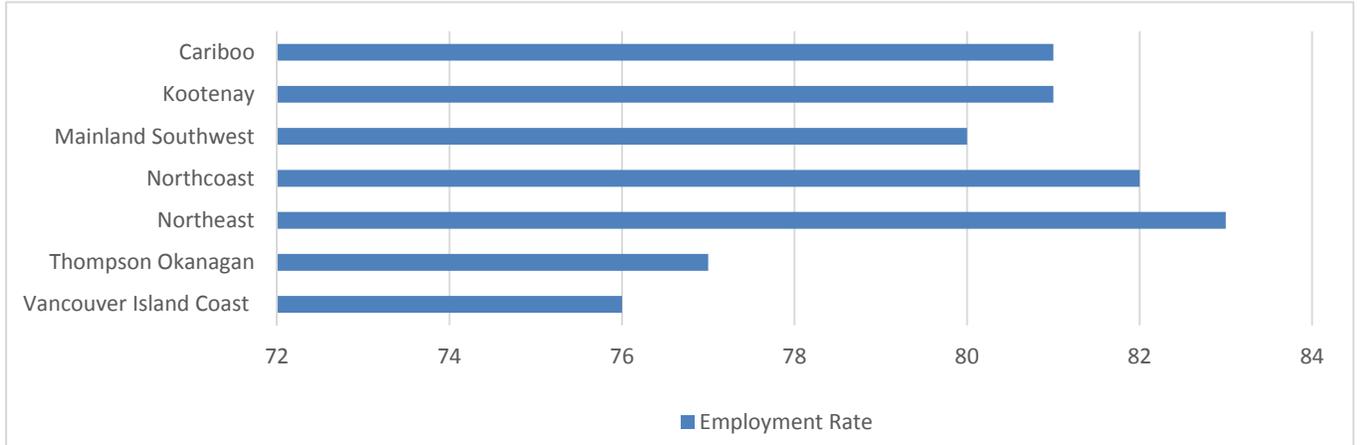
With an improved economy comes improved labour market conditions. Since 2010, total employment in the province grew by 1.7%, back to pre-recession levels. The goods producing sector employed 0.9% more workers while the service sector reached its highest level in years at 2 % higher than 2009. The number of unemployed workers increased by 0.8% to 186,000 as

more people entered the labour market. With an improved economy and labour market, the GDP is expected to grow between 1.8 to 2.8% annually between the period of 2010-20. The unemployment rate is expected to drop steadily throughout this ten-year period, down from 7.5% (2011), to 6.5% (2015) to a predicted 5.2% in 2020 (BC Labour Market Outlook 2010-20).

The province of BC is divided into seven economic regional zones including: Northeast; Mainland – Southwest; Northwest-Nechako; Thompson-Okanagan; Kootenay; Vancouver Island–Coast; and Cariboo. Economic and labour market opportunities are primarily differentiated by economic base, industry performance, demographics and major projects.

Between 2010-20, 1,027,400 job openings in British Columbia were predicted due to new jobs generated through expansion demand and replacement to fill workforce losses due to an aging population (retirement, death). Two-thirds of job openings would be attributed to replacement demand, with one-third covering expansion opportunities. Demand growth is expected to vary across regions, from a high of 1.7 percent annually in the Northeast region to a low of 0.5 percent annually in the Cariboo. At the provincial level, demand for workers is expected to increase at an annual average rate of 1.4 percent. As of 2015, Northwest-Nechako workers employed was 42,200 compared to a provincial number of 2,306,200.

Figure 1.1: Full-time Employment Rate by Region, 2015



2015 Labour Force Survey

In all regions, the demand for workers is expected to increase at a higher rate than the labour force, leading to a tightening of labour market conditions. On the whole, demand is expected to outgrow the labour force by 61,500 workers between 2010 to 2020. Labour market conditions are affected by both demand and supply. When demand for workers grows faster than the supply of workers, the labour market starts to absorb any excess supply of workers. Tight labour market conditions are expected after the excess labour supply is absorbed.²

1.1.1 BC's Labour Market Forecast

Labour market conditions are expected to gradually improve. With the growth in the economy and labour market over the past years (2015-16), more people have been looking for work and more people are employed, leading to a slight decrease in the unemployment rate. The B.C. Economic Labour Forecast indicates that more than one million job openings are expected throughout the province over the next 10 years. By 2016 the number of workers needed in B.C. is expected to exceed the number of workers available province-wide. This trend toward tightening labour market conditions is even more apparent at the regional level. Starting in 2011,

labour demand exceeded supply in both the Northeast and Northwest – Nechako regions. Growth in the demand for workers is expected to outpace growth in the supply of workers, leading to an estimated provincial shortage of 61,500 workers by 2020. Projected forecast of labour market conditions for 2018-28 are as follows:

- Tight labour market conditions will involve demand for workers exceeding supply, emerged at the provincial level post 2016.
- Slower growth in both demand and supply for workers in forecasted for 2018-20, reflecting uncertainty in global economic activity and declining workforce participation in the workforce, due to an aging population, resulting in greater job openings
- 1,027,400 job openings in BC are expected between the 2010-20. Two-thirds will be due to demand in replacing retiring workers. One third to new jobs due to economic growth.
- Demand for workers is expected to increase annually by 1.4%.

1.1.2 Occupational Outlook

Projected occupational outlook for 2018-25 is as follows:

- Over two-thirds of job openings will be to replace exiting (retiring, deceased) workers.
- Half of total projected job openings are expected in three major occupational groups:
 1. Sales and Service Occupations
 2. Business, Finance and Administration Occupations
 3. Management Occupations

- Sales and Service occupations, attract primarily low skilled workers and offer significant opportunities to enter the labour force and develop skills and competencies. About 30 percent require medium skills (advanced education or work experience).
- Business, Finance, Administration and Management occupations offer a wide range of opportunities, employing both low to medium skilled workers and are critical positions to every organization in BC.

1.2 Regional Profile: Northcoast / Nechako

The Northcoast / Nechako region is located in the northwest part of British Columbia, covering coastal areas of the northwest province and Haida Gwaii. Prince Rupert (pop. 12,220), Port Edward (pop. 467), Terrace (pop. 11,320), and Kitimat (pop. 8,987) are the major centres to the region. The region stretches from the B.C. Yukon border in the north down to the central Lakes District. The area is one of the less populated regions in the province, home to just over 2 percent of B.C.'s population. Approximately 68 percent of the region's population is of working age (15-64). According to 2016 Stats Canada census, the population of Prince Rupert decreased by 2.3% since 2011, below the national growth rate of 5.0%, while the population of British Columbia increased by 5.6%. For Port Edward, the numbers dropped from 544 persons in 2011, showing a decrease of 14.2%.³ Since 2014, there has been an increase in workers connected to the proposed liquified natural gas (LNG) projects. While the BC statistics estimates show an 11% contraction in size between 2011 and 2015, the City of Prince Rupert estimated a 3% increase in this period.

Prince Rupert has a comparatively young resident population although almost all of its growth is being driven by age groups 55 years and older. While the overall population decreased 2.5% between 2006 and 2011, the proportion of seniors grew by 9.6%. It is expected that this population sector will grow by 103.1% in the next two decades. Migration patterns also indicate that while workers continue to move to the area, just as many people are moving out. In short, there are fewer people moving the Northcoast and staying for the long term.

Levels of educational attainment in the region are rising much faster rate than elsewhere in BC. In addition, this region recorded the greatest gains in job creation between 2014 and 2015, the only area in BC to see a drop in its unemployment rate (2015-16). This would indicate that economy is transitioning from a resource-based to knowledge-based one. But this will take time and a lot of will from many of the players in town. For now, businesses are facing a lack of qualified applicants to perform a variety of tasks such as customer service, cash balancing, and basic computer skills to name a few.

An 18% increase in consumer insolvencies between 2014 and 2015 signals growing levels of financial stress. While 2014 median incomes were slightly above average, as of 2011, 23% of individuals were considered to be low income and one-quarter of households, including 36% of renters were spending 30% or more of their total income on housing.⁴

1.3 Employment – BC

According to a study recently released by Statistics Canada, the Lower Mainland-Southwest, Vancouver Island and Coast economic regions both have a high job vacancy rate as well as a low unemployment rate, echoing the province's overall tight labour market conditions.

BC has the lowest unemployment-to-job vacancy ratio in Canada. There are 2.2 unemployed persons per job vacancy in BC compared to the national average of 3.4.

Similar to Kootenay and Northeast regions, the Northcoast-Nechako region is not currently experiencing such a tight labor market, as high unemployment and job vacancy rates fall above the national average. One possible explanation is that skills sought by employers do not necessarily match current supply in these regional labour markets. The region employs 7% of the workforce in the province and the people in this region tend to be young and more likely to participate in the labour market.

Table 1.1: British Columbia Monthly Labour Force Statistics by Economic Region

	Employment			Unemployment		
	October 2017	October 2016	Yearly Variation (%)	October 2017 (%)	October 2017 (%)	Yearly Variation (% points)
British Columbia	2486.2	2408.5	3.2	4.9	5.8	-0.9
Economic Regions						
Vancouver Island and Coast	389.8	373.4	4.4	4.9	5.6	-0.7
Lower Mainland-Southwest	1596.9	1556.4	2.6	4.2	5.3	-1.1
Thompson-Okanagan	264.6	253.2	4.5	8.0	6.9	1.1
Kootenay	69.7	66.4	5.0	7.7	9.2	-1.5
Cariboo	83.1	79.4	4.7	5.9	7.1	-1.2
North Coast and Nechako	44.3	41.7	6.2	5.9	7.7	-1.8
Northeast	37.8	38.1	-0.8	6.0	9.7	-3.7

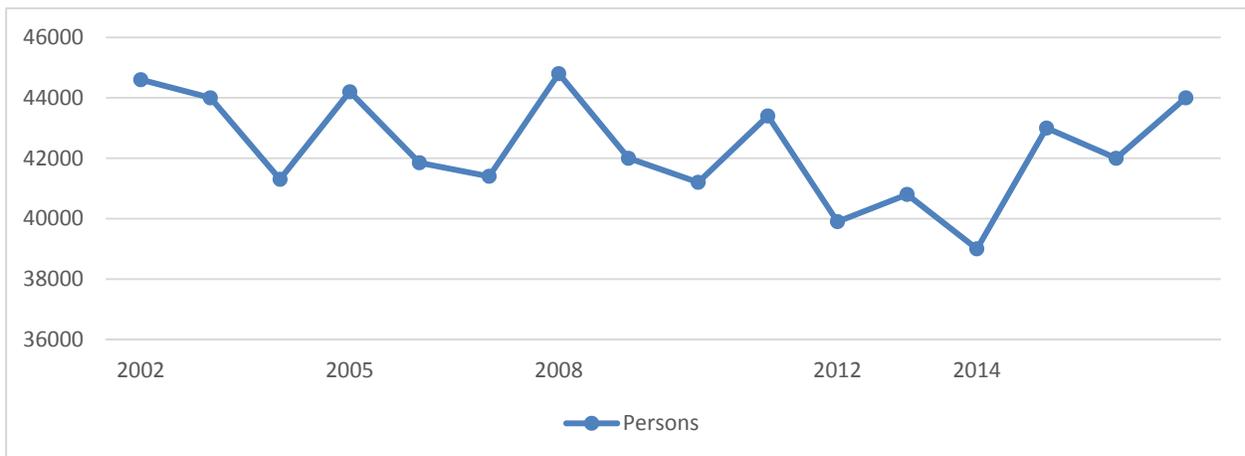
Statistics Canada Labour Force Survey

The region has consistently had more unemployment in the past than most other regions. In 2015, the rate for unemployment was above the provincial average at 7%. Latest census data brings it to 5.9%.⁵ Approximately 68% of employment in this region stems from the services-producing sector, typically employing low to medium skilled workers.

1.4 Employment – Prince Rupert / Port Edward

Specific to the Prince Rupert – Port Edward area, employment levels fluctuate significantly year to year primarily due to global changes in commodity pricing which impact the natural resource sector, such as manufacturing loss or construction job gains.

Figure 1.2: Northwest-Nechako Employment Forecast



Statistics Canada 2015-17 Forecast

The hyper-economic growth forecasted mid 2013-14 as a result of the \$36-billion LNG development was recently quashed with a July 2017 announcement that Pacific Northwest LNG would not advance, an expectation for large growth, development and job creation to Prince Rupert and Port Edward. The economic outlook for Prince Rupert and Port Edward however, continues to remain positive.

Slow and steady growth will be realized through the Port of Prince Rupert. DP World, a Dubai-based global terminal operator, completed an expansion of the Prince Rupert container facility, making it the second largest in Canada with an annual capacity of 1.35-million container throughput. The terminal is expected to create more than 200 new jobs to handle capacity increase. Alta Gas is completing the construction of a \$500 million propane export facility on Ridley Island, creating 200-250 interim construction jobs with 40-50 permanent operational jobs. Ray Mont logistics recently opened an agri-food stuffing operation to export grains from western Canada with 40 new jobs to the community. Pembina announced a Final Investment Decision for a \$275 million small scale propane export facility, expecting to create 150-200 construction jobs and 20-30 permanent operational jobs. The Port currently ships over 20 million tonnes of cargo annually, representing over \$35-million in global trade and creating 3,300 direct jobs.

1.5 Occupational Growth - BC

Occupations that are expected to have the highest employment growth are mostly employed in the industries with the highest growth in the region. Five industries forecasted to expand the fastest in the region are seen in Table 1.2 below.

Table 1.2: Employment Demand by Industry

Industry	Average Annual Employment Demand Growth
Accommodation Services	2.1%
Support Activities for Mining and Oil and Gas	1.4%
Other Professional, Scientific and Technical Services	1.4%
Oil and Gas Extraction	1.4%
Architectural, Engineering and Related Services	1.3%

BC 2025 Labour Market Outlook

Specific to the Low and Medium Skilled employment sector, the following table outlines the top employment vacancies until 2025.

Table 1.3: Employment Vacancies 2015-2025

Skills and Training	Occupation	Expansion	Replacement	Job Openings	Wage
LEVEL 0 Combination of education and experience	Retail and Wholesale Trade Managers	0	1740	1740	\$24.23
	Managers in Agriculture	-10	710	700	\$13.00
	Construction Managers	100	380	480	\$39.00
	Restaurant and Food Service Managers	90	370	460	\$19.71
	Managers in Natural Resources and Fishing	30	260	290	\$37.40
LEVEL C Secondary school and/or occupation-specific training	Transport Truck Drivers	100	2360	2460	\$24.50
	Retail Salesperson	0	1420	1410	\$13.75
	Heavy Equipment Operators	140	880	1010	\$28.84
	Receptionists	280	370	650	\$16.50
	Teaching Assistant	70	570	640	\$22.00
LEVEL D On-the-job training	Light Duty Cleaners	250	510	760	\$14.50
	Food Counter Attendants, Kitchen Helpers	280	420	700	\$10.75
	Construction trade labourers	180	520	700	\$20.80
	Cashiers	60	430	490	\$11.00

BC 2025 Labour Market Outlook

1.6 Industry Growth – Prince Rupert / Port Edward

Economic growth for the region outperformed the broader provincial economy (2010-13) given a positive commodity cycle, growth in resource exploration, facility modernization and positive interest from China. Recently, the economy slowed due to global growth deterioration. In the next few years, high growth will come to sectors in construction and its suppliers, as well as industries benefitting from a low Canadian dollar and energy prices (manufacturers / exporters, goods and services, tourism and hospitality). This forecast implies higher short-term growth to interprovincial in-migration yet subsequent pressure to facilitate additional housing, and subsequent goods and services.

