

BeyondNumbers

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Demographic challenges are making it increasingly difficult for BC's small businesses to find workers

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Looming Labour and Skills Shortages Threaten BC's Small Businesses

By Craig Fitzsimmons and Michelle McRae



"In spite of trends in increased labour force participation and increased immigration, the aging of the country's current population cannot generate a labour force large enough to meet the employment requirements of the economy even though it would grow more slowly than ever before."

- *Urban Futures*¹

The third week of October is small business week in Canada, and this year, Premier Gordon Campbell has proclaimed October to be small business month here in BC. What better time then, to focus on the challenges faced by this segment of our provincial economy?

For many people, 2010 stands out as the year in which British Columbia will host the world for the Olympic and Paralympic Winter Games. But it's also significant for another reason: 2010 is projected to be the first year in which more people leave the province's workforce than enter it.

This statistic poses obvious concern for BC businesses—98% of which can be defined as small businesses.² These small businesses make up the core of many industry sectors in BC, and are critical to communities and regional development throughout the province.³

The demographic challenges that threaten these businesses are quite simple: an aging workforce, a declining 15-24 year old new entrant pool, stiff international competition for talent, and a growing economy (boasting record-low unemployment levels and above-average wage increases)—which, combined, create a "perfect storm."⁴

According to provincial employment projections, based on the period 2005-2015, there will be more than one million job openings in BC, as 461,000 new jobs are created, and 652,600

¹ Urban Futures Institute. *Report 66, A Perfect Storm: Sustaining Canada's Economy During Our Next Demographic Transformation*, 2006.

² Ministry of Small Business and Revenue, *Small Business Profile 2007*. (www.gov.bc.ca/sbr)

³ Coalition of BC Businesses. *Labour Supply Strategies for Small Businesses in BC*, June 2007.

⁴ Ibid.

workers retire from existing jobs in the workforce.⁵ However, over the same period of time, there will only be 650,000 young people enrolled in the school system, resulting in a projected shortfall of more than 400,000 workers in BC.⁶

In a July 2007 presentation to the provincial government, the Coalition of BC Businesses, which represents over 50,000 small and medium-sized businesses in BC, identified labour shortages as the number one challenge for BC's small businesses, noting that labour shortages are most acute in the province's small communities.⁷

According to the Coalition, labour and skills shortages are already negatively impacting small businesses—and by extension, communities—in many part of the province. Citing reports and anecdotal evidence, it points to the following signs:⁷

- Curtailed growth in goods and services;
- Reduced hours of operation;
- Missed new/expanded market opportunities;
- Reduced customer service;
- Reduced productivity; and
- Burned out owners/managers and staff.

Anecdotal reports from CAs confirm that the impacts of labour and skills shortages are already being felt across the province.

“In the Okanagan we are noticing shortages in the retail service and construction industries, such that businesses are either reducing their hours of operation or turning away business,” says **Jeff Omland, CA**, with KPMG LLP in Penticton. “It’s not unusual to have clients post a job and not receive any applications. It’s a very challenging labour market.”

ICABC Council member **Praveen Vohora, CA**, runs his own CA firm Vohora & Co. in Prince Rupert and Surrey. He works with a number of small-business clients, and says businesses in Prince Rupert are definitely feeling the strain.

“Since the Container Port development started, workers have been very hard to find,” Vohora says. “Some of the owner-operated contractors are working extremely long hours because their employees have left, and they still have to complete the jobs they’d contracted for.”

Many others in the CA profession share the

concerns expressed by Omland and Vohora. In fact, a survey of BC's CAs in September of this year revealed that CAs see attracting and retaining high-calibre employees as the number one economic challenge facing the province today.⁹

Unfortunately, this problem is only going to worsen in coming years, as the labour and skills shortages we face are both cyclical (the result of an economic growth cycle) and structural in nature (the result of demographic shifts—an aging population and decades of low birth rates).¹⁰

Structural labour shortages

All labour shortages are not created equal; at least according to future labour force projections. That is, the impacts of an aging workforce will not be felt equally across all occupations. High rates of retirement are projected for Management Occupations; Business, Finance and Administration; Occupations Unique to Processing, Manufacturing and Utilities; and, Occupations Unique to Primary Industry.¹¹

In fact, 74% of expected employment openings will require a university degree, or at least

⁵ Ministry of Advanced Education and Service Canada BC/Yukon Region. *Employment Outlook for British Columbia, COPS BC Unique Scenario for 2005 to 2015*, February 2007. Accessed online at: www.aved.gov.bc.ca/labourmarketinfo/reports/COPS_BCUnique_2006.pdf.

⁶ Institute of Chartered Accountants of BC. *BC Check-Up, 2007: Provincial Edition*, September 2007.

