

State of the Economy

Calgary Semi-Annual Economic Review

December 2009

Included:

Special section on WORKshift

Intro

Many a stocking will be hung this Christmas with the hope of a pronounced and sustainable economic recovery in Calgary. Many a Calgarian has sat, or plans to sit, on Santa's knee this Christmas and asked for a return to economic stability and growth. It has been a difficult year for many Calgarians and Calgary organizations, but we can hopefully feel that, while we are not charging ahead on all cylinders economically, that we at least have the worst of the volatility behind us.

The State of the Economy for the second half of 2009 shows a Calgary that has seen a definite impact as a result of the recession – whether it be in labour markets or real estate markets. However the data shows that while some indicators are in recession territory, their magnitude, positions or volatility have improved over the course of the year. The first half of 2009 showed extreme volatility and variability in key measures – labour markets, stock markets, real estate markets, and commodity prices. The second half of 2009, thankfully, seems to have found some greater stability.

However, it isn't yet time to claim we are out of the woods. While some stability may have been found, for some measures they are still too low for economic recovery. Natural gas prices would be a perfect example.

Calgary's position at the end of 2009 is one of cautious pragmatism; the state and performance of the U.S. economy, and natural gas prices, very much have the jury on Calgary's 2010 economic performance waiting in the wings.

As we close the book on 2009 in the coming weeks and look anxiously to 2010, it is important to look back on 2009 to see how the stage is set for 2010.

Labour Markets

Calgary's labour market continues to show signs of struggle. November's unadjusted labour force survey data showed that the unemployment rate in the Calgary Economic Region increased to 6.9 per cent, or, a reduction in employment of approximately 4,600 from the previous month. On a year-over-year basis, employment in Calgary is down 2.9 per cent compared to the same time last year, or by 22,600.

Unemployment has risen sharply in Calgary from our lows of sub-3 per cent in 2007 to the now near-7 per cent range as of November 2009. This is a significant swing, however Calgary is still in the lowest 10 for unemployment rates of major Canadian centres, and is more than one full percentage point under the Canadian average. For Calgary it is a significant psychological impact – we were firing on all cylinders for so long and to have a recession slam the brakes on our economic activity and our job market, feels more significant that it would in other centres in Canada.

Notwithstanding the psychological impacts of labour market performance, there are actual impacts occurring in the labour market and in the Calgary community. One dynamic playing itself out in the Calgary labour market is the reduction of full-time employment to the benefit of part-time employment. Some employers are shedding full-time jobs, and the costs associated with such, in exchange for more flexible and less costly part-time employment. While this may be a valid cost cutting approach, the loss of full-time employment can represent the loss of higher wages, more stable employment conditions, more certainty and confidence amongst workers and an employment environment that can take time to adjust back to more solid and full-time conditions. While many workers facing the option of either losing their job completely or taking some part-time work would likely opt for the part-time work, it nonetheless changes the dynamic of the labour market.

With the loss of jobs, sadly comes increased claims for Employment Insurance (EI). Calgary's total EI claims have seen a year-over-year increase of 375.5 per cent as of September. This is one of the highest growth rates in all of Canada, and is an indication of the speed and magnitude that this recession has hit Calgary's labour markets and individual Calgarians. While much of this growth rate reflects the fact that Calgary's EI claims were one of the lowest in the country just over a year ago, it also reflects the fact that there are Calgarians losing jobs and needing to turn to the supports that are in place to help people bridge time between jobs.

Overall, Calgary's labour markets have been impacted, however much of the growth in the unemployment rate occurred during the spring and summer. The pace of growth in the unemployment rate has slowed markedly in the fall, which suggests some stability *may* be returning to labour markets however they still show signs of struggling. As discussed later in this report, the price of natural gas will play a significant role in determining whether this potential stability is short or long lived.

Non-Labour Markets

If one thing is for certain, it is that this global recession has demonstrated how intertwined economies are. In the last weeks of 2009, credit concerns in places such as Dubai and Greece have sent ripples through international markets – largely a result of the exposure many firms around the world have to credit risk that exists in faraway places. Global recovery seems to be holding in places like China, however Calgary's most important barometer – the U.S. – is far from out of the woods. The Federal Reserve is continually emphasizing the long and protracted nature of this recovery. Many economic and financial indicators still show signs of weakness and recessionary performance. But most importantly for Calgary, the North American natural gas market has fundamentally changed, impacting price, and thereby affecting Alberta's greatest resource and revenue base. Therefore, Calgary is ultimately some time off sustained and meaningful economic growth as a result of U.S. performance and natural gas prices and activity.