As a whole, the economy for Prince Rupert-Port Edward area is generally reliant on the goods and services sector related to localized industry, such as port activity.

1.6.1 Service Sector

The service sector had just over 1% share of provincial employment in the region in 2015 but plays a large role as a main employer to the area. The Port of Prince Rupert has expanded in recent years and now has the capacity to handle container traffic. The growth of the Port has created more opportunities for employment in Transportation and Warehousing, which may explain the higher than average share of employment in that industry. The majority of industry with the Services sector is geared towards Port development and expansion.

1.6.2 Goods Sector

This region was home to less than three percent of jobs in the Goods-producing industry

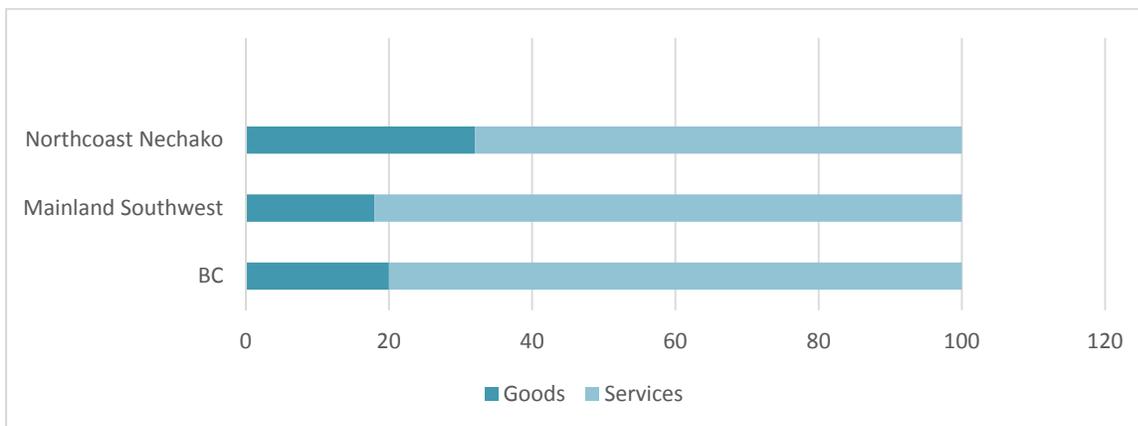
(agriculture, forestry, mining, oil and gas, fishing, hunting, utilities, construction and manufacturing). Forestry and logging account for a large portion of employment in this sector, with some mining activities. Fishing remains an important seasonal activity on the coast.

Table 1.4: Share of Employment by Industry, 2015

Industry	Share of Regional Employment	Share of BC Employment
SERVICES		
Category		
Wholesale and Retail Trade	16.4%	2.0%
Healthcare and Social Assistance	11.1%	1.6%
Accommodation and Food	7.6%	1.8%
Educational	7.1%	1.8%
Transportation and Warehousing	6.2%	1.9%
Public Administration	4.0%	1.8%
Other Services	4.0%	1.6%
Finance, Insurance	3.6%	1.2%
GOODS		
Manufacturing	12.6%	3.1%
Construction	9.7%	2.0%

2015 BC Labour Force Survey

Figure 1.3: Share of Employment in Goods and Services 2015



Labour Force Survey

2015 BC

1.7 Labour Demand

A growing economy drives the demand for new workers. While workers tend to respond to demand, it takes time for people to move to places where jobs are available and to develop the necessary skills. In the short to medium term, this lag between the response of labour supply to demand often leads to imbalances in the labour market.

In all regions in B.C., the demand for workers is expected to increase at a higher rate than the labour force. This leads to tightening labour market conditions. For B.C. as a whole, demand for workers is expected to outgrow the labour force by 61,500 workers over the outlook period from 2010 to 2020. Labour market conditions are affected by both demand and supply. When demand for workers grows faster than the supply of workers, the labour market starts to absorb any excess supply of workers. Tight labour market conditions are expected after the excess labour supply is absorbed.

Labour and the economy are symbiotic and mutually influential. With a strong economy comes an attracted labour pool to the region, as people are attracted to areas of prosperity and opportunity. In addition, those previously not in the labour market are encouraged to take advantage of favourable conditions, increasing the available supply of workers. Conversely, unfavourable economies detract incoming participants who may leave the workforce or region altogether to find opportunity.

1.8 Prince Rupert / Port Edward Business Development

A recent Biz Walks 2017 survey of local business compiled by the Prince Rupert Economic Development and Community Futures of the Pacific Northwest found that on the

whole, business in the region was doing well. Eighty-two per cent of respondents stated business was either steady or growing, despite 25% indicating they would be retiring their businesses within the next few years. With respects to doing business the best features included clientele (86%), location (40%), business friendly climate (14%) and affordability, worker availability and quality of life (4%). Over the next 1-2 years, business expectations are good, with 69% optimistic about growth potential.⁶

The biggest challenges to business are viewed as availability of staff and training opportunities (56%). Parking and community growth (20%), ability to attract clientele, rents and taxes (5% respectively) were other concerns. Hiring is on the rise as 95% indicate a need for greater or equal staff levels in the next few years.

1.9 Sources of Labour Market Participation

Employers rely on several pools for workers including: the emerging and existing local / regional / provincial labour pool; immigrants (e.g., permanent residents, skilled trades immigrants, temporary foreign workers, provincial nominees PNP, family class immigrants, and refugees); interprovincial migrants; and graduates from B.C.'s education institutions (including secondary and post-secondary education graduates).

Both migrants and new labour market entrants (those who leave the school system and enter the labour market for the first time) are important components of labour supply. This is a critical component of re-stocking the labour pool, given an aging population combined with a steadily decreasing level of new entrants into the labour market from 2010-20. The labour field will rely increasingly on migrants as a source of new labour supply. Migrants to B.C. are expected to fill one-third (33%) of the total job openings in the province to 2020.

1.9.1 Immigration

Labour from immigration is an important source of new labour supply for the province. However, the number of immigrants, permanent / BC PNP residents and temporary foreign workers coming to B.C. is on a downward trend and insufficient to meet the current and projected job shortages.

Permanent residents in BC have declined over the past decade, from a high of 44,770 in 2005 to 35,700 in 2015, including 3,710 provincial nominees; 2,625 skilled workers; 1,550 Canadian experience class applicants; and 75 skilled tradespersons (Immigration, Refugees and Citizenship Canada, Research DataMart, 2015).

B.C.'s need for skilled and knowledgeable workers however exceeds current and forecasted immigration and interprovincial migration numbers. It is essential, therefore, that a made-in-B.C. approach to the education, skills development, and training of its current and future workforce is developed and mandated. If regions are unable to attract migrants at the levels projected, then labour market pressures will be more intense.

Chapter Two: Global and National Policy

Any strategy for sustaining and innovating a workforce must reflect lessons learnt from national, provincial and regional reports that look specifically at trends in the labour force and impacts these trends have at the local level. Interviews and surveys were also conducted to extract tried and true techniques from business and community organizations to give voice to experience and frustrations at the local level. This research guided the strategy to articulate localized employer needs and pertinent issues specific to recruitment and retention of the low and medium workforce in the communities of Prince Rupert and Port Edward.

This research derives global and national policy issues that are consistent across the country, including concerns about planning for a large upcoming retirement wave, adapting to a new workforce, impacts of rising wages on employment and recruiting workers for hard to fill positions. This section is intended to help broaden and inform the scope of thinking on recruitment and retention.

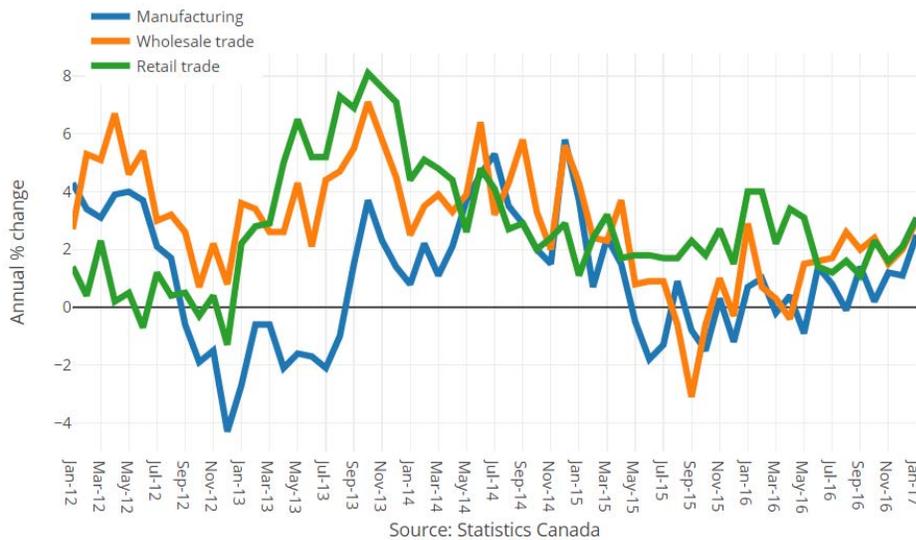
2.1 A Perfect Storm: Rising Wages and Increased Vacancies Squeeze Business Growth

To some degree, the problem Prince Rupert is facing around retention and recruitment of employees is the result of macroeconomic trends on a national scale. A strong national economy, and growth in industrial sectors like transportation and warehousing, have set the conditions for workers to find more opportunities with higher pay. As a result, the lower-paying jobs, like the service and retail industries, struggle to find employees to staff their organizations.

2.1.1 Improved Economy

Canada's economy has been strengthening year over year since the recession in 2009. GDP growth was pacing at 2.6% in 2017, making Canada one of the fastest-growing economies in the developed world. The energy sector has been making a comeback in recent years as energy prices improve and having a positive effect on the national GDP. The uptick in the energy sector has spilled over into increased activity in the transportation industry as Canada's natural resources are exported to other countries. Other sectors such as manufacturing, wholesale trade, and retail trade have been proving to be on the uptick. The construction industry has been posting year over year gains as new multifamily units and condos developments are built in response to the nation's demand for real estate investments.⁷ The figure below shows the growth in some key industries that have improved Canada's overall economy.

Figure 2.1: Key Drivers of Recent GDP Growth

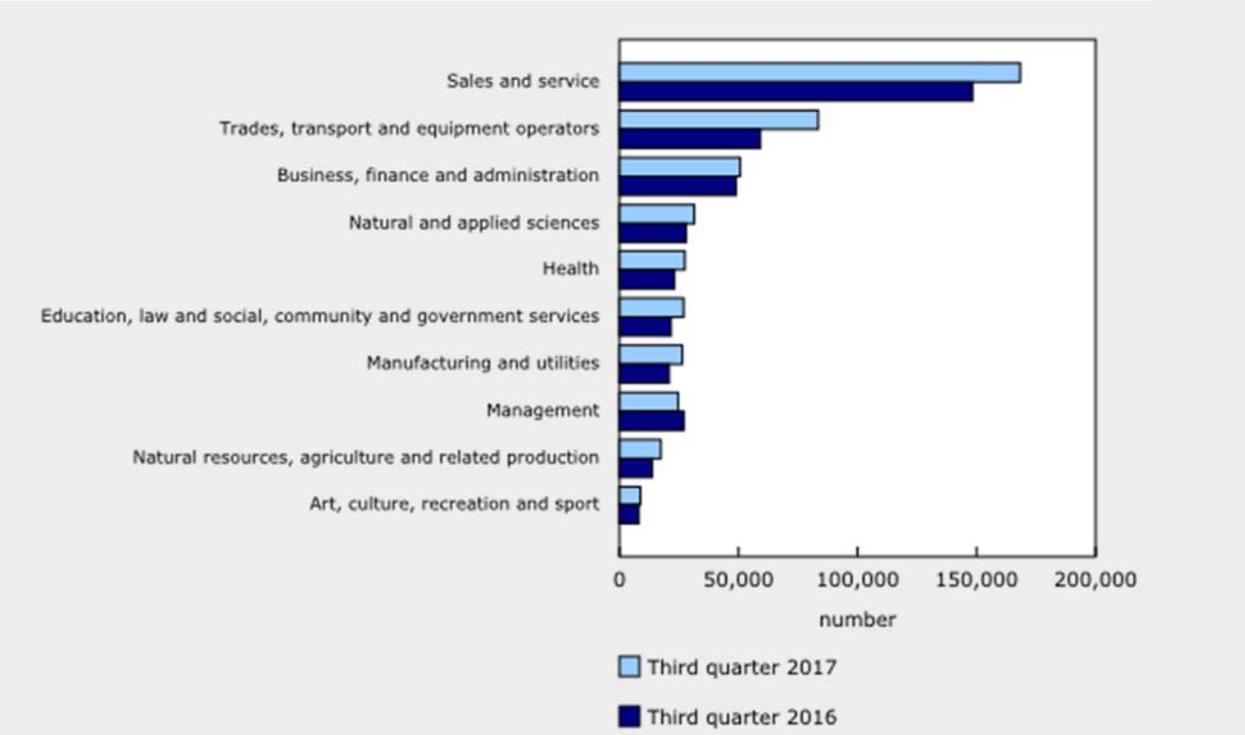


As the economy continues to grow, demand for labour across all sectors is on the rise. Last October, Canada posted the largest gain in full-time jobs in the last 10 years. The number of

new full-time positions outpaced the part-time positions. September and October 2017 saw the biggest ever job gain since 1976 – 200,700 jobs created in those two months alone. The unemployment rate decreased slightly from 6.3% to 6.2% as more applicants entered the job market.⁸

The majority of the new postings came from British Columbia. In the third quarter of 2017, the job vacancy rate nationally was at 2.8% while British Columbia’s was at 3.4%. As activity increases in the manufacturing and transportation industries, higher paying jobs are being created. Workers in lower-paying industries such as sales and service, restaurants and accommodation are moving into the manufacturing and transportation industries for larger pay cheques, causing higher turnover rates and prolonged staffing shortages. Unsurprisingly, the highest turnover rates occur in small businesses.⁹ On a national level, the lower-paying industries are facing the highest vacancy rates as illustrated in Figure 2.2 below.