⁷ Coalition of BC Businesses. *BC labour supply strategies for small businesses*. Presentation to the Government of British Columbia, July 30, 2007. (www.coalitionbcbusiness.ca/pdf/LabourShortage07.pdf.)

⁸ Coalition of BC Businesses. *Labour Supply Strategies for Small Businesses in BC*, June 2007

⁹ Preliminary results for the 2007 *CA Business Outlook* survey, based on 500 responses, found that 72.5% of CAs rated the skills shortage as a “major” challenge facing business today, far more than any other issue.

¹⁰ Institute of Chartered Accountants of BC. *BC Check-Up, 2007*.

¹¹ Ministry of Advanced Education and Service Canada BC/Yukon Region. *Employment Outlook for British Columbia, COPS BC Unique Scenario for 2005 to 2015*, February 2007.

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2004	21.5%	14.5%
2003	31.9%	26.7%
2002	-8.2%	-12.4%
2001	18.2%	-12.6%
2000	44.3%	7.4%
1999	18.9%	31.7%
1998	10.5%	-1.6%
1997	32.7%	15.0%
1996	24.3%	28.3%
1995	18.5%	14.8%

¹ Including re-invested dividends. Since inception: December 15, 1994.

The Model was established by the Research Department in December 1994, with a hypothetical investment of \$250,000. The Model provides a basis with which to measure the quality of our advice and the effectiveness of our disciplined investment strategy. Trades are made using the closing price on the day a change is announced. These are gross figures before fees. Past performance is not indicative of future performance.

some post-secondary education. There will be a need for increased participation in post-secondary education in BC, as currently 64% of the population has a university degree or some post-secondary education.¹² The BC government has recognized this need with an expansion of 25,000 post-secondary seats by 2010.¹³

As one of those occupations requiring a post-secondary degree, the CA profession will not be immune to skills shortages.

“The skills shortage is already here for professional accountants due to the hot economy and post-Sarbanes-Oxley demand,” says **John Gunn, FCA**, CEO of the CA School of Business. “CASB’s student enrolment has been skyrocketing over the past few years as firms take on increased numbers of university grads.”

Recent reports have shown that there will be ongoing demand for professional accountants. According to employment projections from the provincial government’s statistics agency, BC STATS, there will be an additional 2,570 openings for “Financial Auditors and Accountants” across the province between 2006 and 2011.¹⁴

Employment Projections: Financial Auditors and Accountants

Development Region	2006	2011	Annual % change
Cariboo	710	770	1.6
Kootenay	580	640	2.2
Mainland/Southwest	20,400	22,220	1.8
North Coast/Nechako	330	390	3.3
Northeast	360	410	3.2
Thompson-Okanagan	2,340	2,620	2.4
Vancouver Island/Coast	3,840	4,080	1.2
TOTAL	28,560	31,130	1.8

Source: BC STATS

Succession planning and other challenges pose additional hurdles

The problem of labour and skills shortages is, of course, compounded by the challenge of succession planning—and vice versa. In a recent survey of Canadian private company business owners, 54% of respondents said they had no succession plan at all.¹⁵ According to the survey, this number increases to over 70% when focusing on businesses with revenues under \$10 million—this despite the fact that 62% of respondents said the current owner/CEO of their business was between the ages of 51 and 70, and one third indicated that their CEOs would be retiring in five years.

As we reported in our November 2005 cover story, the statistics for CA public practice firms are equally troubling. According to a succession planning survey conducted by the CICA in May 2005, 70% of respondents (sole-practitioners and partners of small and medium-sized firms) said they expected to retire from their practices within the next 15 years, but 99% of sole-practitioners and 64% of small and medium-sized firms said they did not have formal succession plans.

Approximately 750 of the 930 licensed CA firms here in BC are owned by sole-practitioners; 850 have two or fewer partners, with or without additional staff. **Anne Katrichak, CA**, director of the ICABC’s Practice Review & Licensing department, says that given the significant changes and complexity in audit/assurance standards and tax law, staying up to date in *all* areas is very time-consuming.

“Time is money,” Katrichak says, “and small practices are more often specializing rather than offering a broader range of services.”