Overall economic slowdown in Calgary during 2009 has created impacts across many non-labour market indicators. From a residential real estate perspective, housing starts are down by 53.8 per cent as of October year-over-year. Residential building permit values are down 4 per cent as of November year-to-date compared to the same time last year. The pace of resale activity has year-to-date total MLS sales 4.94 per cent higher in 2009 than same time 2008, although year-to-date median sale price for total MLS is down 5.41 per cent from same time last year.

The office real estate market continues to show signs of low demand. The third quarter office vacancy rate was 13.1 per cent according to CBRE. While higher vacancy rates provide good choice to prospective tenants and no upward pressure on prices, higher vacancy rates, such as the levels being experienced in Calgary, can begin to challenge some building owners, and, given the level of sub-lease space available, can result in some companies carrying more real estate than they can afford. With the anticipated addition of over 5 million square feet of new office space downtown over the next 3 years, the Calgary office market is expected to be in double-digit vacancy for some time. Economic recovery will see some return of demand for office space through increased hiring, business investment and confidence however it will still be some time before vacancy rates return to a more balanced 8-10 per cent.

With higher unemployment and job losses come impacts to credit and financing markets. Bankruptcies have risen in Calgary 93.6 per cent as of third quarter 2009 on a year-over-year basis, almost three times the growth rate of the national average. This is solely a result of consumer bankruptcies which have risen 103.8 per cent as of Q3 2009 compared to same time in 2008, while business bankruptcies are actually in decline at the end of Q3 2009 at a rate of 5.1 per cent compared to the same time last year. In addition to bankruptcies, Alberta mortgages in arrears have grown by 103.7 per cent as of September on a year-over-year basis, over double that of the national average.

Inflation is one area that Calgarians don't have to worry about at the present time. Having spent much of the summer and fall in deflationary territory – when prices were in fact lower this year than last year as a result of lower oil prices throughout the summer – consumer inflation is now back at a very modest level. Inflation for October was 0.1 per cent compared to October of 2008. With excess slack and capacity in the economy, and little in the way of demand outstripping supply, inflation is not likely to be much of a concern going forward.

Alberta's exporters continue to face challenging times. Demand for Alberta's key product – natural gas – is down as a result of low prices, high inventories in the U.S. and growing supply in U.S. markets. The Canadian dollar, within a few cents of parity, continues to create a headwind for Alberta manufacturers. Overall, Alberta manufacturing shipments are down 17.2 per cent as of September year-over-year.

Community Impact

The rapid reversal of Calgary's economy has brought with it a variety of impacts. One of those impacts is the increased demand for social serving agencies that deal with outcomes of job loss, stress and other social ills. Calgary agencies are seeing greater demand for their services and programs, whether it be because of increased stress, anxiety, domestic violence, or the need for food, clothing or shelter. Many Calgarians are finding themselves in a place they have never been, never dreamed they would be in, and are poorly prepared for. During those periods, levels of stress can mount, and the need for necessities becomes a daily consideration.

The United Way and the Calgary Chamber of Voluntary Organizations (CCVO) have both done a variety of research with Calgarians and Calgary agencies to determine the level of community impact. Across their work, common findings emerge:

- Calgary agencies are seeing double to triple digit increases in the demand for their services;
- Calgary agencies are seeing reduced revenues, with 62 and 50 per cent of CCVO survey respondents indicating declining revenues from corporations and individuals respectively;
- A heightened level of stress and anxiety in the community, particularly among crisis and counseling related service agencies;
- A greater magnitude of people not knowing where to turn.

With reduced government revenues at the Provincial and Federal levels, many agencies are bracing for reduced government funding in 2010, as well as continued reduced private and corporate donations. While many organizations have made it through 2009, many fear 2010 will be a more challenging year.

At a time when demand is growing the most, it is critical that funding levels – both government and private – remain as high as possible so that we ensure that as few Calgarians as possible bare the brunt of this economic downturn.

Outlook for 2010 – Recovery?