Figure 2.2: Number of Job Vacancies by Broad Occupation Group, 3rd quarter 2016, 2017



Source: Statistics Canada

Having more job choices and opportunities are encouraging news for job seekers, but businesses are struggling to find and keep qualified workers. Across Canada, trends indicate that jobs in higher-paying industries such as natural resources and agriculture are being filled more quickly than positions in service industries. As businesses strategize to continue their growth, labour shortages are seen as being their number one challenge to achieving their business goals. Without workers in place, it's very difficult to achieve sales targets. The longer a job stays vacant, the wages for that position will go up in an effort to compete for talent, or the businesses will increase wages for its existing workers in order to retain staff.¹⁰

2.1.2 Rising Wages

In 2016, every province in Canada began raising their minimum wages with yearly increases expected up until 2020. The last decade has seen rising housing costs, increasing personal debt levels and stagnant wage growth. These trends have been negatively affecting minimum wage and low wage workers the most as the costs of living eat up more of their incomes. Provincial governments have recognized the need to alleviate the situation by mandating higher minimum wages. However, a report from the Bank of Canada in December 2017 made some surprising insights:

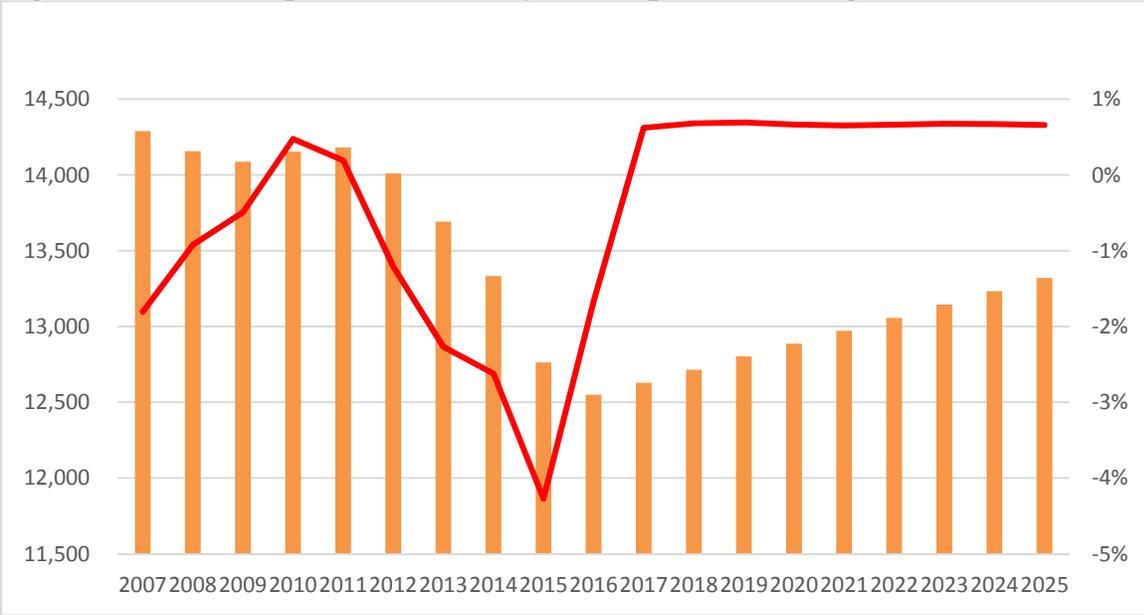
- Rising minimum wages can be afforded by businesses as they increase prices in the short term. This in turn will lead to higher inflation.
- Overall consumption would be reduced and could trigger interest rate increases.
- New minimum wage requirements can decrease employment and lower hours worked in the short term. Net effect could see potential employment losses of 60,000 workers.
- Workers' output would stay the same in short term. Long-term effects are unclear.¹¹

2.2 Prince Rupert and Port Edward’s Growing Pains

An interesting trend that has developed in the last decade is the decline in population growth. A 2016 Statistics Canada report shows that Prince Rupert’s population actually dropped by 2.3% from 2011. This is on top of a 12.5% population decrease from the 2001 census.¹² The economic growth in Prince Rupert and Port Edward has provided workers with higher-paying jobs. However, these jobs are not keeping workers in the area. Migration patterns show that for every person that moves in, someone else moves away.¹³ So what does this mean? Businesses are hiring candidates from a labour pool that is shrinking every year.

Future population numbers reveal an alarming trend. As the transportation and industrial sectors expand in Prince Rupert, the population growth is only barely keeping up with job creation. BC Stats is projecting modest 1% increases each year for the next nine years.¹⁴ (BC Stats, 2017)

Figure 2.3 Prince Rupert Past and Projected Population Changes



Source: BC Stats, 2017

2.3 Retirement Boondoggle and Provincial Job Growth

The last wave of the Baby Boomer generation is set to retire in 2025. Baby boomers have made up the largest percentage of the workforce both provincially and nationally. According to Work BC, over the next decade 70% of job vacancies in British Columbia will be the result of retirements.¹⁵ That's 640,000 workers in total retiring, and 64,000 new job vacancies each year over the next 10 years in British Columbia. While not everyone will be retiring at the same time, there is cause for concern as there is estimated to be only 438,000 young people available to fill these vacancies.¹⁶

For the North Coast / Nechako region, economic growth is only forecasted to be 0.4% annually until 2027. Retail trade and food service industries are facing the highest job vacancies in the next 10 years. Typically, these jobs are considered entry level with room to advance within a firm. Table 2.1 below illustrates the number of replacements due to economic growth and retirement replacements for next decade based on the top industries.

Table 2.1: Employee Replacement, 2017-27

Industry	Employment 2017	Employment Growth (Average Annual Growth Rate)			Expansion 2017-27	Replacement 2017-27	Job Openings 2017-27
		2017- 22	2022- 27	2017- 27			
Construction	3,440	0.8%	0.7%	0.8%	260	930	1,190
Other Retail Trade	6,240	0.2%	-0.6%	-0.2%	-180	1,260	1,080
Other Private Services	2,350	0.9%	0.8%	0.8%	200	620	820
Ambulatory Care	1,100	2.9%	2.4%	2.6%	340	370	700
Food services	2,520	1.4%	1.1%	1.3%	340	350	690
Hospitals	1,990	0.6%	0.3%	0.4%	80	570	650
Elementary Secondary Schools	2,400	-1.1%	-0.8%	-0.9%	-240	810	570
Other Manufacturing	460	8.8%	2.0%	5.4%	330	200	530
Mining	300	8.6%	7.3%	7.9%	370	140	510
Social Assistance	1,110	0.7%	0.3%	0.5%	50	310	360

Source: BC Labour Market Outlook, 2017

Job vacancies have resulted in an upward pressure on wages as firms compete with each other to attract new talent. Businesses are at the centre of the productivity storm as wages increase and face the choice of two dilemmas: losing customers when they raise their prices to pay for the higher wages; or, having to reduce personnel or worker hours to reduce the impact to their bottom line. Either way, companies will need to develop new processes to address productivity gaps. Losing customers can translate into lost revenues and high personnel expenses would cut into net profits.

2.4 Housing Price Effect on Workers

Home ownership has been a hot topic in the last decade in Canada. Many are buying property to build their own personal net worth, either by buying a home in the “right” neighborhood and betting on quick appreciation. Others are buying second properties and becoming landlords. This has resulted in the housing bubble that Canada currently finds itself in. The rate that housing costs have risen has outpaced the rise in real wages in Canada. More income is needed to cover a rent payment or mortgage payment. It was recently announced that the average monthly rental rate for a two-bedroom apartment in Vancouver is \$3130.00 – the highest in the country. Not surprising since Vancouver has the highest overall housing costs in Canada.¹⁷

While Prince Rupert is not experiencing those same high housing costs, the town is not immune to the upward trend either. The average price for a home in Prince Rupert was approximately \$190,000 in 2013. In 2017, the number had grown to approximately \$275,000. That’s a 7.68% annual growth rate on housing in Prince Rupert. In order to afford to buy a home

in that price range, the household income needed to support the mortgage payment would need to be at least \$92,000. That means using 33.05% of annual income to finance home ownership.¹⁸

If two people are making an income they would need to have jobs that pay more than the minimum wage. So those working in entry level or low skilled positions may find themselves needing to leave for better paying jobs that would allow them to be more financially independent.¹⁹

Chapter Three: Skills Gaps

The communities of Prince Rupert and Port Edward need to not only increase substantive workforce numbers but address critically needed skills for employees in order to ensure not only a productive and ample labour force for a rapidly growing economy but to also eliminate reliance on a variable and stretched existing workforce. It is suggested that a strategy can no longer rely on traditional models and expectations of what workers have but more so, *what they need* as it's time to be bold and innovative with an organized mandate that supports new ways of working and thinking.

Employee skills gaps have a significant impact on human resources and business operations. Gaps include a lack of fundamental employability skills, lack of workers who have specialized skills and overall lack of LMSW applicants needed for the growth of jobs to the region. This chapter also analyzes the shift in employer skill requirements and future employability challenges. Understanding these gaps in the labour market is essential to develop a effective strategy to attain, manage and compete for workers.

3.1 Symptoms of a Shifting Workforce

The current employment situation in Prince Rupert is the result of historical and recent trends of a boom and bust resource economy.

3.1.1 Historical Economic Trends – Prince Rupert

Historically, Prince Rupert has been a “union town,” with employees paid very well in either the pulp mill or fishing industries. Unions advocate for their membership in the areas of salary, job

security, and safety. Traditionally, it was the job of management to increase operational efficiency. For Prince Rupert, management fell along the typical management-union lines. Management was responsible for the company's operations, including ensuring financial viability and setting working hours. The union was responsible for filling positions with workers. In some ways, this really hasn't changed very much. While there are some non-union operations in Prince Rupert, for the most part it is still management decreeing and workers coming to work for their assigned shifts. This mode of operation cuts across all industries, from restaurants to retail stores, to the operations at the Port of Prince Rupert.

In the last decades of the 20th century, the economy started to trickle down. The fishing industry entered sunset territory as fish stocks declined and regulations tightened. In 2001, the pulp mill, the largest employer in Prince Rupert, shut down, and it only employed a skeleton crew for the next three years. Prince Rupert had a depressed economy for the first years of the 21st century, and many local businesses struggled to stay open. The main street in town, 3rd Avenue West, saw many closures of business, and many of those storefronts remain empty today. Most of the managers were founders of mom-and-pop operations, and though many looked for buyers, most opted to close down rather than continue to lose money as the economy continued its tailspin. Businesses that did survive the downturn were usually the market leaders in the local economy – jewelry stores like Cook's Jewelers, sporting-goods stores like Farwest, restaurants like Opa Sushi, and hotels like the Crest. The economy turned the corner a few years after the containerized shipping terminal officially opened, in 2008.

3.1.2 Current Economic Trends – Prince Rupert

As the economy strengthened, there was more call for employees at some of the bigger operations, such as the Prince Rupert Port Authority and DP World. Over the last few years, the town has become a major transportation hub, mostly due to the construction of a containerized shipping terminal, Fairview Terminal. Since its grand opening, Fairview has grown from a capacity of 500,000 containers to over 1.3 million containers after an expansion in 2017. The terminal is run by DP World, which employs unionized longshoremen. Since the expansion, more and more employees have been hired at the terminal. Although data is scarce on employment numbers and rates of pay, anecdotal evidence suggests the workers at the terminal make very good money. Kurt Slocombe, Terminal Manager, agrees business is booming.

The wage structure at the facility is such that our bare minimum wage is higher than just about anyone else in town. That's a reality of the industry that we're in. So for us, finding people who are willing to join this industry hasn't been difficult to this point...On the trades side, it's a slightly different story. Certain trades are readily available. We've had very little issue finding electrical staff. We do have difficulty finding heavy duty mechanics, so those folks are in large part now coming out of other provinces or another location within our province. We've sort of exhausted the local pool.

Of recent, the container terminal has drawn a large proportion of its workforce from the local labour pool. And with the addition of over 200 positions to the union hall this year, there may be even more of a drain on local workers, particularly LMSW's.

3.1.3 Impact of Trends on Local Economy

On top of DP World, there are other heavy-industry concerns for small businesses. Pembina has announced its intention to build a liquefied petroleum gas (LPG) terminal on Watson Island, just outside of Prince Rupert. During the construction phase, between 150-200 people will be employed, and there will be 20-30 positions once the terminal is in operation. Small businesses also have to contend with high rates of pay offered at Ridley Terminals Inc., the grain terminal, the Prince Rupert Port Authority, Northern Health, CityWest, and the City of Prince Rupert, among others. Despite this new reality being a healthy and robust economy for the worker, it has left a shortage of LMSW's to fill positions in service-based industries, such as retail, restaurants, and other customer-service-oriented businesses. It is difficult to hire good workers, and even harder to retain them. Many of these workers are attracted to the higher-paying jobs at Fairview Terminal, and with more industrial development on the horizon, they may also look for better-paying positions there as well.

3.2 Demand for A Low to Medium Skilled Workforce

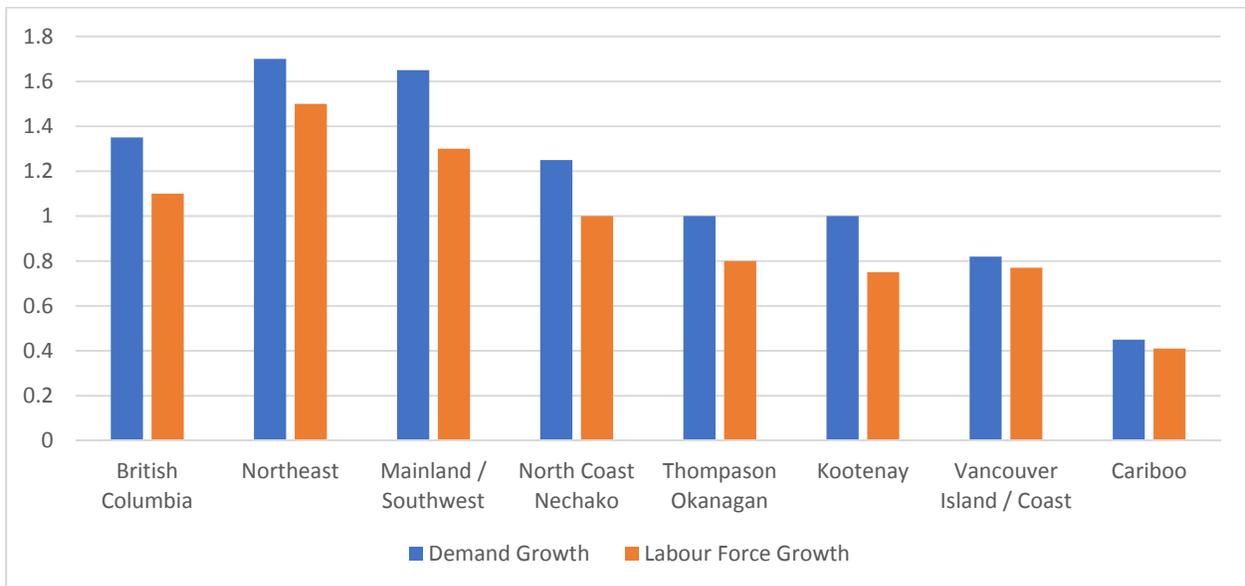
3.2.1 BC

Work B.C.'s 2024 Labour Market Outlook estimates that as many as 935,000 jobs will open up in the province from 2014–24 through retirement and new job creation. While the province is verging on economic growth, the challenge remains in how the province will go about filling these positions.

Demographic, economic, and technological changes will continue to shape B.C.'s labour and skills needs. But slow population growth combined with quickening retirement means B.C.'s labour force growth will not keep pace with the number of job openings. The British Columbia Labour Market Outlook 2010–2020 predicted that the number of job openings will surpass the number of available workers by 2016.²⁰

Demand for workers in the B.C. labour force is rising quickly and continuously. Though in the low skilled market the number of jobs fell 2% over the last 15 years, jobs held by high-skilled workers rose sharply to 32%. Labour sources are failing to meet demand, so much so that the rate of growth for workers is outpacing the growth in supply. For example, in 2015, B.C. had an intake of nearly 36,000 permanent resident immigrants, a figure down from 45,000 in 2005. Incoming labour participants are crucial for assisting in minimizing the labour supply gap. Current trends in immigration however continue to follow downward trends both provincially and federally, creating an even bigger gap between supply and demand.

