Bridging the Workforce Productivity Gap in Canada:

The solution is not where most people are looking.
Canada is Losing Ground against our Biggest Competitors

Canada’s productivity is declining. We are not keeping up.

- The major economies are stalled or sluggish
- Our strong petro-dollar is hurting exports
- Household spending is conservative
- Manufacturing and tourism hit hard
- Labour unrest and work disruptions on the increase
Productivity is the single most important determinant of a country’s per capita income over the longer term. Countries that are innovative and able to adapt to the ebb and flow of the new global economy boast high productivity and thus a superior standard of living. Productivity is a measure of how efficiently goods and services are produced.
Has Canada’s productivity performance improved over time?

Annual productivity growth has actually declined since the 1970s. Many of Canada’s peers, however, have also experienced a decrease in productivity growth over the past four decades. Canada’s improved letter grade—to a “C”, from a “D”—merely reflects its improved relative performance.
Only the U.S. had a higher trend productivity growth rate in 2008 than in 1970. Canada’s trend productivity growth matched that of the U.S. in the 1970s, first began to lag in the mid-1980s, and has since remained disappointingly low. The gap continues to widen.
Why all the angst about the Canada–U.S. productivity gap?

Low productivity levels present an enormous challenge for Canada’s future economic prosperity. In 2008, Canada’s level of productivity was US$35, much lower than that of the United States, at US$44. Worse still, Canada’s productivity level has fallen to 80 per cent of the U.S. level from a high of 90 per cent in the mid-1980s. Despite a broad and growing consensus that Canadian productivity needs to be improved, the gap with the U.S. is widening, not narrowing.
Can Canada narrow the productivity gap with the United States?

- Canada will have a difficult time trying to close the productivity gap with the United States. Evidence has shown that countries with lower levels of productivity not only have to grow faster to catch up but they have to maintain faster growth for an extended period of time.

- If U.S. productivity grows by its 2000–2008 annual growth rate of 1.67 per cent over the next 15 years, for example, Canada’s productivity growth will have to be 3.22 per cent per year to eventually match the U.S. productivity level. That’s a near-insurmountable four times Canada’s annual productivity growth rate between 2000 and 2008. Closing the productivity gap with the U.S. is essential to closing the income gap, but Canada is going in the wrong direction.
Canada’s productivity trails the G7 average by a wide margin and actually sits closer Greece than to the US.
The Boiling Frog Dilemma argues that Canada in the 21st century is at risk of falling behind internationally. We need to seriously “up our game” in terms of creativity, innovation, risk taking, entrepreneurialism, cosmopolitanism, community, and re-thinking environmental stewardship—or risk becoming economically irrelevant on the global stage.

Todd Hirsch
The Impact is Very Real.

Had Canada’s Labour Productivity growth kept pace with that of the US between 1988 and 2008,

- Consumer spending would have been 25.5% higher
- Real GDP would have been 21.3% higher
- Total investments by businesses and government would have been $51-Billion higher
- Your personal disposable income would be $7500 higher than it is today

Since the first quarter of 2006, productivity has grown 0.1 per cent a year in Canada. In the United States, it has grown an average of 9.8 per cent.
We need to find new levers of performance

The law of diminishing returns kicked in a while ago.

What are we missing?
CEOs: “Execution is where I am most vulnerable”
The building blocks of execution

- **Vision**
- **Strategy**
- **Tactics**
- **Culture**

- Right People, Right Role, Right Time
- Focus, Capability, Will

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One hire in five is a success, from the perspective of both the manager and the employee.

Source: Leadership IQ
46% of new hires leave their jobs within the first year, and 50% of current employees are actively seeking or planning to seek a new job.

Source: eBullpen; Deloitte
14% of the workforce spends more than half their day working from their natural strengths

Source: Buckingham et al
13% of training is retained after six months…
billions of dollars are wasted annually in North America as a result of ‘spray and pray’.

Source: Xerox; Clemmer Group
18% of managers’ time (roughly one day in five) is spent resolving staff personality conflicts.