2009 was a very different year for many Calgarians; one which many have never experienced before. Many of us were accustomed to sustained growth, falling unemployment, and high wage growth. To be in a territory where jobs were being lost, wages rolled back and projects being cancelled, was completely foreign. What made it so impactful was how quickly it all happened. But by the end of 2009, it is beginning to feel somewhat more stable. 2009 ends a little more optimistic, particularly in the oil side of the energy sector. But we are cautiously pragmatic, knowing that our economic fate hinges on factors beyond our control.

What should every Calgarian wish for this Christmas? A stable and sustainable recovery in the U.S. and higher natural gas prices that would make drilling economically viable. Those are the two things that will determine the health and success of the Calgary economy in 2010. As Calgary Economic Development identified in the Calgary Economic Outlook 2010 report, the level

of oil prices is providing some lift to economic activity in Calgary. However, true sustained and stable recovery in Calgary is not yet upon us because of the conditions in the U.S. and low natural gas prices.

Ultimately, Calgary will experience a Charlie Brown economy in 2010. Charlie Brown is a strong representation of Calgary's economy for 2010 because of his great shirt. The pattern on the bottom of his trademark yellow shirt represents the shape of Calgary's economic activity for the next 12, and possibly more, months.



Source: *Charles Monroe Schulz*

No, Calgary's economy won't perform or recover as a V, or a U. It will be a Charlie Brown shirt economy and recovery. No one knows the exact number of peaks and troughs we will experience before we see truly sustained recovery, but the overall representation is accurate; that Calgary is likely to experience numerous bumps along the way to sustained recovery. Why? For two reasons: first, the Calgary economy is heavily tied to the U.S. economy, with approximately 87 per cent of Alberta's international exports bound for the U.S.; and second, the Calgary economy is still heavily tied to the energy markets. Both are likely to experience fluctuations and volatility over 2010. And as the ocean rolls, how can we expect a ship afloat to not roll with the waves?

Now this is not to say that things aren't heading in the right direction. Things in the big picture globally, and nationally, are looking far better than they were in late 2008 and early 2009. Many economic indicators are showing signs of bottom, or in some cases, even recovery. But before we get to sustained recovery, we will likely experience more volatility along the way. Think of what one reads in the newspaper across any given week. One day a positive economic result is announced - markets rally and spirits rise. The following day another economic result is announced, yet it performs below expectations and markets stumble. What is one to think about the true nature of the recovery? We wonder if it is truly upon us with such volatility and variability in performance. Such is the nature of Charlie Brown's shirt. And so, for 2010, we can hope that generally, volatility will be minimal, but we should be prepared for some further ups and downs in our economic performance.

Merry Christmas Charlie Brown!

Consumer Price Index / Inflation

From October 2008 to October 2009, prices paid by Calgarians for goods and services, as measured by the Consumer Price Index (CPI) basket, rose by 0.1 per cent. Higher prices were most significant in food, household operations, furnishings and equipment, and recreation, education and reading. Over this same period, the shelter component of the CPI (which accounts for roughly one quarter of the consumer's basket of goods and services), decreased by 3.0 per cent, while the price of water, fuel and electricity decreased by 16.8 per cent.

Indicator	Oct	Dec	Oct	YTD Change		YOY Change	
	2009	2008	2008	Number	% (Inflation)	Number	% (Inflation)
CPI (2002=100)	121.9	121.8	121.8	0.1	0.1%	0.1	0.1%

Labour

Average Hourly Wage Rate (Alberta)

The demand for labour in Alberta has diminished as a result of the global economic downturn. The unemployment rate was 6.9 per cent for November 2009, with 51,200 jobs lost in Alberta since November 2008. The current labour market in Alberta has slowed, easing the pressure on the province's average hourly wages, which increased 2.5 per cent from November 2008 to November 2009, to \$25.09 an hour

Employment

Employment numbers for Calgary have bounced monthly between growth and contraction in 2009. Calgary's economy has lost 22,600 jobs (a 2.9 per cent decrease) since November 2008. Total employment was estimated at 747,400 in November 2009, down from 770,000 a year prior. Calgary accounted for 44.1 per cent of the job losses in Alberta, on a year-over-year basis.

Unemployment Rate

Calgary's unemployment rate has increased dramatically in 2009, with a rate of 6.9 per cent in November 2009, compared to a rate of 3.6 per cent in November 2008. This rate reflects the downward shift in employment for Calgary.