Figure 3.1: Demand for Workers vs. Labour Force Growth in B.C.



Source: *British Columbia Labour Market Outlook 2010-20*

Economic and labour market prospects vary among the seven development regions in the province. They are affected by regional differences in economic base, industry performance, demographics, major projects and other factors. From 2017 to 2027, about 917,000 job openings are expected in the B.C. labour market. There are two components of future job openings. One is expansion demand, new jobs that are generated by economic growth. The other is replacement demand to fill permanent workforce losses from retiring workers and deaths. Close to two-thirds of job openings (676,400) are expected to be replacement demand and the remaining one-third (351,000) is expected to be expansion demand.

3.2.2 Northcoast / Nechako Region

Among the regions, the Northwest - Nechako region is expected to have one of the highest growth of demand for workers at 1.3 percent annually, compared to 1.6% for Mainland/Southwest. In a recent search with jobbank.gc.ca, 34 out of 40 job postings for the area were classified as “no education required, approximately 74% with no post-secondary or trade requirements.

3.3 Economic Forecast

According to B.C. Stats, the following trends are forecasted for the next 2 years:

- Tight Labour market conditions are expected in BC for the latter half of the period (2016-2020), expecting greater intensification towards 2020.
- Northwest-Nechako, along with Mainland / Southwest, Thompson-Okanagan and Kootenay are expected to experience tight conditions from 2012-15 and in 2020.

- Overall, the demand in BC is expected to outgrow the available supply by 61,500 workers, meaning the growth in supply will not keep up with the demand.
- New labour market entrants (entering workforce for first time) is expected to decline steadily from 2010-2020, reflecting the provincial population demographic shift to an older population.
- The BC labour market is expected to rely increasingly on migrants (new and inter-provincial) for new labour supply. New migrants are expected to fill one-third of the job openings up until 2020.

3.4 Skills Differentiation

Low skilled, low-wage workers encompass a number of job types in the personal, food services, retail and protective (security) services. Generally, on the job training is sufficient and provided for in these sectors. Medium-skilled occupations in the job market tend to require some formal education – usually beyond high school – but not a 4-year undergraduate degree at a university or college. The medium-skilled category includes many white-collar, administrative and sales occupations as well as blue-collar production, operator and labourer positions. In contrast, managers, professionals and technical workers – those typically armed with at least four or more years of postsecondary education – are deemed to be employed in highly skilled, highly-paid jobs.²¹

3.5 Wage and Labour Costs

In British Columbia, current wage costs for Low Skilled workers start at a baseline of \$10.85 per hour, with exceptions for servers of alcohol, subject to a special minimum wage of

\$9.60. The expectation is that gratuities augment this type of income although there is no set income rate for gratuities. The NDP provincial government recently announced incremental wage increases to \$11.35 effective September 15, 2017 with a \$15 per hour goal by 2021. Liquor server wages will increase to \$10.10 per hour with expected increases similar to the minimum wage for 2021.

The debate over the minimum wage level is very political. Some people view it is a fair way to redistribute wealth from profitable businesses to front line workers. The opposing view is that excessive minimum wages actually harm workers by causing businesses to freeze hiring or lay off staff. The political argument also centers on whether the minimum wage is supposed to represent a livable wage, or simply a fair amount for particular work. Small businesses in local communities, labor jobs with an ample supply of workers and standardized retail operations are among employers that commonly pay minimum wages to new employees.

In a recent statement, B.C. Premier John Horgan said, “ this action we're taking will make life better for working parents, seniors, new Canadians, students and more — these are people struggling to get by.”²² (<http://www.cbc.ca>). There is however, great debate on whether the increase in minimum wage will aid or hinder youth workers and the business community. Research by the Surrey Board of Trade indicates for small to medium sized business, every expense that impacts the bottom line counts. Increased wages would place a high burden on the business, which will have to transfer costs to increased product or service charges, or decreasing staff, affecting young people the most.

Recent surveys on the impact of increasing minimum wage in Prince Rupert show local businesses like Cowpuccinos and Fresh Onion restaurants would likely scale back operations, limit part time positions or increase product costs. An even greater challenge is absorbing costs

into their bottom line while competing with larger chains that have greater scales of economy to distribute operational costs. Judson Rowse, the owner of Cowpuccino's, told us his fears about minimum wage increases:

What it would mean for me is I'm going to have to shorten my hours, give less available hours for people to enjoy my place, work more and probably lay people off and just keep the core crew," he said. "There's just no way — I'll just go under. A lot of places will shut down."²³

3.6 Shift in Employer Skill Requirements

B.C.'s labour force relies heavily on Low to Medium Skilled Workers (LMSW). As of March 2016, 30% were filled by medium and low-skilled individuals without post-secondary education (PSE). By contrast, there is a 70% reliance on PSE skilled workers. As recently as 1991, the share was evenly split, 50/50. Since then, the province has emerged as a hub for knowledge, technology, and culture-based industries as well as major infrastructure and natural resource projects. BC employers have been consistently recruiting a higher skilled PSE educated workforce, away from low-skilled labour, at a rate of 1.7% per year. The number of PSE-workers has almost tripled since 1985.

Upskilling trends in the workforce in BC continued post-economic recession (2008-on) as employers accelerated their shift towards a PSE-educated workforce and away from low-skilled labour due to a booming economy and influx of available jobs. PSE-educated workers filled 100 per cent of the net gain of 76,000 jobs as the B.C. labour market rose to its pre-recession level from 2009-2012. Meanwhile, the number of jobs held by lower-educated and low-skilled workers fell by 39,400. All told, approximately 132,000 jobs that were previously

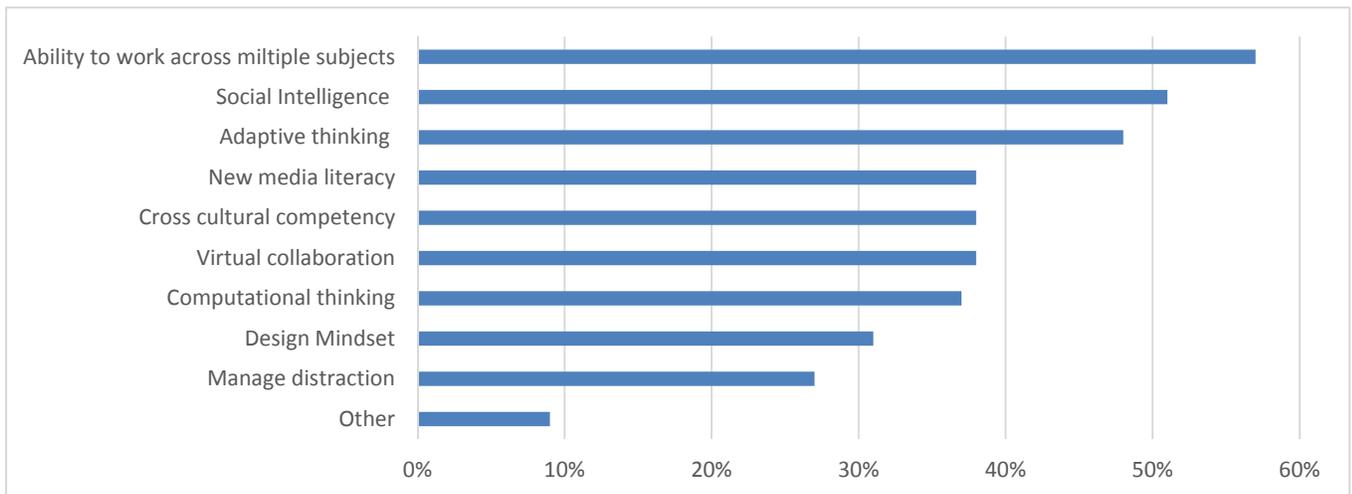
held by those with high school or less were replaced by jobs filled by PSE-educated workers. Forward forecasting shows that the proportion of jobs in the BC labour market filled by PSE-educated workers over low-skilled workers will continue to rise.²⁴

3.7 Future Skill and Employability Challenges

In the next three to five years, B.C. employers expect to face the greatest skills challenges (57%) through hiring and retaining employees with the skills they immediately require.²⁵ Furthermore, 50 per cent of B.C. employers say that it is increasingly difficult to hire and retain people with good employability/essential skills, such as critical thinking, communication, adaptability, information management, and working with others.

Employers are interested in traditional PSE credentials but recognize the array of skills required is evolving and can also be gained on the job. Many believe a more expansive aptitude is needed rather than a focus of specialization on one subject. Many feel an emerging need is the ability to work across multiple subjects, as well as social intelligence, and adaptive thinking.

Figure 3.2: Emerging Skills in the B.C. Workplace



Source: BC Labour Market Outlook, 2017

Employers surveyed in the Northwest region describe a wide range of consequences that would ensue in the case of a skills shortage or if they could not find enough employees for job vacancies. Over half of B.C. employers indicate that productivity would decline, sales would diminish or there would be a loss of new opportunities. Respondents suggest several other related outcomes, namely reduced profitability, less innovation and increased costs.

Employers surveyed indicate that ongoing job postings impact the overall ability of the business to function while others say this is a direct result of lost revenue. Additionally, clients are believed to be impacted by these deficits with other employees being overworked to fill the void. Meanwhile, lower employee morale and loss of motivation impacts existing workers.

Skill and work-placement shortages are believed by employers to be due to numerous reasons including: not enough workers interested / skilled for in-demand fields; lack of interest; and different expectations between employers and employees. More than a third of employers believe entry level positions are also becoming more complex, requiring greater skilled workers.

To address these issues, some employers indicate they are taking control of the situation by providing on-the-job training or have hired someone without the necessary skills but have provided training. The end result is to build employee motivation, loyalty and competitiveness.

Chapter Four: What Local Employers Want

The business communities of Prince Rupert – Port Edward are experiencing a significant shift in the local workforce of low to medium skilled workers (LMSW). Recruitment and retention of entry-level workers is posing a significant challenge that is threatening future demand for a growing port economy and subsequent retail and service sectors. Employers need to remain flexible to this shift to meet future demands or even survive.

This chapter, based on a survey of local employers, examines recent and future hiring and skill trends, demographic changes, concerns about the state of recruiting and retaining employees and the skills and attributes companies are looking for. The purpose of the survey was to get a pulse on the needs of local organizations as well as gather resources utilized that support or hinder current recruitment and retention strategies.

4.1 Employer Surveys

In March 2018, three side-by-side businesses in Prince Rupert closed their doors: Little Anchors, a children’s consignment store; Oceanside Sports, a sporting-goods store; and Loaded, which sold textiles and skateboards to a younger demographic. These businesses were located on 3rd Avenue West, ostensibly the centre of the retail industry in town. A retail business in many communities has to contend with low profit margins due to a variety of factors, such as vendor costs, labour costs, the state of the local economy, and online shopping. While these businesses did face these challenges, none of these seem to be the reason for going out of business. When also considering that Prince Rupert’s unemployment rate is at 6.2%, one of the lowest rates in the

last 20 years, it may seem strange that the businesses closed. A low unemployment rate might suggest that people with disposable incomes would be more able to shop at these stores.

Upon closer inspection, it is paradoxically because the economy is doing so well that these businesses are closing their doors. One of the owners left to get a job at a bank – a higher-paying and less-stressful environment. Another owner left to work as a longshoreman at DP World, which, as we will see, is one of the highest-paying employers in town and is in the middle of a surge in recruitment. The third owner indicate the business would still be in existence if she could find someone to help run the store for her.²⁶ And who can blame someone for getting a job with higher pay? Similar stories can be found in other businesses in Prince Rupert, including the authors of this paper. One author runs a sushi restaurant, and she has seen many of her servers leave for higher-paying jobs, either as office clerks at the Prince Rupert Port Authority, or as longshoremen at the container port. Another of the authors is a supervisor at a bank, struggling to maintain a balanced workload as employees keep leaving for other opportunities. Another of the authors works at a local telecommunications provider, and while the workforce there is relatively stable, it has been a struggle lately to recruit front-line workers, such as customer services representatives.

A survey was devised for local businesses to determine main concerns around recruitment and retention of employees. The survey was launched from November 2017 to January 2018. Many responses echoed concerns of *how* and *why* to keep their doors open. As Brian Musgrave ponders,

Those bigger anchor employers [such as DP World] just slowly pick away employees from small businesses as they grow. And then it's the small business that's left to do the recruitment and retention at a huge cost...there's a shortage of tradespeople. Instead of

hiring from the car dealerships in town, they hire from the independent, and then the independent hires from the car dealer, and at the end of the day we're still short tradespeople. In my case I just had two employees in the last year that we put through an apprenticeship, as they became journeymen, and someone else hired them away. It's frustrating, and it's part of being a business, but it's still frustrating.²⁷

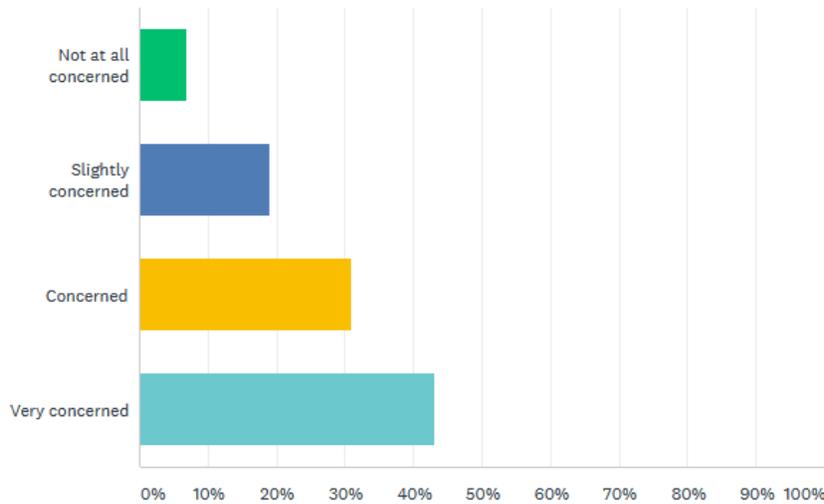
The bigger businesses are aware of this problem, and struck a similar chord when discussing the retention and recruitment issues in Prince Rupert, as mentioned by Kurt Slocombe, DP World,

The basic recruit [to DP World] is coming from somewhere else in town, and I believe that's causing some of the other businesses in town some challenges. So there is both aspects. We've been able to find people, and then we take that person and make them into what we need, while the rest of the community I think suffers to some degree from that. We acknowledge it, we understand it, and it is of concern to us. Because you can do that for a period of time, but ultimately you start running into problems with it – you'll take a look at leisure activities or your retail experience. All of a sudden those things aren't in existence or a limited supply in town. And even though you've got a fairly well-paid workforce, if those other amenities aren't here, what else does the town really have to offer?²⁸

4.1.1 Common Needs Amongst Employers

Business survey results reveal commonalities across all industries. Overall, most employers (70%) are “concerned” or “very concerned” about the current state of recruitment and retention. For most of our quantitative questions, we used a ranking methodology for answers. Respondents were asked to rank the responses that best fit their opinion, with ‘1’ being the answer that was most important to them.