These challenges, added to the daily stress of running a business, leave little time for succession planning. As the Coalition of BC Businesses states: “It is clear from research that because of day-to-day bottom-line pressures, many small businesses do not have the time and capacity to do human resource or workforce planning or ownership and management succession planning.” According to the Community Futures Development Association of BC (CFDABC), 56% of small businesses have no ownership succession plan in place.¹⁶

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¹² *BC Check-Up, 2007.*

¹³ It is interesting to note that, according to an audit by the Auditor General's Office in 2006, the provincial government's target of 25,000 new post-secondary seats by 2010 was behind schedule. As of 2006, only 4,004 of the 25,000 new seats had been filled with students, while the plan called for 7,417 new seats. The report noted that student enrolments at BC's public post-secondary institutions had slowed or, in some cases, even declined. However, the Auditor General's Office concluded that the target could still be met. See: Auditor General of British Columbia, 2006/2007 *Report 7: Government's Post-secondary Expansion - 25,000 seats by 2010.*

¹⁴ BC STATS. *British Columbia: Regional Employment Projection Model: Industry and Occupation Projections 2006-2011.*

¹⁵ From the third in a series of Business Insights™ Pulse Surveys by PricewaterhouseCoopers. The aim of the series is to provide snapshots of the current business environment and sentiment for Canada's private companies. (www.pwc.com/ca/pulsesurvey.)

¹⁶ Paul Wiest and Ron Trepanier. *The BC Skills Force Initiative: Final Report.* Prepared for the Community Futures Development Association of BC, September 2005. (www.venturekamloops.com/SiteCM/U/D/3A8D491CF7C07AE9.pdf) Cited by the Coalition of BC Businesses in *Labour Supply Strategies for Small Businesses in BC*, June 2007.

But while it's understandable that succession planning often gets relegated to the back-burner, the issue is a critical one. As Gunn points out, for example, it takes three years for a CA student to get their designation and another five years to become "seasoned" in preparation for leadership positions.

"Employers need to be thinking about how to get seasoned talent in place well before the need is staring them in the face," he says. "Waiting for the demographic challenges to kick in is not a viable option."

Of course, it's not just CAs in public practice who stand to suffer from BC's labour and skills shortages—CAs who are entrepreneurs or who work at small private companies will also feel the strain.

"Professional isolation is a challenge for both smaller practitioners and CAs in small business," Katrichak says. "Their work environments aren't naturally inclined toward consultation, on-the-job learning, or identifying professional standards changes and issues. The challenge is greatest for CA practitioners in small, rural communities (one-CA towns), and for those CAs in small business who serve as CFO, VP of administration, VP of human resources, and VP of operations—all rolled into one."

Toolkits for Small Business:

CICA Succession Planning Toolkit for Business Owners:

www.cica.ca/index.cfm/ci_id/35692/la_id/1.htm

CICA Succession Planning Toolkit (for practitioners):

www.knotia.ca/store/succession

ICABC Practitioner's Toolkit: www.ica.bc.ca/spt/spt.php

Immigration, training, and increased productivity are key

Natural population growth is only expected to fill 30% of the projected employment opportunities in the years ahead.¹⁷ In addition, inter-provincial migration gains in BC, while helpful, will not be enough to resolve the labour shortfall. This means that British Columbia will become increasingly dependent on immigration for our future workforce.

According to the 2006 report of the BC Competition Council, the BC government must take proactive measures to both promote the immigration of a skilled workforce and break down current barriers to employment. This means enhancing programs such as the Provincial Nominee Program.¹⁸

For its part, the Coalition of BC Businesses has made a number of recommendations to the

provincial government regarding immigration. These recommendations include: expanding the number of immigrants coming to BC to work in small businesses through the Provincial Nominee Program by making nominees in lower skill level occupations eligible for the Program; influencing the federal government to streamline and broaden the access of small businesses to the Temporary Foreign Worker Program; and helping small businesses support new immigrants and temporary foreign workers and their families in terms of settlement, integration, and retention.¹⁹

In all, the Coalition has made ten over-arching recommendations, which range from ensuring that there is input from small business on various initiatives (including the implementation of the WorkBC Action Plan) to making better use of existing and emerging labour force groups.²⁰

¹⁷ Report of the BC Competition Council: Enhancing the competitiveness of British Columbia, June 2006.

¹⁸ www.ecdev.gov.bc.ca/ProgramsAndServices/PNP/

¹⁹ Coalition of BC Businesses. *Labour Supply Strategies for Small Businesses in BC*, June 2007.

²⁰ Ibid.

Stats on small business in BC

- By the end of 2006, 98% of all businesses in BC were small businesses.
- 83% of these small businesses were micro-businesses (businesses with fewer than five employees).
- The number of small businesses operating in the province increased for the fifth year in a row between 2005 and 2006, increasing by 1.8% to approximately 370,700. (The Northeast region continues to record the highest rate of growth in the province in the number of new small businesses, with an average increase of 6.3% per year between 2001 and 2006.)
- Small business employment in BC grew by 1.5% between 2005 and 2006—making BC one of only three provinces with a growth rate higher than 1%, and placing it well ahead of the national average of 0.9%.
- Small businesses employed approximately 1,025,600 people in BC last year, and accounted for 57% of private sector jobs—the second highest rate in the country.
- 56% of all BC businesses in 2006 comprised self-employed individuals with no paid help. (36% of BC's self-employed individuals were women—one of the highest percentages in the country.)
- BC's small business GDP accounted for approximately 27% of total provincial GDP in 2006—the highest percentage of any province.
- Small businesses in BC shipped over \$14-billion worth of merchandise to international destinations in 2005—almost 40% of the total value of goods exported from the province as a whole.
- Hot sectors for small business include: construction; high technology (95% of all high-tech companies in BC are small businesses); business services (accounting, etc.); real estate services; and tourism.