Employment by Industry

The services-producing industries led the way in job creation in Calgary this year, adding 5,100 jobs since the beginning of 2009, a 0.9 per cent increase, while the goods-producing sector lost 24,700 jobs, an 11.5 per cent decrease over the same period. In all industries, the Calgary Economic Region lost 19,900 jobs since December 2008.

Since the end of 2008, across both the goods-producing and services-producing sectors, the major drivers in terms of job gains were Health Care and Social Assistance (14,500), Other Services (14,100) and Transportation and Warehousing (7,900). The major sectors with job losses in the same period were Trade (-16,100), Professional, Scientific and Technical Services (-10,000) and Manufacturing (-9,400).

Indicator - Calgary Economic Region	Nov 2009	Dec 2008	Nov 2008	YTD Change		YOY Change	
				Number	%	Number	%
Average Hourly Wage Rate (\$) - Alberta	25.08	24.49	24.48	0.59	2.4%	0.60	2.5%
Employment	747,400	766,900	770,000	-19,500	-2.5%	-22,600	-2.9%
Unemployment Rate (%)	6.9%	3.8%	3.6%	3.1%	-	3.3%	-
Employment by Industry							
TOTAL INDUSTRIES	747,400	766,900	770,000	-19,500	-2.5%	-22,600	-2.9%
Goods-Producing Sector	190,900	215,600	220,000	-24,700	-11.5%	-29,100	-13.2%
Agriculture	11,000	16,300	16,400	-5,300	-32.5%	-5,400	-32.9%
Forestry, Fishing, Mining and Oil & Gas	50,800	56,700	57,000	-5,900	-10.4%	-6,200	-10.9%
Utilities	8,200	7,000	7,400	1,200	17.1%	800	10.8%
Construction	75,900	81,300	82,800	-5,400	-6.6%	-6,900	-8.3%
Manufacturing	45,000	54,400	56,300	-9,400	-17.3%	-11,300	-20.1%
Services-Producing Sector	556,500	551,400	550,000	5,100	0.9%	6,500	1.2%
Trade	99,700	115,800	112,900	-16,100	-13.9%	-13,200	-11.7%
Transportation and Warehousing	43,400	35,500	36,900	7,900	22.3%	6,500	17.6%
Finance, Insurance, Real Estate and Leasing	46,500	48,300	48,500	-1,800	-3.7%	-2,000	-4.1%
Professional, Scientific and Technical Services	79,800	89,800	88,700	-10,000	-11.1%	-8,900	-10.0%
Business, Building and Other Support Services	25,900	27,600	26,300	-1,700	-6.2%	-400	-1.5%
Educational Services	43,800	45,700	44,200	-1,900	-4.2%	-400	-0.9%
Health Care and Social Assistance	77,300	62,800	62,800	14,500	23.1%	14,500	23.1%
Information, Culture and Recreation	36,000	30,400	31,200	5,600	18.4%	4,800	15.4%
Accommodation and Food Services	37,700	40,200	42,700	-2,500	-6.2%	-5,000	-11.7%
Other Services	41,500	27,400	27,600	14,100	51.5%	13,900	50.4%
Public Administration	24,900	27,900	28,300	-3,000	-10.8%	-3,400	-12.0%

Retail Trade

Retail Sales

Retail sales in Calgary in the third quarter of 2009 were \$20.4 billion, down 3.6 per cent from Q4 2008. Retail sales from Q3 2008 to Q3 2009 have decreased by \$1.6 billion, reflecting a 7.1 per cent decline.

Indicator - CMA	Q3 2009	Q4 2008	Q3 2008	YTD Change		YOY Change	
				Number	%	Number	%
Retail Sales (\$Millions)	20,398.78	21,151.76	21,963.97	-753.0	-3.6%	-1,565.2	-7.1%

Construction

Housing Starts

Year-to-date cumulative total housing starts in Calgary decreased by 48.7 per cent for 2009, from 11,035 in 2008 to 5,661 this year. An increase of 2.7 per cent was experienced in single-detached starts, while starts for all other housing types decreased by 79.2 per cent, from 6,931 in 2008 to 1,445 in 2009.