Figure 4.1: Concerns Losing Skilled Employees Over the Next 1-5 Years



Employers say that the biggest impact to their business is that remaining staff get burned out, followed closely by “number of negative customer experiences.” Interestingly, “lost business” was one of the lowest scores. It seems employers are more concerned about the remaining staff, who may also leave if they are burned out. For smaller owner-operated businesses, they may be including themselves in this category – they are the remaining staff who get burned out, since they will need to pick up the slack after an employee leaves.

Table 4.1: Biggest Impacts to Business When Short-staffed (1=most important)

	1	2	3	4	5	Total	Score
Remaining staff get burned out	42.6%	16.7%	11.1%	14.8%	14.8%	54	3.57
Number of negative customer experiences increase	23.9%	23.9%	23.9%	23.9%	4.4%	46	3.39
Lost business	27.3%	18.1%	15.9%	15.9%	22.7%	44	3.11
Cost of re-work	13.3%	28.9%	22.2%	20.0%	15.6%	45	3.04
Reputational damage to business	11.1%	26.7%	28.9%	8.9%	24.4%	45	2.91

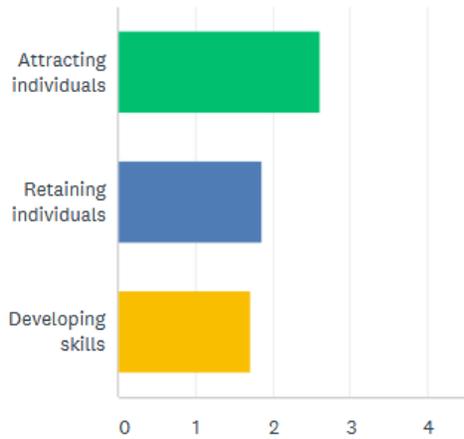
The main skills required by employees over the next five years are “occupational skills unique to industry” and “trade and related skills,” as seen in the results in Table 4.2, below. Even though most of the survey responses came from the accommodation and food-services sectors (22%), it seems like more hands-on work is required, more than sales skills.

Table 4.2: Expected Skills Required by Employees for Next 1-5 years (1=most important)

	1	2	3	4	5	6	7	Total	Score
Occupational skills unique to primary business	50.5%	26.1%	10.9%	6.5%	2.2%	2.2%	2.2%	46	6.00
Trades & related skills	38.9%	30.6%	11.1%	5.6%	8.3%	5.6%	0.0%	36	5.69
Sales & service	34.2%	31.6%	18.4%	2.6%	5.3%	2.6%	5.3%	38	5.58
Finance, insurance, real estate & administrative	15.2%	21.2%	39.4%	3.0%	15.2%	6.1%	0.0%	33	5.00
Transport/ equipment/ warehouse	4.4%	17.4%	13.0%	26.1%	13.0%	26.1%	0.0%	23	3.96
Processing/ Manufacturing/ Utilities	4.8%	9.5%	9.5%	33.3%	14.3%	4.8%	23.8%	21	3.48
Natural & applied sciences	5.0%	5.0%	5.0%	25.0%	5.0%	5.0%	50.0%	20	2.65

By a wide margin, employers are more concerned with attracting new talent with relevant skills than they are with retaining or developing employees, as seen in figure 4.2 below. This may have something to do with the frequent complaint that there is a lack of talent in Prince Rupert, and employers must frequently look out of town to fill certain positions.

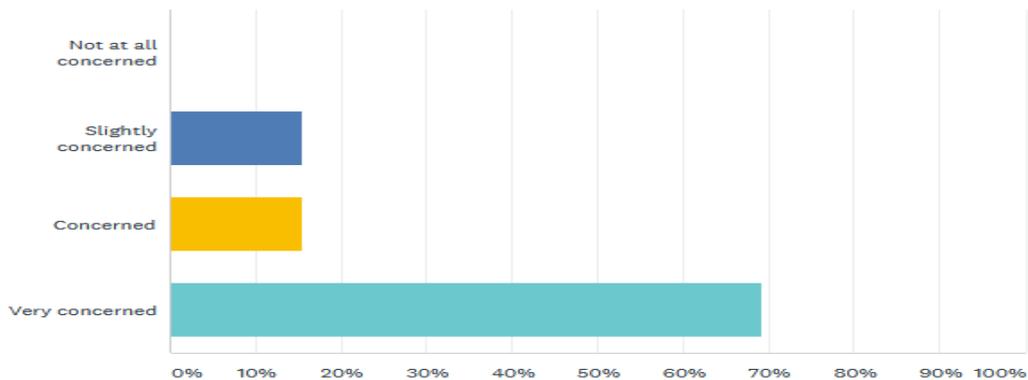
Figure 4.2: Biggest Employee Skill Challenges (1=most important)



4.1.2 Food and Accommodation Sector

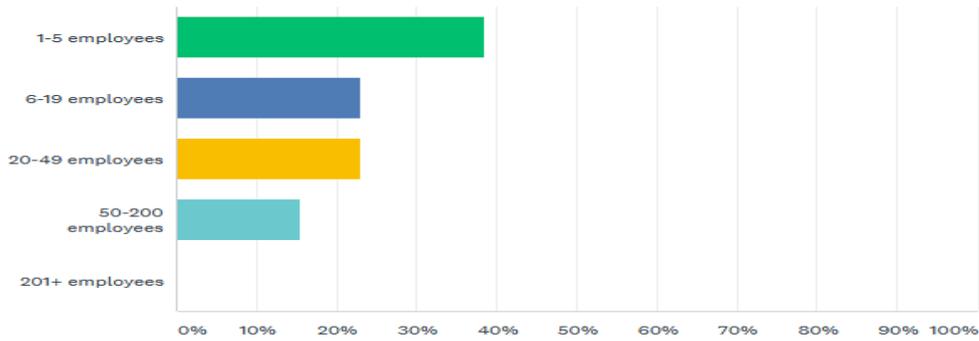
Drilling down these results, it is important to make note of the differences between two of the main industries in town: Food and Accommodation Services; and Transportation & Logistics. Food and Accommodation Services make up the bulk of survey responses at 22%. This segment is much more concerned about losing employees than the entire sample, with 85% “concerned” or “very concerned” about losing employees.

Figure 4.3: Concerns About Losing Skilled Employees Over Next 1-5 years (Food and Accommodation)



It is also worth noticing that the vast majority of Food and Accommodation businesses employ only 1-5 people.

Fig. 4.4: Size of Business (Food and Accommodation)



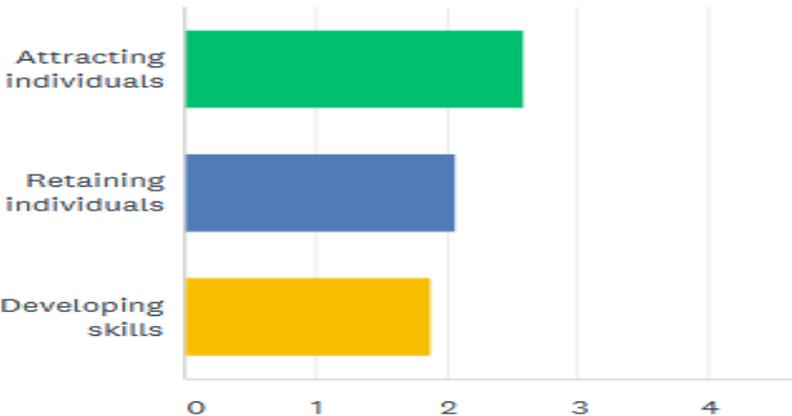
As seen in Table 4.3 below, employers in this industry are also looking for “occupational skills unique to primary business,” similar to the entire sample size. But this is closely followed by “sales and service.” After all, waiters and front-desk staff at hotels must be well-versed in customer interaction skills if the business is going to make money.

Table 4.3: Expected Skills Required by Employees Next 1-5 years (Food and Accommodation)

	1	2	3	4	5	6	7	Total	Score
Occupational skills unique to primary business	55.6%	44.4%	0.0%	0.0%	0.0%	0.0%	0.0%	9	6.56
Sales & services	50.0%	40.0%	10.0%	0.0%	0.0%	0.0%	0.0%	10	6.4
Trades & related skills	50.0%	16.7%	16.7%	16.7%	0.0%	0.0%	0.0%	6	6.00
Finance, insurance, real estate & administrative	0.0%	25.0%	75.0%	0.0%	0.0%	0.0%	0.0%	4	5.25
Processing/ Manufacturing/ Utilities	0.0%	0.0%	0.0%	50.0%	0.0%	0.0%	50.0%	2	2.50
Natural & applied sciences	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0	0.00
Transport/ Equipment/ Warehouse	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0	0.00

This industry is the most concerned with attracting new employees but are also more concerned than the entire sample with retention issues (Figure 4.5). It is assumed, this is due in part to low wages coupled with multiple openings in the industry. Frequent complaints within the industry is poaching, often to bigger employers like DP World who offer bigger pay, limited skill requirements and increased hours.

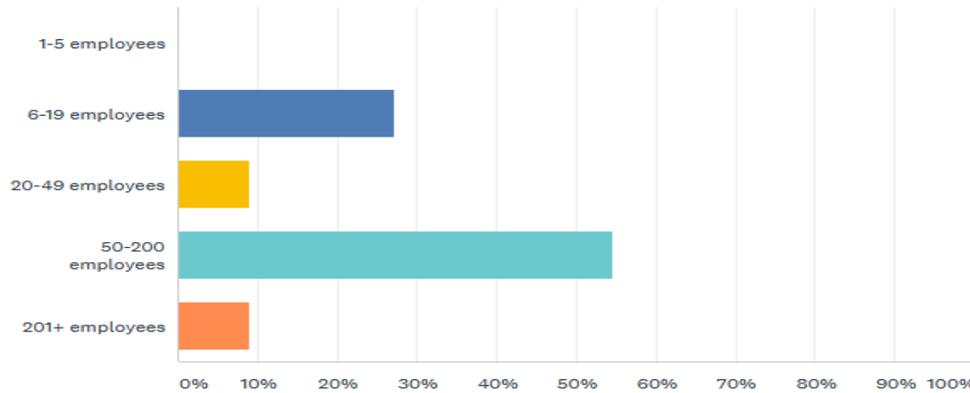
Figure 4.5: Biggest Employee Skill Challenges (Food and Accommodation)



4.1.3 Transportation, Storage and Warehousing

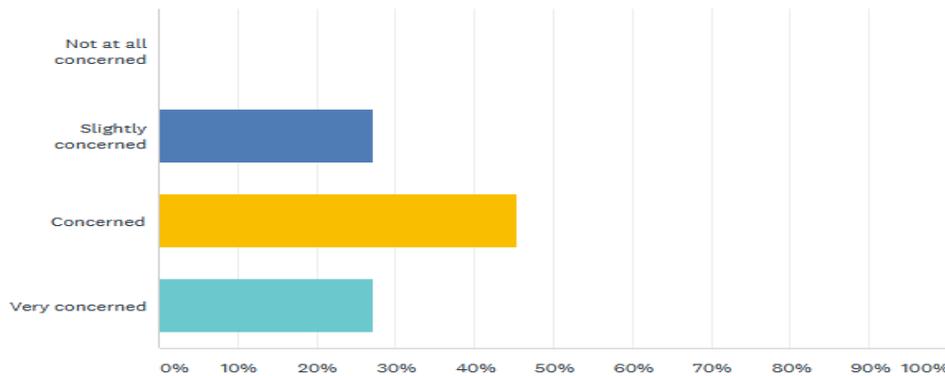
Transportation, storage and warehousing, making up the second-most number of respondents (18%) has different needs and views on the recruitment and retention crisis. This sector has experienced a great deal of growth since the opening of the container terminal in 2008, accelerated with the expansion of the terminal in 2017. The size of the business in this category differs drastically from Food and Accommodation, with the vast majority of respondents employing more than 50 people.

Figure 4.6: Size of Business (Transportation / Storage / Warehousing)



While this segment of the survey is still concerned about recruitment and retention, most are merely “concerned” rather than “very concerned.”

Figure 4.7: Concerns About Losing Skilled Employees Over Next 1-5 years (Transportation / Storage / Warehousing)



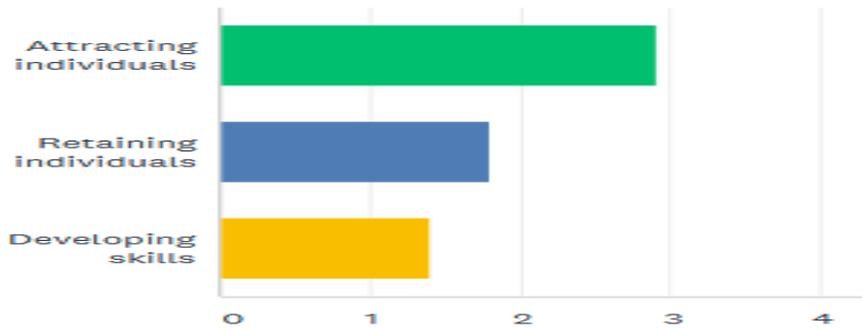
The transportation, storage and warehousing sector is most concerned with finding workers with occupational skills unique to their primary business, as well as trades and related skills.

Table 4.4: Expected Skills Required by Employees Next 1-5 years (Transportation / Storage / Warehousing)

	1	2	3	4	5	6	7	Total	Score
Occupational skills unique to primary business	60.0%	0.0%	30.0%	10.0%	0.0%	0.0%	0.0%	10	6.10
Trades & related skills	37.5%	50.0%	0.0%	0.0%	0.0%	12.5%	0.0%	8	5.88
Finance, insurance, real estate and administrative	0.0%	50.0%	25.0%	25.0%	0.0%	0.0%	0.0%	4	5.25
Transport/ Equipment/ Warehouse	16.7%	16.7%	16.7%	33.3%	16.7%	0.0%	0.0%	6	4.83
Sales & service	0.0%	16.7%	50.0%	0.0%	33.3%	0.0%	0.0%	6	4.50
Processing/ Manufacturing/ Utilities	0.0%	33.3%	0.0%	33.3%	0.0%	33.3%	0.0%	3	4.00
Natural & applied sciences	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	3	1.00

This sector is more concerned with attracting employees than retention issues (Figure 4.8). This may be due to the fact that the skill set required in this industry is more specialized, making it difficult to find employees in this region to match these skills. This industry often recruits out of town. Due to the remote location and pay scale, companies can be at a disadvantage as the region may not match everyone's lifestyle.

Figure. 4.8: Biggest Employee Skill Challenges (Transportation / Storage / Warehousing)



4.1.4 Comparison of Recruitment and Retention Strategies

The final survey question remained open-ended to engage employers in revealing successful strategies to recruit and retain employees. Table 4.5 shows responses compartmentalized between the two sectors.