Statistics are from the Ministry of Small Business and Revenue's Small Business Profile 2007 (www.gov.bc.ca/sbr).

Links for small business:

Ministry of Small Business and Revenue

General: www.gov.bc.ca/sbr/

Reports and publications: www.sbr.gov.bc.ca/smallbusiness/information_guides.htm

Coalition of BC Businesses

www.coalitionbcbusiness.ca/

Urban Futures

www.urbanfutures.com/

Small Business Roundtable

www.smallbusinessroundtable.ca/

Canadian Federation of Independent Business

www.cfib.ca/en/default.asp?l=E

Leadership and Management Development Council of BC

The ICABC is a sponsor of this non-profit organization that aims to help small and mid-sized businesses in BC enhance their leadership and management capabilities: www.leadershipmanagement.bc.ca

Community Futures Development Association of BC

www.communityfutures.ca/provincial/bc/

Urban Futures Inc., a firm specializing in research, analysis, and forecasting, points to the need for increased productivity as well, citing this as a crucial way to deal with future labour shortages. According to Urban Futures, we will need a more productive workforce if we are to maintain our current standard of living—particularly with the rising health care costs of an aging society.²⁰

What does the future hold?

There is no doubt that BC faces a long-term labour supply problem as more and more aging baby boomers retire from the workforce. And when it comes to addressing these demographic challenges—particularly with regard to the labour force—there is no doubt that both government and industry have a lot of work to do. The only

*Continued on page 29,
where you'll find a list of PD
courses for small business*

²¹ Urban Futures Institute. *Report 66, A Perfect Storm: Sustaining Canada's Economy During Our Next Demographic Transformation*, 2006.

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\$70,000 – Public Practice
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\$50,000 – Senior Accountant
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\$42,000 – Accounts Payable Supervisor
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THE PERMANENT AND TEMPORARY ACCOUNTING SPECIALISTS

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uncertainty is just how well our society will weather this perfect demographic storm, and how severely BC's small businesses will be hit.

Craig Fitzsimmons is a public affairs practitioner with NATIONAL Public Relations in Vancouver.



PD for small business

Creative Tax & Compensation for Small Business: Retirement & Savings Plans

Oct 22, 9am-5pm, Best Western, Kamloops
Nov 8, 9am-5pm, Sutton Place, Vancouver
Jan 22, 9am-5pm, TBA, Victoria

Creative Tax & Compensation for Small Business: Salaries & Benefit Plans

Nov 9, 9am-5pm, Sutton Place, Vancouver

Owner-Manager Compensation: Latest Trends

Oct 23, 7:30-9:30am, Hyatt Regency, Vancouver

Tax Planning for Owner-Managers on Business Succession

Oct 26, 9am-5pm, Sutton Place, Vancouver

Insurance Strategies for the Owner-Manager and Incorporated Professional

Oct 31, 9am-12:30pm, Sutton Place, Vancouver

Sole-Practitioners - How Do We Survive? (see page 20)

Nov 13, 9am-5pm, Sutton Place, Vancouver
Nov 28, 9am-5pm, Conference Centre, Victoria

PD Weeks:

Kelowna - Nov 13-16 and Nov 26-29 (Kelowna PD Day: October 17)

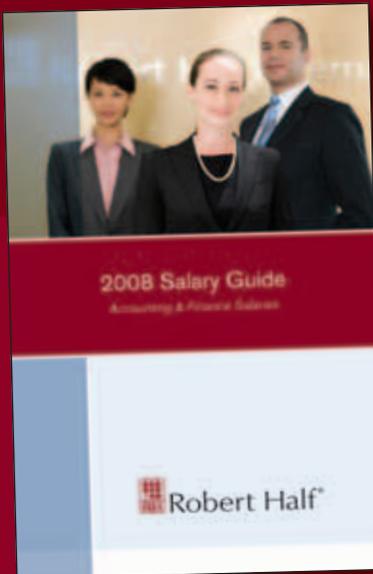
Parksville - Oct 22-25

Surrey - Oct 29-Nov 2

Vancouver - Nov 19-24

Victoria - Nov 5-10

For more information, please contact Jane Borromeo at 604-488-2643/
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