Indicator - Calgary CMA (Units)	Nov 2009	Nov 2008	YTD Cumulative		YOY Change	
			2009	2008	Number	%
			Number			
Housing Starts - Total	832	575	5,661	11,035	-5,374	-48.7%
Housing Starts - Single-Detached	604	338	4,216	4,104	112	2.7%
Housing Starts - All Others	228	237	1,445	6,931	-5,486	-79.2%

Building Permits

Total cumulative building permit values as of October 2009 dropped considerably, with an 18.5 per cent decrease, from \$4.5 billion in 2008 to \$3.6 billion this year. Residential building permit values declined at a slightly higher rate than non-residential permits, at 23.6 per cent year-over-year. Non-residential permits declined at a year-over-year rate of 14.1 per cent.

Indicator - Calgary Economic Region	Oct 2009	Oct 2008	YTD Cumulative		YOY Change	
			2009	2008		
			Number		Number	%
Total (\$Millions)	630.9	362.2	3,637.9	4,465.7	-827.8	-18.5%
Residential (\$Millions)	239.5	142.5	1,596.4	2,089.5	-493.1	-23.6%
Non-Residential (\$Millions)	391.4	219.6	2,041.5	2,376.2	-334.7	-14.1%

Major Projects

While the number of major Calgary projects (\$5 million or more) has decreased by 28.7 per cent over the past 12 months, the total value of these projects has dropped by 12.5 per cent over the same period to \$29.0 billion. The project sectors with the highest value in November 2009 were Commercial/Retail ((\$8.1 billion), Infrastructure (\$6.3 billion) and Institutional (\$4.4 billion). Leading developments among Calgary's major projects include The Bow office tower, Stonegate Landing retail, office and industrial development, and Calgary Health Region's Hospital for South Calgary.

Indicator	Nov 2009	Dec 2008	Nov 2008	YTD Change		YOY Change	
				Number	%	Number	%
Value (\$Millions)	29,019.2	33,249.8	33,170.3	-4,230.6	-12.7%	-4,151.1	-12.5%
Number	206	288	289	-82	-28.5%	-83	-28.7%

Real Estate

Residential

MLS Sales

Calgary housing market is showing signs of recovery, after seven consecutive months of year-over-year sales increases in both single-family and condominium markets. Low borrowing costs, the desire of first-time buyers to get into the housing market and improved consumer optimism have provided the impetus for the turnaround.

Month-end inventories of single family homes decreased from 5,083 in November 2008 to 2,658 in November 2009, down 47.7 per cent. Condominium inventories declined from 2,399 in November 2008 to 1,434 in November 2009, a 40.2 per cent drop.

Sales of single family homes increased from 670 in November 2008 to 1,095 in November 2009, an increase of 63.4 per cent. Sales in the more affordable condo market also increased by 77.5 per cent over the same period, with November 2009 sales of 504 units as compared to 284 units the year before.

Sales of housing units were up for both single family and condominium markets in the first 11 months of 2009, compared to the same period in 2008, at 4.9 per cent and 9.7 per cent respectively.

The median price of a single family home in November 2009 was \$408,000, a 5.3 per cent increase in price from November 2008, when the median price was \$387,300. Condominium prices increased by 5.2 per cent over the year, with the median sale price rising to \$264,900 in November 2009, from \$251,800 in November 2008.

5.3Indicator	Nov 2009	Nov 2008	YTD Cumulative		YOY Change	
			2009	2008		
			Number		Number	%
Single Family						
Sales	1,095	670	13,644	13,011	425	63.4%
Median Sale Price (\$)	\$408,000	\$387,300	\$391,000	\$410,000	\$20,700	5.3%
Condominium						
Sales	504	284	5,987	5,457	220	77.5%
Median Sale Price (\$)	\$264,900	\$251,800	\$260,000	\$280,000	\$13,100	5.2%

Commercial

Downtown Office

Demand for downtown office space continues to decline as energy sector companies manage low commodity prices and lack of capital for projects resulting from the economic downturn. The majority of transactions occurring are the result of tenants with lease expiries or lease extensions for the same or less space. Very few tenants have required expansion space this year.