Table 4.5: Strategies Used to Attract and/or Retain Employees

Food and Accommodation	Transportation / Storage / Warehousing
<ul style="list-style-type: none"> • Good wages, autonomy, flexible scheduling • High wages, sponsoring education, family oriented • Wage increases • Promote work-life balance, creative environment. • Team driven • International hiring through work exchange / travelling work visas • Holiday bonus • Word of mouth referrals / hiring incentives. • Re-location housing • Increased bonuses 	<ul style="list-style-type: none"> • Ongoing education and training • Benefits packages, above competitive hourly rate, work conditions • Encourage unemployed, or drivers with lower class to upgrade license and provide training • Tendency to follow status-quo hiring advertising as is perceived easiest (newspapers, online) • Restructure compensation packages • Increase onsite and offsite training opportunities for staff and hourly employees • Sponsor occupational training • Notion that union environments curtail innovation through collective agreements • Outsourcing and hiring from out of region - lack of qualified people in region - training from entry level position

While wages are important to both, the Transportation sector puts more of an onus on training, while Food and Accommodation put greater attention towards the work-life balance. Transportation is limited by wage caps due to collective union agreements and a perceived general apathy towards innovative approaches. There is opportunity for each sector to learn by comparison and potentially invest in work-life and / or training initiatives to improve employee offerings for improved retention.

4.2 Employer Interviews

Several interviews were conducted with key employers in Prince Rupert and Port Edward to gain a sense of what was immediately needed. Of the majority of respondents, businesses were classified into two areas:

- a. *Small to Medium-Sized Enterprises (SME)* - generally with a staff of 1-150 employees. Main concerns were employee retention.
- b. *Large Enterprises* – generally with a staff of over 250 persons. Concerned with attracting employees.

Below are key excerpts from the interviews that sums up the general sense of the issue to the community.

4.2.1 Small to Medium Enterprises (SME's)

4.2.1.1 *Brian Musgrave, SME*

As Owner / Manager of Rainbow Chrysler Jeep Ltd., Musgrave has been with the company for the past 15 years and has seen a dramatic fluctuation in both the population and the economy of

Prince Rupert. His interest is in employee retention and poaching of his skilled workers from the bigger employers in town.

Musgrave says there is a shortage of tradespeople in town, and as his industry relies on specific trades and occupational skills, it is an easy target for bigger businesses and government agencies. He points to a trickle-down effect, where he is not only a target from the bigger employers, but also from the smaller independent businesses who poach from him after they are poached from the bigger employees.

Instead of hiring from the car dealerships in town, they [the bigger businesses] hire from the independent, and then the independent hires from the car dealer, and at the end of the day we're still short tradespeople. So ultimately it comes back on our end. And in my case, I just had two employees in the last year that we put through an apprenticeship. As they became journeymen, in this case, the City hired them. You know, so it's frustrating. It's part of being a business but it's still frustrating.²⁹

The impact on a business like a car dealership cannot be understated. As Musgrave's business competes with bigger businesses for talent, he must look at ways to increase wages and benefits while also ensuring his price points for his products are competitive for his customers. This can reduce profitability.

I'm going to use my mechanics as an example. I can't afford to pay them more. And I can't afford to keep increasing the rate for the customer coming in through the door. But I have to pay them more because it's an investment – because what's it going to cost me if I lose them? We continue to creep up that ladder but then you got that that other side of it saying, how do I recover? Unfortunately, the retail-ability just isn't there to say, okay, well I've got to charge another five bucks an hour, you know because then you're going to lose the retail customer. It's a real, real tough balancing act, like I say, so we need to keep up on that compensation side of things even beyond where we're

comfortable with. The toughest part overall on that side of it, we've moved the needle constantly for the last few years and all that is done is it's reduced the profitability of the of the business by the change of the compensation of wages and benefits, yet without people, you're not in business.³⁰

Musgrave is also concerned with bringing new employees in from outside of Prince Rupert. He says he has faced similar challenges to other businesses - once a prospective candidate arrives, they are discouraged by the remoteness of the place and, in some cases, the lack of good shopping facilities. He is also frustrated that many of the bigger businesses, the economic-development agencies, and local government don't seem to be on the same page to address this crisis. He has thought about how to solve this dilemma, and he says a website with information about Prince Rupert would be useful to any employer in town.

To have that ability that there's a one-stop shopping that you as a recruiter or me as a recruiter can say, 'oh and by the way any of your questions you need answered from daycare to you know, recreation or whatever can be reached on this one site.' Not the city site, not the economic development, not the port site. And so from that side of things, personally I think it takes the City, Community Futures, Economic Development and the major business and the smaller businesses together. But basically you need government and big business to create. And as a business, I'd pay a monthly fee to be part of it.³¹

4.2.1.2 Shauna Wouters, SME

Shauna Wouters works at Hecate Strait Employment Development Society, a local business that trains employees and employers. According to Wouters, Northwest B.C. has the highest level of low-skilled and low-literacy workers in British Columbia – many of these

potential workers can't apply for industry jobs because they can't read or complete an online form.³²

Wouters sees many challenges in her line of work. She cites employers worried about recruiting candidates from out of town given the limited amenities in the community, low job variances, and limited job growth potential within local industries.³³ Still, she identifies another main issue, other than the community itself.

The problem is not attracting more people to Prince Rupert. The problem is an uneven economy. High Port wages are taking existing workers from the existing labour pool. Many of those wanting to join the employment ranks face high barriers for entering the job market such as a lack of support services (day care, social services). They already have low literacy abilities. The City should centralize their resources and support our economy by investing in a diverse job market. Let's invest in the people we already have here. Encourage cooperative business models between existing businesses and the entrepreneurial spirit to grow our economy.³⁴

Wouters believes the community should look at ways to build a strong local economy and lose the "big project mentality." After all, she says, B.C. has the highest number of small businesses per capita – there is room for entrepreneurs to build a business.³⁵

4.2.1.3 Karen Cruz and Kerri Kennedy, *SME*

Karen Cruz and Kerri Kennedy have recently opened a small fitness business in the past year, capitalizing on a 24-hour access model to support the growing shift-work economy. Their key focus is to minimize Human Resource expenses through the use of technology. The use of automation and digital apps into the workspace has been gaining in popularity as businesses struggle to fill productivity gaps. Simple, non-complex tasks are digitized to free up employee capacity and speed up operations. Their business, K2 Cycle Fusion, uses a Glofox booking app for customers to book their own class spots and collect membership fees. Glofox promises to

save up to two hours a day on admin tasks, increase revenue by 33%, and drive membership retention by 25%. K2 Cycle Fusion does not employ a receptionist, saving them money on their overhead expenses. They do pay a subscription fee for the service to receive up-to-date revenue reporting and class booking attendance rates.³⁶ (Glofox, 2016) . Both owners enjoy the freedom the app provides their business.

This system has been a huge asset to our company. It keeps the classes booked and running smoothly and allows people the freedom to book ahead into classes but then have the option to cancel when something like on-call work comes up. It completely takes the stress off of us, knowing that it is working and keeping our classes going.³⁷

4.2.2 Large Enterprises

4.2.2.1 Kurt Slocombe, Terminal Manager DP World

As the Terminal Manager at DP World, Kurt Slocombe oversees an office staff, which is responsible for hiring employees from the union hall on a daily basis. Each day, Slocombe sends a request for employees to the union hall, and the union sends DP World the requested labour. Depending on how many workers are needed, and the skill set required, workers may or may not get a shift each day.

This isn't a Monday through Friday day shift job. This is – you need to be available 24 hours a day, 7 days a week for the opportunity to work. And in return for that, we'll compensate you very well and we'll train you. That's the trade-off. You need to be available, we'll pay you well and we'll make sure you can do this job and we'll teach you how to do lots of other things. And so we want people to understand that it's not a traditional type of work environment.³⁸

The non-traditional work environment has become quite successful. In 2016, DP World employed 364 full-time equivalent staff; in 2017, that number was 479.³⁹

From a retention and recruitment standpoint, Slocombe says they target local workers first, then look outside of town. To some extent, DP World is also facing the same challenges with recruiting employees as other companies.

We've spent a lot of time finding people that are from Rupert. Some of them have left town, got themselves an education in one field or another, and we're working away from town. We knew them, we sought them out and brought them back. There's a connection, they want to be here, the family, the friends. This is a community they've learned to enjoy and love. Those are the people that we find the greatest success with. People that we brought in from outside the community, and this is their first experience in a smaller community. Those people unfortunately don't last.⁴⁰

While Slocombe says he is not too concerned about retention of employees in the short term, he admits there are some concerns about the long term.

Will the community continue to support the growth rate that we've experienced? And are there enough people within the workforce here? So those are some challenges that we have to get our arms around. At this point I'm not too concerned. I'm not losing sleep over the next year or two. But the longer-term is we work with our union locals. Those conversations come up on a regular basis. How do we find the next batch of people? How do we make this place continue to work? How do we get it to our kids and our grandkids?⁴¹

4.2.3 Community Response

The City of Prince Rupert is aware of these issues and in the initial stages of researching possible options. Council is integrating an approach to their advertising and own internal recruiting policies to address the gap.

We realize we're getting to a crisis point for losing small business. The City is developing a strategic approach to encourage small business growth including revitalizing the downtown core, reducing the tax burden, updating bylaws, and physical design changes....I don't remember the term poaching being used in our community until recently. Port related industry wages are so much higher than small business can

afford so small business is having a hard time retaining staff. The major challenge is retention as people can use small business as a jumping off point to go to work at the port. – Blair Mireau, City Councillor

The City is looking at a Repatriate Rupertites strategy to seek out those that have left the city, gone away for schooling or work. (Through social connections) we are trying to get them back, offering positions that will build their skills sets, give easier entry into starting or building their careers. It is for those interested in lifestyle over money. – Karin Bomben, CFO City of PR

4.3 Employer Drivers

Overall, employers indicate seven key drivers required for their businesses, including:

- Wages and benefits
- Recruiting
- HR practices
- Onboarding & orientation
- Ongoing skill development
- Succession planning
- Technological tools

In short, employers want tactics and ideas on how to keep their employees, and how to attract new ones if they grow. They are used to following the status quo when it comes to hiring practices yet find they are caught in a downward cycle of high turnover rates, limited pools of employees and increased poaching. Employers are starting to realize they need to adopt a new strategy if wish are to survive.

Chapter Five: What Employees Want

The shortage of applicants with the right skills, abilities and experience throughout many LMSW professions has created a more complex and competitive market, coupled with an aging workforce and increasing turnover due to retirement and job-hopping. The ability for businesses to deliver effective service depends on finding and keeping the right people with the right skills. Therefore, an effective strategy that identifies the needs of local employees as well as employers is essential. Business organizations and communities are facing significant risks due to closures and reductions due to the inability to attract, recruit and retain a skilled workforce. Employers need to know what employees are looking for in the workplace if they want to be successful at keeping them.

Understanding what employees want is necessary to maximize employer efforts to attract workers and keep their current workforce engaged, which is particularly important in a competitive labour market. This chapter examines work trends and generational work habits in our current shifting market.

5.1 Work Trends

5.1.1 Employee Engagement

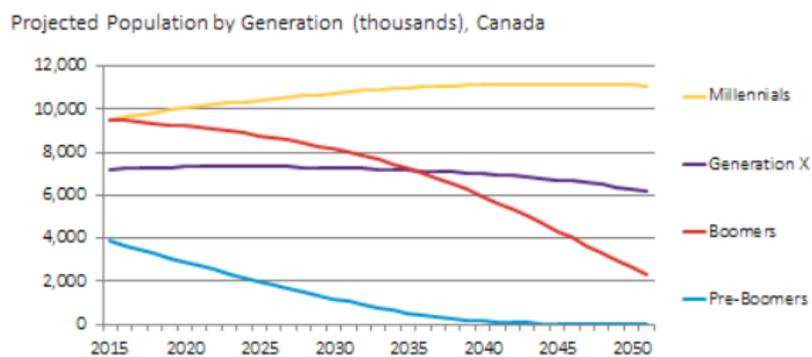
The last two decades have seen drastic changes in how businesses operate and generate profits. As businesses aggressively compete with each other for greater market share (regardless of industry) they also are looking for ways to become more efficient in order to maximize net profits. Part of this has included restructuring business units, eliminating workers' positions and reducing hours. Employees are expected to produce more with less.

Technology has made rapid advancement over the years. It is now easier than ever to find information and stay connected to each other and to the workplaces. The rise of artificial intelligence (AI) has made it easier for business to anticipate consumers' needs.

While technology has changed work, expectations of what people expect from work have also changed. Experiences matter. It's not enough to have a job that merely pays the bills. Many workers, especially in low skilled or entry-level positions, are working in multiple jobs to make ends meet. Despite these limitations, interest in learning and growing in the field still exist.

Not only are the work environments changing, but so too is the makeup of who workers now are. Baby Boomers, our largest generation, have been gradually retiring with the last wave expecting to leave the workforce by 2025. As they are winding down their working lives, retirement, pensions, and medical benefits are becoming increasingly important. Many are wanting more flexible work situations so that they can reduce their hours without leaving the workforce altogether. As they slowly retire, in comes the Millennials.⁴²

Figure 5.1: Millennial Generation Will Grow As Boomers Decline



Source: Norris, D., 2016

5.1.2 Job Hopping

Millennials bring with them a host of interests, experiences and work habits including a relatively new trend of job-hopping. Job hopping implies a pattern of changing companies every year or two of one's own volition, rather than as a result of a layoff or company closure. Baby Boomers have a stronger tradition of working for one or two employers their entire career. A survey released from Namely, HR Mythbusters 2017 released the following insights:

- The median tenure for workers between 25 and 35 was 1.42 years
- The median tenure for workers between 35 and 55 was under 2 years
- The median tenure for workers between 55 and 65 was 2.53 years⁴³

As companies become more fluid, it's increasingly socially acceptable for workers to job hop, layering previous experiences to new positions in a range of fields. Older workers increasingly are embracing this trend as a way to add new excitement to their careers rather than staying put in one role. Once a worker has mastered a certain skill set, they feel confident to move onto the new challenge.

Similar notions of job hopping were expressed by job seekers at a local career fair held in Prince Rupert. Common themes emerged from the expectant workforce including:

- Boredom - looking for new opportunities and challenges not currently existing in present field of employment.
- Wage increases - any wanted new opportunities to either make more money or have more flexible hours.

- Positive work culture - many were not happy with their current work environments and were looking for businesses that had positive work environments.

5.1.3 Side Gigs

Another trend is the rise of moonlighting or having a “side gig.” Side gigs generally refer to work being done on the side, outside of one’s normal employment, often as a means of self-employment. Reasons for having a side job can vary. Many workers are getting second jobs to repay debt, cover the costs of home ownership, or chase their passion. This trend is common in Prince Rupert, given the remote location of the community and seasonality of many employment sectors such as Food and Accommodation services. For example, one individual interviewed works from September to June as a retail store manager yet operates their own tourism business during the summer. His tourism business is seasonal but it's his passion project. His main job at the store allows him to pay the bills the majority of the year.

5.1.4 Technology and Remote Work

As work becomes increasingly digitized, working from home or remotely in an entirely different position has become a new reality for most.⁴⁴ Job sites such as Freelancer.com, Fivver.com or Upwork.com enable workers to bid on jobs that allow them to have a new work experience outside their regular day jobs or choose employment that follows a particular passion. This can be an easier way for Prince Rupert workers to develop new skills without changing their day jobs and make some extra money. Businesses can also take advantage of the technology by contracting out specialized work when they cannot find a worker to fill a position on a regular basis. Technology can also be used to produce the work that would normally be produced by a person, for example the Glofox app for K2 Fusion.