Source: Accountemps
Less than 30% of the workforce is fully engaged in their work

23% of Payroll Dollars is non-productive (not counting operating inefficiencies)

Source: Gallup and others
94% of senior HR Professionals surveyed assert that their current workforce is *unprepared to deliver on company goals and meet business challenges*.
What *inefficiencies are being hidden*, and what *costs are buried* in your P&L, as a direct result of a reliance on the wrong metrics?
One inescapable conclusion:

We’ve Been Measuring the Wrong Things…
Human Capital: Measuring what Matters

Leading Indicators
- Fit with Manager
- Fit with the Job
- Fit with the Team
- Fit with Company

Intermediate Indicator

Trailing Indicator
- Turnover
- Productivity
- Customer Satisfaction
- Profit

ENGAGEMENT

Core Metrics
Putting *Fit* and *Relationships* to work…
1. They collect the information that matters at every step in the process…
2. The data collected is used throughout the employee lifecycle… and
3. There is a measurement and feedback loop that supports continuous improvement

Activities are **Intentional, Systematised, and Leveraged**
Gather the right information, and use it from Recruitment to Retirement

The right tools can enhance productivity throughout the employee lifecycle:

- Screening
- Selecting
- On-boarding & ramping up
- Managing
- Developing
- Planning
Good information enables better management of your workforce

We are often more judicious about a new photocopier than we are about our people.

- When we purchase equipment we check the specs
- When we install equipment we read the instructions
- When it is not working right, we check the manual

What if your employees came with a manual?

Managers need better information on how to manage their people

You need better information to guide strategic workforce planning
The ‘80/20 Rule’ in Sales

- Fact or Fiction?
Meet your Sales Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary</th>
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<tbody>
<tr>
<td>Tom</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Mike</td>
<td>$1,000,000</td>
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<tr>
<td>Tony</td>
<td>$ 700,000</td>
</tr>
<tr>
<td>Dave</td>
<td>$ 700,000</td>
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<tr>
<td>Sue</td>
<td>$ 600,000</td>
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<tr>
<td>Amy</td>
<td>$ 500,000</td>
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<tr>
<td>Sherry</td>
<td>$ 500,000</td>
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<tr>
<td>John</td>
<td>$ 400,000</td>
</tr>
<tr>
<td>Charles</td>
<td>$ 300,000</td>
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<tr>
<td>Brian</td>
<td>$ 300,000</td>
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</tbody>
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Two you probably classify as ‘Stars’, right?

Five you’d likely rate as ‘So-So’

Three who’d generally qualify as ‘Passengers’
A different view of performance...

Instead, assign them to *Tiers*:

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**TOTAL** $6,000,000

*$2MM – Stars*  
*$2MM – So So*  
*$2MM - Passengers*
Stars  
Tom & Mike = \( \frac{2,000,000}{2} = \$1,000,000 \) each

So-So  
Tony, Dave & Sue = \( \frac{2,000,000}{3} = \$667,000 \) each

Passengers  
All the rest = \( \frac{2,000,000}{5} = \$400,000 \) each

<table>
<thead>
<tr>
<th>Tier</th>
<th>Average</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>So-So</td>
<td>$667K</td>
<td>$267K</td>
</tr>
<tr>
<td>Passenger</td>
<td>$400K</td>
<td></td>
</tr>
<tr>
<td>Star</td>
<td>$1M</td>
<td>$333K</td>
</tr>
<tr>
<td>So-So</td>
<td>$667K</td>
<td></td>
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_raise one Passenger to So-So level:
$267K – total sales go from $6M to $6.27M (+4.4%)

_raise two Passengers to So-So level:
$534K – total sales go from $6M to $6.53M (+8.8%)

_raise all Passengers to So-So level:
$1.33M – total sales go from $6M to $7.33M (+22%)

...these are sustainable ANNUAL increases – not one-off windfalls!
Hard Business Results?

Following an intentional process and measuring what matters will also result in…

- Lower turnover
- Fewer injuries
- Less lost time and sick days
- Fewer grievances
- Happier managers
- Higher CSI
- Hiring requirements reduced by 40% in the following year
We have good reason to be restless, dissatisfied and impatient. The *status quo* is bad and getting worse.

It is clearer than ever that what got us here… won’t get us there.

The CFO’s role is to bring clarity, perspective and new information. Learning to measure what matters in HR is critical to success.

Learn from the top performers: invest in activities that are **Intentional, Systematised, and Leveraged**.

Weak execution = big risk/big opportunity.

More than ever before, it is time for us to lead.