Vacancy rates in the downtown market have increased dramatically in 2009, from 5.2 per cent in Q4 2008 to 12.6 per cent in Q3 2009. Vacancy rates have increased in all classes of office buildings, with Class C and D having the highest vacancy rates, with tenants upgrading to better quality space or better located buildings. In the past quarter, the most notable increase was in the Class A space due to the completion of Jamieson Place, which has a large amount of sublease space available. The vacancy rate in the downtown market is expected to increase over the next three years as there is currently 4.0 million square feet under construction.

Average asking lease rates have declined in response to the increase in sublet space and higher vacancy rates. Class AA rates have had a moderate decline, and the increase in sublease space in Class AA and A space has driven prices down. Q3 lease rates averaged \$22.01, compared to average lease rate of \$35.24 per square foot in Q3 2008.

Absorption in the downtown market has been negative since Q4 2008, due to an increase in sublease space, weak demand and two new buildings that came on the market in the last quarter. Year-to-date downtown absorption stands at 1.4 million square feet, with net negative absorption of 472,924 square feet in Q3 2009.

Two new buildings were added to the downtown inventory in Q3 2009, while another 4.0 million square feet are currently under construction. As well, the supply of sublease space has increased as companies continue to implement cost-cutting measures, especially in the energy sector.

Indicator - Calgary	Q3 2009	Q4 2008	Q3 2008
Absorption	-472,924	-104,921	72,954
Vacancy Rate	12.6%	5.2%	4.1%

Suburban Office

The Calgary suburban office market has grown over the year, with an additional 1,378,034 square feet of space added to the inventory. An additional 1.4 million square feet is currently under construction in class 'A' space. Calgary's total inventory for the suburban office market stands at 19.6 million square feet, with 23.9 per cent being located in the Beltline.

Vacancy rates more than doubled over the year from 5.9 per cent in Q3 2008 to 14.0 per cent in Q3 2009, reflecting the new inventory added to the suburban market. An excess of sublease space continues to be a significant factor behind increasing vacancy rates. Q3 2009 vacancy rates are relatively similar across all classes. Vacancy rates are not expected to continue to rise in the next year as the suburban market has only 1.4 million square feet under construction

Net lease rates have decreased over the past year, with average net lease rates at \$19.35 in Q3 2009. 'A' class rates remain higher due to more demand for space, while 'B' and 'C' class rates have declined at a higher rate.

Absorption in the suburban office market has remained positive for the past two quarters, following negative absorption in Q1 2009. Net absorption for the first three quarters of 2009 was 149,434 square feet.

Indicator - Calgary	Q3 2009	Q4 2008	Q3 2008
Absorption	77,563	159,380	436,826
Vacancy Rate	14.0%	8.1%	5.9%

Industrial

Calgary's industrial market continues with a slow but steady rise in vacancy and availability rates as the market continues to adjust to the unstable economic environment. Industrial vacancy has increased moderately every quarter since Q3 2007, with the current vacancy rate of 4.7 per cent.

Availability has increased to 7.4 per cent in response to sublease space continuing to be added to the inventory as companies adjust their workforce and space requirements.

Average asking lease rates continued to decline over the past few quarters, with the current average asking lease price of \$7.61 per square foot. The largest decline in prices was for the larger pockets of industrial space available.

Q3 2009 was the second consecutive quarter of negative absorption, dropping to negative 1.3 million square feet. This is a result of space becoming vacant as companies adjust their requirements due to the economic downturn. As well, several projects were completed during this period, impacting absorption and adding 449,674 SF to inventory.

Indicator - Calgary	Q3 2009	Q4 2008	Q3 2008
Absorption	-1,258,965	-1,113,063	1,063,570
Vacancy Rate	4.7%	3.1%	1.7%

Sources:

Bank of Canada
Calgary Chamber of Voluntary Organizations
Calgary Real Estate Board
Canadian Bankers Association
Canada Mortgage and Housing Corporation
CB Richard Ellis
City of Calgary
Conference Board of Canada
International Energy Agency
Office of the Superintendent of Bankruptcy Canada
Province of Alberta
Statistics Canada
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2009 State of the Economy Special Section:

WORKshift – Think outside the office

December 14, 2009

A Quick Look at Telework

- ✓ Telework is typically defined as working from where/when you are most effective, usually from home 1-2 days a week
- ✓ It is on the rise: 8 million “employee telecommuters” in the United States in 2004; by 2008, the number had more than doubled to over 17 million.
- ✓ Today’s telecommuters are most often 40-year-old male college graduates in a higher income household.
- ✓ Bottom-line economic benefits: Real-world company case studies illustrate that a flexible work program can reduce workforce support costs by 40 per cent
- ✓ Improves Productivity: distributed workers give back 50 per cent of their commute time to the employer
- ✓ Mitigates economic impacts from absenteeism associated with flu and snow storms
- ✓ 61 per cent of paid workers would give up some pay in order to telecommute.