5.2 Millennials

The Baby Boomer generation has begun retiring from the workforce with the last wave set to fully retire by 2025. That's a lot of jobs that will be left vacant. In B.C., 70% of new job openings between 2017 and 2027 will be the result of retirement. Surprisingly, the Millennials generation is poised to overtake the Baby Boomers in size as the next decade progresses. As Millennials navigate the beginning stages of their careers, they are filling the entry level and LMSW positions as the Gen Xers are moving into management and senior positions.

Millennials are becoming the next largest generation and are set to make up over 27% of Canada's population. As this generation fills the ranks vacated by the Baby Boomers, hiring managers need to be aware of key considerations that differentiate Millennial workers, including:

- Work to live not live to work philosophy. High importance is placed on cultural fit and working for a company that fits their ideal.
- Meaningful work with clear objectives and ongoing performance feedback.
- Feeling fulfilled and enjoying work.
- Perks - flexible schedules, opportunities to work remotely, casual dress code and open-concept offices. (Doug Norris, 2016)

As demographics shift in the workplace, managers and business owners will need to build workplace policies that can accommodate the changing needs of a multi-generational workforce. One-size fits all policies of previous decades are being replaced with those that offer more flexibility in order to meet the different needs of their workers (Smalley, Randstad Canada , 2018).

Chapter Six: Exploitative and Exploratory Strategies

This chapter sets out the suggested strategic direction in which community and business leaders need to turn to meet the challenges of filling Prince Rupert and Port Edward's job vacancies in a variety of positions and sectors. This chapter outlines a proposed exploitative and exploratory strategy based on Knut Haanaes Blue Oceans strategy framework. A three-pronged approach consists of: an Employer Resource Guide of practices and techniques to coordinate employment services and information; a preliminary business analysis for an HR services agency to develop practices, policies, and database to reduce over-taxed recruitment efforts; and finally, a call to action for leaders to integrate efforts to build not only their own organizations but to strengthen the workforce as a whole for a sustainable community. Taking a strategic approach to challenges faced by regional employers in recruiting and retaining employees has many benefits. Short term exploitative tactics enable the employer to access resources and take immediate steps to address their concerns. A long term, exploratory and pro-active approach to labour market needs positions the area to meet future challenges in a responsive and sustainable manner

6.1 Exploitative and Exploratory Solutions

As businesses turn over employees, they can expect to pay approximately 20% of a position's annual salary in recruitment costs. This includes paying for activities such as placing job postings online, screening resumes, conducting interviews, reference and background checks, and wages paid to new hires during their onboarding. Without workers, businesses can be faced with limited business hours or possible closure. They also can't follow through on planned

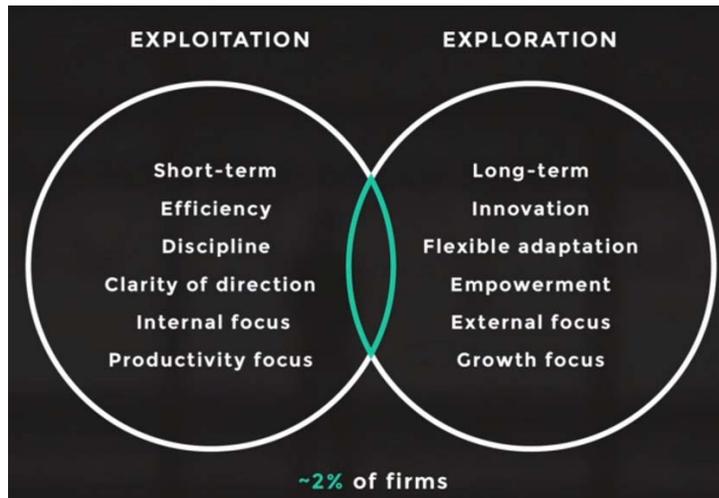
growth activities, and existing service commitments can be compromised, impacting possible succession planning. Owners can't sell their business if it has a reputation of not being well-run.

As Prince Rupert businesses face these big problems, they are anxious about the future, and wondering what tactics they can employ to retain and attract new workers. Based on the work of Knut Haanaes, what is needed is a two-pronged approach to strategy: exploitative and exploratory. Haanaes, uses these terms to show how companies operate and deal with change, pointing out that there are two main things that companies do to be successful:

- They *exploit* the work they have already done. For example, train companies continuously look for ways to ensure the trains run on time. Exploitative strategies are familiar to firms – they've done it before, and they're continually looking for ways to do it better.
- They *explore* opportunities that they could do in the future. For example, Apple branched out from the personal computer space into the portable device space with the iPod. Exploratory strategies are unfamiliar to firms – they have not done it before, and they don't know what the end result will be.⁴⁵

As Haanaes points out, successful companies do both – and he has determined that only 2 per cent of firms *worldwide* actually do both at the same time. Companies who only exploit do not look at future possibilities, and so become irrelevant. Companies who only explore get caught up in their dreams, and so create nothing of value in the moment. He compares the two approaches in this Venn diagram:

Figure 6.1: Exploitation vs. Exploration in Business



Source: Kurt Haanaes Ted Talk, Ted@BCG London, 2017

Based on Haanaes research, a combined approach is recommended to address the worker shortage problem in Prince Rupert and Port Edward. First, an exploitative strategy based on what businesses can do in the *here and now* to mitigate recruitment and retention risk. Second, an exploratory investigation for *relative* solutions for the long term.

Exploitative options evolved out of research and interviewee suggestions from business owners from Prince Rupert and locations as far away as Fort MacMurray. Resources were compiled into an Employer Resource Guide (Appendix A) and shared back with the business community.

For the longer term, a Blue Ocean strategy approach is proposed. This initiative goes outside the bounds of this paper and into the community to try and tackle the issue collectively, rather than business by business. Given the trends and analysis arising from interviews and research, two exploratory solutions are presented:

1. HR Consulting Business - launch an HR consulting business in Prince Rupert for SME's offering adaptive tools such as: reports and analytics; customer database; resource and training planning; and talent management.
2. Call to Action- encourage large enterprises and community economic development organizations to partner and initiate an HR Advisory Group, with a mission to share ideas and resources as well as collectively coordinate regional marketing.

The aim of this approach is to identify a new strategy for retaining and recruiting employees in the region that has not yet been considered and address the growing need identified by employers that something new and different has to occur.

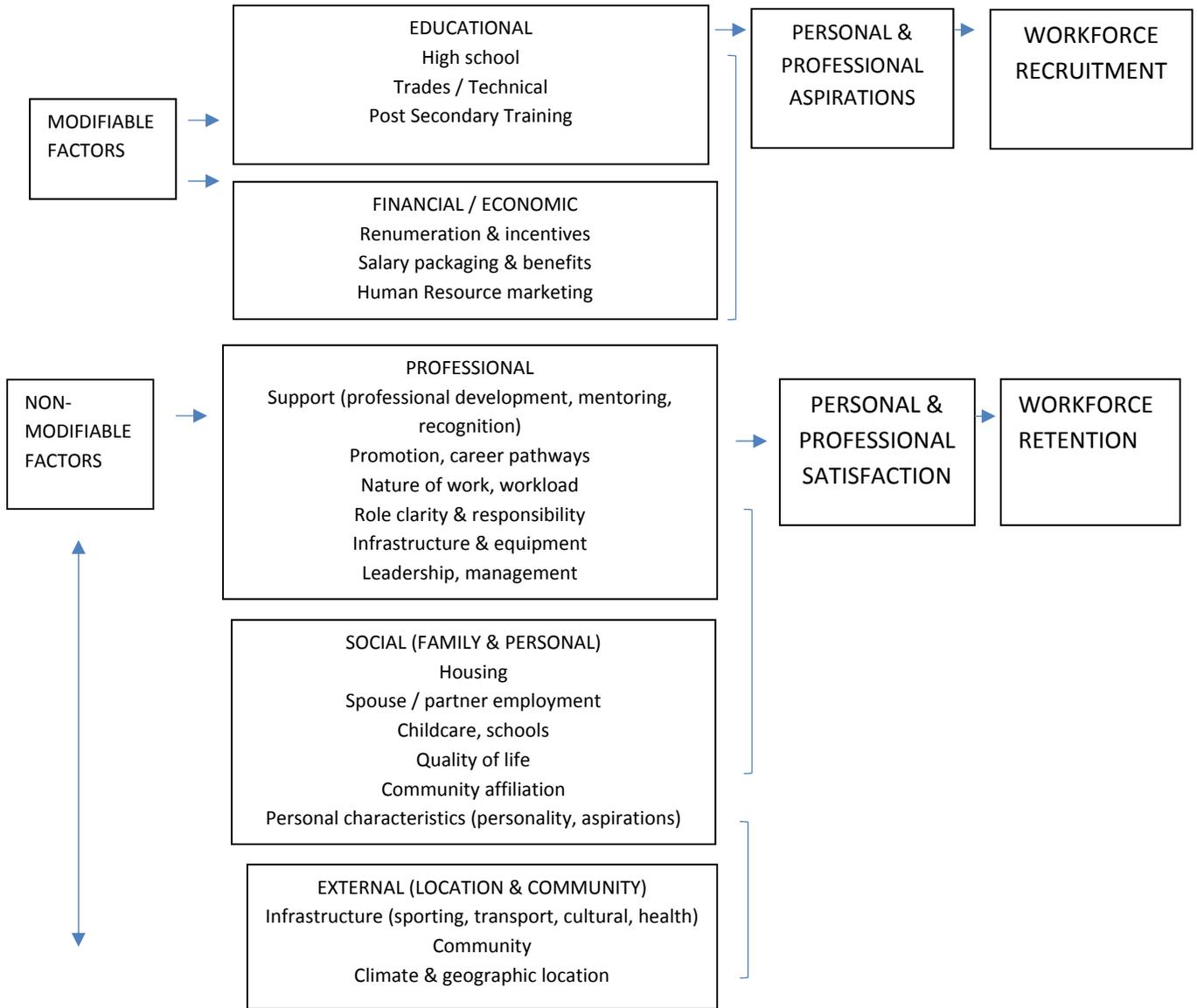
6.2 Exploitative Tactics

The hype around employee engagement and retention is not unwarranted — they are indeed important problems that need to be addressed to deal with effective retention and long term labour stability. While local employers have employed independent strategies and techniques with limited success they still note feelings of powerlessness around the issue. What is suggested is a shift in thinking for employers - to coordinate human resource practices that focus on retention as much as recruitment to retain valuable, trained staff before they begin to look elsewhere. Employers referenced the need for a guide of practiced tools and 'best practices' that investigate how successful companies have reversed negative trends and means in which to practice comprehensive and tangible tools for the needs of today's employees.

Figure 6.2 provides an overview of the main factors found to affect recruitment and retention, applying at various system, workplace and personal levels. Only some are modifiable. The model

reflects the extent to which factors are common to both recruitment and retention, implying a need for an integrated approach.

Figure 6.2: Factors Affecting Recruitment and Retention to Rural Areas



Source: Humphreys et al., 2009

A compilation of employer tools, techniques and resources were collected and compiled into the Prince Rupert – Port Edward Employer Resource Guide (Appendix A). The following list outlines the highlights of employer interviews and research.

6.2.1 Definitions

Workforce supply is a function of both recruitment and retention. Recruitment involves the attraction and selection of staff to a particular organization or role, while retention refers to the length of time between commencement and termination of employment. Retention reflects some minimum length of service, measured in terms of return-on-investment costs associated with training, recruitment and effect on business performance. Turnover measures the proportion of staff loss in a specified time period and is a measure of workforce flux in an organization. Retention strategies aim to minimize avoidable turnover to reduce the numerous direct and indirect costs to the organization and effects on business service.

6.2.2 Recruitment

Highlighted in employer interviews was the notion that many felt caught on the front end of recruiting, trying to keep up with the ongoing pace of losing employees and its long term impact on business operations. The following points outline key factors that impact recruitment.

Human Resource Practices (HRP)

- Companies lack established HR practices to attract prospective employees with the right skills in sufficient numbers. Time and practice is required to examine effective techniques and streamline efforts. Practiced HR policies expedite processes and reduce overall cost.

Reputation and Branding

- Often, money is less important than reputation of the company to prospective employees. Companies need to develop core messages that are clear, transparent and consistent with company objectives and ethics. Clear and transparent information needs to be communicated.

Local Talent

- Best practices make the most of local talent. Local candidates understand nuances of business operations in the community and have established networks and relate best to local business practices and expectations.

Recruiting Policy

- Policy should be streamlined into *internal* (own employees and social networks) and *external* (outside the organization) practices. Policy should prefer internal sourcing as employees are authentic champions of the company.

Community & Lifestyle

- Quality of life and community attractiveness are key components to recruitment. Social needs such as housing, schools, culture and recreation options play a large part in the decision-making process. Community profiling is a must for marketing both the company and region as a whole package.

Cost

- Sporadic recruitment efforts use time and money inefficiently. Cost savings can include recruiting for multiple job openings and utilizing proactive personnel practices to minimize turnover. Employers tend to shy away from evaluating the quality, quantity and cost of recruitment. Employers need to assess cost and HR time comparable to retention prevention measures to identify best use of time and resources.

6.2.3 Retention

Retention strategies are important because they help create a positive work environment and strengthen an employee's commitment to the organization. Employee retention strategies go a long way in motivating the employee to stay with the organization for the maximum amount of time and to contribute effectively. Strategies that target employee engagement increase company morale and give employees a sense of pride in what they do. The following themes represent common needs employees identified to thrive at work.

Feedback

- Most workers thrive with benchmarks – meeting expectations or ways to improve performance. If they don't have these insights, productivity and morale wane, leading to disengagement.

Career Stagnation

- According to Work Institute's 2017 Retention Report, career development issues (including lack of growth, achievement, and job security) is the top reason employees cite for leaving.

Conversely, positive career development was the top reason given among employees who plan to stay for “a long time.”

Coaching and Guidance

- Employees appreciate more informed coaching and support from management and HR. They to know their individual strengths, interests, and passions, and be guided accordingly.

6.2.4 Strategy Shift

While bigger salaries, better benefits, relocation or a myriad of other factors may not be avoidable to compete with a talented and limited labour pool, employers can focus on the interplay between recruitment, engagement and retention. Engaged employees are more likely to be loyal and have the biggest positive overall impact for an organization. There are necessary organizational changes that companies can make that will address issues of disengagement and turnover to reduce negative trends. The following three concepts highlight the broad, cultural shifts required of organizations to engage employees.

Assess

- Workers want regular, structured assessments. Periodic and systematic measurements provide meaningful coaching opportunities and intel on performance and skill gaps.

Visibility and Mobility

- Make employees aware of internal opportunities, from stretch projects to potential promotions. Increase visibility into initiatives and teams. Implement strategies to enable all employees to participate.

Advancement

- Integrate regular duties with training and development resources, stretch projects, leadership programs and coaching / mentorship. Cultivate a culture of learning by cross-training staff for different tasks, enabling future career advancement or preparedness for extra workloads during short-staff periods.

6.3 Exploratory Strategies

Considering the research, there is suitable grounds for investigating a business opportunity in Prince Rupert to cater to HR needs of the businesses. For the sake of identification, this business will be called, “The Business People.”

The Blue Ocean strategy can provide a visual idea of what the problem is, how it could be solved and whether or not it is viable.