The Telework Paradox

A number of factors are considered when determining the overall desirability of a city as a place to live, work and play. Certainly the economy, real estate and employment rates are predominately featured as key indicators, however increasingly more subtle programs are becoming integral in distinguishing one city over another. In Calgary, a new program called WORKshift, launched in 2009, by Calgary Economic Development, is helping to differentiate Calgary and establish a culture of performance. WORKshift seeks to explore opportunities with the business community to embrace flexible work practices as a way to maximize productivity, reduce operating expenses and improve the quality of life of Calgarians. More importantly, it gives organizations a suite of resources to implement these future-friendly programs ahead of the curve – to lead the country in the practice of embracing technology to diminish distance.

There are plenty of well-documented economic benefits that support this program. WORKshift has partnered with world-class technology organizations to integrate a suite of programs to make the implementation of telework pilot programs fast, free and entirely achievable for any Calgary company. The inevitable rise of telework programs has not been as rapid as many initially predicted, not because the technology or employees aren’t ready, but because institutionally, the shift seems momentous. WORKshift will alleviate much of the effort, and financial commitment required to make the shift possible.

With ubiquitous broadband access and technology, a focus on employee productivity and more challenging economic times, it seems fitting that now might be the time to consider modifying our assumptions about the way we “go to work” and ultimately consider how our organizations can do more with less. Or, more accurately, for organizations to reconsider the way it is that their employees are *already* modifying the way they work, and to institutionalize the shift to reap the benefits.

One of the most unproductive things we do as a society is move bodies into central locations to do work that can be done closer to home. We continue to work the way we did in the post-industrial era, where employees “punched in and out” of their jobs on the assembly lines. Particularly with the advent of high-tech gadgets that allow us to work anytime, anywhere, it is vital that we learn how to maximize the productivity of knowledge workers and to reconsider whether our physical space supports a new way of working.

What we are already doing

Determining the precise number of Calgarians already teleworking is an almost impossible task. That is partially because organizations are not currently tracking the practice and because it is still difficult to agree on the definition of telework (that is, does it include small business owners who work from home full time? Or only those employees who eliminate a trip to the downtown core by working at home or from a distributed work centre in their community 1-2 days/week?)

Anecdotally however, and based on meetings conducted by Calgary Economic Development, what we do know is that a large number of Calgarians are already “practicing” the act of telework because it helps them do their jobs better (a high percentage of Calgarians report going home to finish up that important project in a distraction-free environment).

What Calgary Economic Development and WORKshift seek to do is 1) accelerate the adoption of the practice in large institutional settings in Calgary by offering tools, education and awareness and 2) “smoke out” the pockets where the practice exists and begin to start tracking and reporting the data.

Why is tracking and reporting telework data important? One key reason to track are the positive environmental impacts that telework offers. Certainly, any programs that Calgary companies can embrace to support sustainability should be considered.

The Pink Elephant in the Room

As per capita energy demand grows, as it always does when societies become more industrialized and the supply of oil shrinks, we either have to find new energy sources or change our energy usage habits—or both. One of the largest uses of petroleum is transportation. One of the largest components of transportation energy use is commuter cars. (Source: Jala International)

So what really is the relationship between telework and energy consumption? Consider that 17 million telecommuters who are not driving to work one day per month is the equivalent of taking 560,000 cars off the road every day (the extreme case assumes these individuals don’t drive anywhere else, which is probably not accurate, but easier to analyze). If you run the math, parking 560,000 cars for a day is like cutting gasoline consumption by 880,000 gallons. In the context of 380 million gallons consumed in the United States every day, it’s not big news yet at the Calgary Petroleum Club, but telecommuting numbers are growing by about 20 per cent per year! (Source: Peter Tertzakian)

The relationship between distributed work and environmental impact should be obvious: if every company in Calgary encouraged its staff to work from home (or distributed work center) just one day a week, the number of cars commuting would drop by about 20 per cent each day. Anecdotally, this would be the equivalent of taking 7,000 cars driving an average of 20 km round trip off our roads; a saved 140,000 km of

commuting daily- or 700,000 km a week! A George Mason University research study reveals that a mere three per cent reduction in the number of motor vehicles on the highways would cause a 10 per cent decrease in road congestion. This is sometimes referred to as the "Friday Effect".