6.3.1 Blue Ocean Strategy

The Blue Ocean approach has a solid framework to build workable ideas and encourage engagement from various stakeholders to come to a viable solution. In essence, the Blue Ocean strategy refers to the creation by a company or entity of a new, uncontested market space that

makes competitors irrelevant and creates new consumer value while decreasing costs. By contrast, red oceans imply industry currently in existence – the known market space where boundaries are defined and companies outperform rivals to grab a greater share of the existing market, in this sense, the local labour pool.

An external analysis will be conducted using Blue Ocean strategy techniques to determine how multiple organizations can use value innovations to recruit and retain good employees. This will be unique from other suggestions put forth by other agencies, such as the KVI Institute, because it pushes outside the red oceans which tend to imitate creativity without substance. Additionally, while red oceans involve brainstorming - a chance for people to get together and throw ideas on the table – themes emerge rather than substantive action plans. Action is forced through innovation.

The aim is to set the framework for determining a strategy that will open up a new way of looking at employment in Prince Rupert and find ways to effectively recruit and retain employees outside of the norms of higher pay.

6.3.2 Methodology

A recruitment and retention strategy for LMSW in Prince Rupert Port Edward will employ the concepts outlined in *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, by W. Chan Kim and Renee Mauborgne.⁴⁶ As Kim & Mauborgne point out, Blue Ocean is only effective when other stakeholders are brought into the process to create a proper strategy canvas. With that in mind, a plan will be established for the next steps to complete the strategy canvas and roll it out to the interested stakeholders in the community.

In their book, Kim & Mauborgne focus on the use of Blue Ocean strategy as it pertains to businesses, as they try to create value innovations to find more customers. In that sense, this case is a bit different from what the norms are, since Blue Ocean is not intended to drive profitability. However, the authors would likely be the first to admit that blue ocean strategy can work in cases outside of the typical case studies. Indeed, Kim & Mauborgne show how a Commissioner with the New York City Police Department used blue ocean to reduce crime, improve morale, and increase the popularity of the police among the city's citizens.⁴⁷ In the case of the NYPD, the citizenry took the place of buyers. In this instance, the non-customers are the business owners - specifically, what they require for their HR needs. Value drivers will determine what employers use when retaining and recruiting employees and set out a framework for seeking value innovations for this customer group.

6.3.3 Current Value Drivers

There are seven main drivers used by local employers in their current HR activities:

- *Wages and benefits* - time spent processing and distributing pay and benefits
- *Recruiting* - looking for new employees outside the organization
- *HR practices* - keeping abreast of current HR practices and associated paperwork
- *Onboarding & orientation* - teaching new employees the technical details of their new job, as well as introducing them to the culture of the organization
- *Ongoing skill development*- teaching employees how to do their job better, including internal and external training resources
- *Succession planning* – passing on or selling business

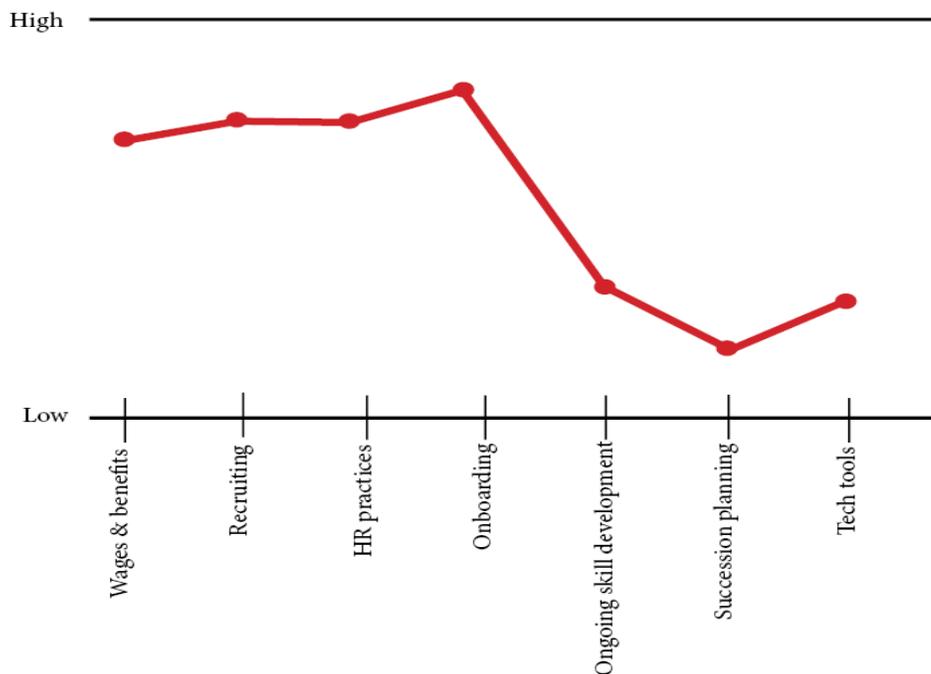
- *Technological tools*- investigating and learning about technological tools for operational efficiency (may result in employee redundancy)

6.3.4 Strategy Canvas

For the *as-is* canvas, consensus from the research team determined each driver. Decisions were based on the shared experiences of: Kristi Farrell, a restaurateur who owns three businesses in Prince Rupert; Karen Sawatzky, Manager of TD Bank Prince Rupert in charge of HR and employee recruitment; and Chris Armstrong, Director of Marketing with Citywest, a for-profit community-based telecom company.

Based on the seven value drivers for employers, Figure 6.3 represents on a scale of 1-10 where most time currently is spent by employers.

Figure 6.3: As-is Strategy Canvas

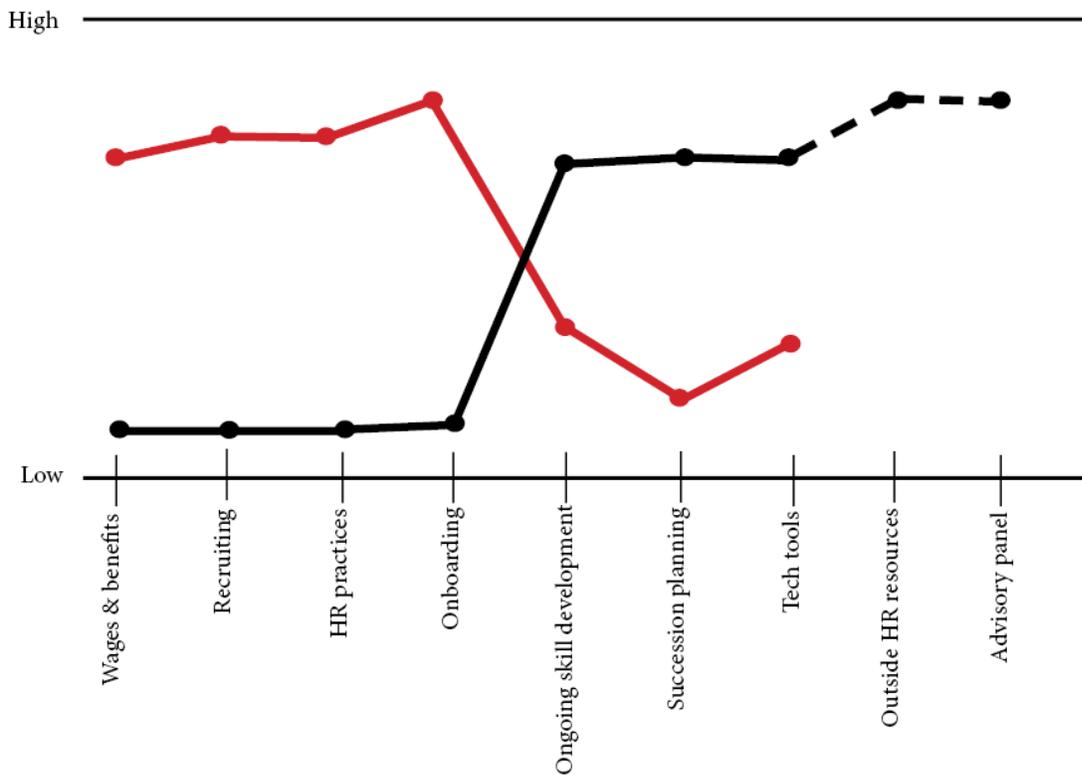


As illustrated, most time spent on HR needs is in onboarding, followed closely by recruiting, wages, and HR practices. Very little time is spent on further training for the employee with even less time on succession planning.

This is an ineffective way to run the HR segment of a business while acknowledging SME's have little choice in the matter with limited employees. It is presumed there is a need for a business opportunity for an HR consultancy firm, whose job would be to handle all those HR components that are making businesses ineffective.

Figure 6.4 is a secondary canvas that indicates where time by employers would be spent, *if utilizing* effective HR practices, putting the ERRC principals of blue ocean to work (Eliminate, Reduce, Raise, Create).

Figure 6.4: Exploratory Solutions



A cursory glance shows the removal or lessening of efforts spent on the front end of business (HR practices related to recruitment), would allow greater time and investment on the secondary portion of running a business - retention.

6.3.5 Business Case Analysis - Business People HR Agency

A common theme across the board revealed in the interviews with business owners was the theme that many did not have enough time to deal with efforts to build business capacity from within (ie, skill development, succession planning and developing tech tools). Employers were spending too much time on duties that were not providing solid business results (ie recruiting, finding solutions to HR related issues, onboarding and building a business-specific wages and benefits plan). The common them was a gap in available business services. The creation of an HR Agency would handle both the time-consuming and targeted HR skills that normally require expert advice.

While an in-depth business analysis would be needed to fully flesh out the potential, it is beyond the scope of this report. Greater research is required to determine the appropriate pricing strategy that would enable a business to turn a profit and provide a valuable return on investment for a business client. This business could start in Prince Rupert and eventually branch out into the Northcoast/Nechako region or potentially service a greater online community. It would be modeled as a consultant agency and hourly billings would be based on \$80 per hour. The key activities and cost structuring are listed in Table 6.1.

Table 6.1: Business Activities and Cost Structure for Business People HR Consultancy Group

Activities	Cost	Benefits to Business Customers
Recruitment	\$2500/placement	Save time to look for applicants as the agency would pre-screen applicants for appropriate skills and best fit. The final decision would be made by the business owners.
Special Projects	\$80/hr or \$640/day	Assist small businesses to develop their own internal HR policies, onboarding techniques and training programs to build more capable employees on a per-project basis.
Stay on Retainer	The monthly recurring cost to be determined	Businesses that want an HR expert on hand to ask specific questions and perform HR related tasks but do not have the capacity to hire a full-time HR representative for their business.

While the business financial analysis is still in the preliminary stages, an estimated \$200,000 would be needed as start-up capital largely due to the business not expecting to realize revenues in the first quarter. Also, a significant investment would be made in developing an applicant database. Resumes would be collected from workers who would be pre-screened in anticipation of business customers requiring a placement. The database would be used for categorizing workers based on skills and industry. The company would also have its own website and mobile app so business customers would have convenient access to services. Ongoing expenses would be payroll, travel and general overhead. A simplified cash flow analysis of year one is as follows:

Table 6.2: Suggested Cash Flow Analysis Year 1 – Business People HR Consultancy Group

Activities	Quarterly Cash Flow Analysis			
	Q1	Q2	Q3	Q4
Revenues	\$	\$60,333.33	\$60,333.33	\$60,333.33
Expenses	\$95,315.00	\$55,265.00	\$41,265.00	\$43,265.00
Net Income	-\$95,315.00	\$5,068.83	\$19,068.33	\$17,068.33

The creation of the Business People HR Agency would help eliminate or substantially reduce the time that employers spend on wages, recruiting, HR practices and onboarding. The business alone however, would not help solve the problem. Consecutively, greater coordination of resources, time and vision at the community level is required to effect change outside of independent business needs. This would be done through a Community Advisory Group. Their focus would be to share information and find ways to improve the quality of life in Prince Rupert. If these are created, it is believed these new entities would give employers more time to work on ongoing skill development, succession planning, and technological tools.

In short, the Business People would help businesses add agility to their workforce by introducing efficiencies in their operations, having a pool of local talent available in case an employee leaves, and provide advice from an HR regulatory point of view. This new business could provide the following tangible results:

- Lower recruiting costs by finding new staff faster
- Reduce employee turnover rates
- Allow business owners to focus on ways to drive profitability

6.3.6 Strategy Visualization

Kim & Mauborgne identify four steps in visualizing strategy: visual awakening; visual exploration; visual strategy fair; and visual communication. This paper investigates the two steps in the “visual awakening” and “visual exploration” phases and suggests the next steps needed in the strategy process.

Step 1: Visual Strategy Fair

At the centre of the Blue Ocean strategy is a structured four-step process created by Kim and Mauborgne that involves visual exploration to unlock people’s creativity. To do so, the first step is to invite business organizations and associates *to the table* of a visual strategy fair (Kim and Mauborgne, pg. 92).

Invitations will be sent out to management and by extension, employees, to a strategy presentation.

Invites will also be extended to local government organizations and representatives as well as existing employment agencies. The presentation will entail a brief overview of what Blue Ocean strategy is, focusing on the characteristics of a strategy canvas. For group input, six canvases will be posted and participants encouraged to use sticky notes on their favourite areas of interest. Participants will be asked to explain their choices and the input will be collected. Once the session is complete, team leaders will reconvene and determine a final strategy curve with an ERRC grid to show needed steps for the strategy.

Step 2: Visual Communication

Visual communication involves a synthesis of pertinent issues and commonalities into a strategic profile. The intent is to support only those projects that enable the process to ‘close the gaps’ and actualize the new strategy. By this, the group will create a one-pager with the initial strategy canvas and a second, expanded canvas. Once complete, key stakeholders will again be brought together to review the canvases. Effort will be put towards areas need to be eliminated, reduced, raised and created. Once adopted, the strategy can be brought forth to the Mayor to further support the notion of a collaborative and connected Advisory Group.

6.3.7 Call to Action

Exploitative tactics will help businesses in the short term. The explorative idea for a Business People HR firm will take time to set up, but, if run properly, should provide the community with a much-needed resource. Over and above those two things, however, what is needed most is strong leadership.

It is recommended that a Community Advisory Group be set up with a composition of community leaders and business owners from SME's and large enterprises. These could include the Prince Rupert Port Authority, Chamber of Commerce, Economic Development Office, entrepreneurs and First Nations leaders. Their job would be to come together as a group to advocate on behalf of employers and investigate ways to coordinate marketing of the region to attract new residents. The ultimate goal of the Board would be to bring more talent to the North Coast, so businesses would not be scrambling so much to find good employees.

To some extent, this has already started. The City of Prince Rupert's "Hayes 2.0" initiative, named after the City's founder, is an attempt by local politicians to set a strategy in place to make the area a great port city. As well, the Prince Rupert Port Authority's careers page on its website¹ features not only job openings but also videos that show the uniqueness of this part of the world. What still remains however, is that organizations are working independently and information remains siloed. It is acknowledged that bringing these leaders will pose challenges in logistics, power dynamics and execution of a coordinated strategy, but the end result of a unified vision could bring transformational results. It will be a big job, but it is something that can – and must – happen.

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https://www.ted.com/talks/knut_haanaes_two_reasons_companies_fail_and_how_to_avoid_them <Accessed April 15, 2018>

⁴⁶ Any future references to this book can be found in the 2015 edition, Harvard Business Review Press, Boston

⁴⁷ Kim & Mauborgne, pages 148-169.