H1N1 Fears, Social Distancing and Snow Storms!

The lack of queues at the H1N1 clinics in Calgary might convince you that the initial threat of the "swine flu" has indeed subsided. At the very least our frantic feelings about the possible threat have. Looking at the vast lines of people waiting for their vaccine certainly illustrated that the concept of social distancing, a key component of any robust business continuity plan, was probably the least popular method employed during the height of the "crisis". (Which may also likely be why the adoption of telework in the institutional setting as a mitigating factor in pandemic planning/emergency preparedness has been curiously slow.)

However, the impacts of any major incident (weather, pandemic, terrorism) pose threats to our business prosperity if we do not embrace a strong approach to emergency preparedness. Specifically, the impact of large waves of absenteeism (initially estimated to be as high as 40 per cent) creates pause for consideration. Are Calgary businesses prepared to cope with a large-scale emergency in a seamless fashion? As alluded to previously, a good proportion of employees are equipped to work from home on an ad-hoc basis, however organized, formal social distancing programs are the exception, not the norm. In fact, a May 2009 study by Mercer found that among 400 mid-sized and large organizations world-wide nearly half of employers said they did not have an HR policy regarding health-related emergencies.

If the virus becomes widespread, "it will throw sand in the gears of business activity and that will reduce productivity in the near term," said Sal Guatieri, senior economist at BMO Nesbitt Burns Inc. "It adds to the uncertainty about the economic outlook."

So although the overall economic activity in Calgary may not have been significantly impacted by extended and far-reaching absenteeism from H1N1 this season, Calgary Economic Development is in the business of assuring the economic vitality of Calgary, and WORKshift can help bolster business continuity in the case of any event like H1N1.

Consider how even a snowstorm can impact absenteeism in a meaningful way. We recently experienced the worst storm in over a decade in Calgary- prompting many organizations to send their staff home early. If even 100,000 employees left at noon on Friday- the economic impact on our GDP would equate to over \$8 million! Providing our desk bound employees (over 30 per cent of the working population in our City) with the capability to work remotely (either from home or closer to their neighbourhoods) will reduce the need for commuting in bad weather, car accidents, stress and lost productivity. Telework should be considered a critical business weapon in combating absenteeism and lost revenue in the case of storms which are often predictable.

The Future Workforce Challenge

Calgarians and the organizations they are part of pride themselves in keeping current, competitive, and even edgy. The median age of the Calgary labour force is 39.3 with 69.6 per cent being between 25 and 54 years of



An innovative initiative led by



age. Add to this, the forecast that Calgary will be adding approximately 200,000 new jobs in the next decade and we have a pretty good attraction and recruiting challenge on our hands.

How does a city compete for young talent? We create a culture of flexibility. We embrace the changing nature of work in our own organizations and create programs (like WORKshift) to differentiate ourselves from the competition.

Generation Y (This refers to people born approximately between 1977 and 1997) has become the largest demographic group in many parts of the world and are indeed the employees organizations in Calgary are and will be competing for in the coming years. These talented engineers, geologists, lawyers, accountants and marketing executives are young, technology savy and are coming to your workplace. But they won't be demanding a big screen with their PC, a corner office with a mahogany desk or a view of the Bow. They will demand the latest mobile device (think iPhone) and control over their workday. They want to work where and when they are effective (and they are!), expect flexibility and a shared cubical for those times they will be in the office. And they may be willing to take a reduced paycheque in exchange for this flexibility.

Interestingly, research supports that even the existing workforce are seeking additional flexibility. In fact, 42 per cent of Canadians indicated that they would be willing to change employers if given the option to telework.

Think Outside the Office

Certainly, in the past the challenge of making the move to a flexible work culture was significant. However, with WORKshift, the productivity gains, reduced environmental footprint, preparedness to face an emergency and the real estate savings alone can make the program pay off handsomely- for the organization and for Calgary.

www.workshiftcalgary.com