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REPORT

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Precarious Employment: The Employers' Perspective

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Executive Summary

Overview

In late 2013, United Way Toronto engaged KPMG to conduct exploratory research on precarious employment, focusing on the "voice of the employer." To conduct this research, KPMG interviewed employers to identify initial themes, and presented these findings to a business leaders' forum for discussion and further exploration.

Key Findings

The following report identifies a number of findings based on our conversations with employers. Key findings focus on awareness, types of precarious employment, drivers of precarious employment, as well as perceived benefits and risks.

Awareness - The vast majority of employers responded that they had a general awareness of precarious employment; however, employers displayed limited knowledge and understanding of the effect of precarious employment, and in particular the link between precarious employment and social outcomes. Additionally, this issue has not yet been included on boardroom agendas.

Types of Precarious Employment – Employers identified six types of precarious employment. Each type of precarious employment has unique circumstances and may require different responses. Types of precarious employment include:

- Seasonal
- Project Based
- Short Term Replacement
- New Role/Function
- Recurring Contract
- Temporary Workers

Drivers of Precarious Employment – Employers identified a number of factors driving instances of precarious employment. Financial pressures and fluctuating business needs create requirements for businesses to quickly adapt. There are also a number of internal factors driving this type of employment, such as internal Full-Time Equivalent (FTE) budgeting, and the practice of engaging workers on a temporary basis an effective way to evaluate talent. Employers are sometimes reticent to develop permanent employment relationships due to labour relations concerns and/or concerns related to legislation, regulation or Canada Revenue Agency requirements. Finally, employers noted that certain labour market demands drove them to engage in non-traditional employment relationships.

Perceived Benefits of Precarious Employment – The primary benefits employers cited for using non-permanent workers included short-term cost savings and reduced long-term liabilities, while maintaining flexibility and enabling organizations to meet unforeseen demand. Other perceived benefits included the ability to attract talent that demand flexibility, and the ability to make more informed staffing decisions.

Perceived Risks of Precarious Employment – Employers also identified a number of significant business risks associated with precarious employment, such a higher turnover, reduced worker engagement, reduced customer services and a general reduction in organisational performance. Employers also raised concerns about increasing health and safety risks. At a higher level, many employers believed that the tradeoffs between the benefits and risks were too significant to make use of temporary workers.

Potential Solutions to Mitigate Precarious Employment

Employers identified a number of responses that could be implemented to help reduce the negative social impacts of precarious employment. These include:

Employer Planning and Communication – Employers can potentially reduce the negative impacts associated with precarious employment on individuals, families and communities by more diligently planning, which can increase worker certainty and stability.

Cultivating Cultures of Inclusion - Those in precarious employment relationships may feel like, and be treated as "outsiders." By improving their sense of inclusion, workers may feel more comfortable and engaged.

Proactive Supports – Proactive supports refer to tangible assistance that an employer could provide to a worker. Examples of proactive supports are nominal benefits or employee discounts.

Provision of Tools and Knowledge - Certain knowledge and tools could potentially help mitigate the negative impact of precarious employment. Employers could help support those in precarious employment by helping to provide access to knowledge and tools such as financial literacy support, training and career planning.

Next Steps

There are three areas of focus United Way Toronto and the Poverty and Employment Precarity in Southern Ontario Project may wish to pursue to drive this issue forward.

1. Research – The United Way may wish to continue conducting additional research into the effects of precarious employment. Additional research could yield important insights that will help provide a foundation for moving this important issue forward. Research could focus on the following areas:

- Precarious employment and business outcomes
- Reviewing parallels between the diversity agenda and precarious employment

2. Awareness and Advocacy – Based on the research conducted, the United Way may wish to build awareness of their findings, and begin advocating for change. This could be accomplished through an awareness campaign and undertaking additional advocacy work.

3. Engagement – This step involves engaging with organizations and business leaders in an effort to implement steps to mitigate the negative effects of precarious employment. Engaging with business will likely be a critical step to success, particularly if buy-in and ownership can be obtained. This could include providing practical advice to help employers implement mitigating measures, and by holding business leaders' forums to develop additional solutions for business, by business, and to enable the formulation of sector based approaches that could have wide-spread impact.



How to Read this Report

Overview

In late 2013, United Way Toronto engaged KPMG to conduct exploratory research on precarious employment, focusing on the "voice of the employer." To conduct this research, KPMG interviewed employers to identify initial themes, and presented these findings to business leaders at a forum for discussion and further exploration. The purpose of this report is to summarize the findings, based on interviews completed from January to March 2014, and the Business Leaders' Forum, held in April 2014.

The United Way is responsible for any and all decisions to implement any recommendations resulting from this report and for considering their effects. Implementation of the recommendations may require the United Way to plan and test any next steps to help ensure that the United Way will realize satisfactory results.

Limitations

In producing this report, KPMG has conducted interviews with business leaders, as well as reviewed and analyzed open source research. KPMG has not independently verified the accuracy or completeness of this information. Additionally, a qualitative research approach was used, and, as in any qualitative exercise, results are anecdotal and could require further investigation.

Background and Context

What is precarious employment?

- The term 'precarity' describes states of employment that do not have the security or benefits enjoyed in more traditional employment relationships.
- According to the It's More than Poverty report, barely half the people in the GTA-Hamilton Labour Market have permanent, full-time jobs with benefits.
- Non-traditional working arrangements are becoming the "new normal."

In 2007, United Way Toronto released *Losing Ground*, a report that raised concerns that precarious employment was exacerbating many social problems already facing the citizens of Toronto. Based on these findings, United Way Toronto joined McMaster University in developing the Poverty and Employment Precarity in Southern Ontario (PEPSO) research group. PEPSO produced the *It's More than Poverty* report in 2013, which highlights the social implications of precarious employment. In particular, this report found that precarious employment negatively affects general household well being. For example, people with insecure employment arrangements generally earn less money and have less access to child care and benefits. Other effects on those in precarious employment include delaying having children, and feeling heightened levels of anxiety.

This research was seminal, and helped scope the issue, particularly from the perspective of the precariously employed. However, the employer perspective on this issue had yet to be investigated. This was identified as a research gap, and an important step to begin exploring potential policies and practices that could ameliorate this trend or mitigate its effects. To help fill this gap, KPMG offered to conduct exploratory research focusing on the voice of the employer.





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Approach

A four phased approach was used throughout this engagement, which is displayed in the graphic below.

Figure 1.0 – Approach

1 Plan	2 Investigate	3 Engage	4 Report
 Scope, approach, work plan and high-level research direction confirmation Research question identification Topic guide and interview strategy development 	 Interview campaign Synthesis of research findings, including themes and potential opportunities Interim research findings discussed with the United Way 	 Leaders 'Forum planning Leaders 'Forum execution 	 Engagement Report Finalized Close-out Meeting

Project Management

Methodology

Two lines of inquiry were used to identify the voice of the employer:

- An employer interview campaign.
- A forum for business leaders to discuss initial findings, potential responses, and potential next steps.

Each line of inquiry is described in further detail below.

Interview Campaign

The interview campaign focused on identifying leading employers from diverse sectors (see graphic below) to develop an understanding of the "employers' voice." Senior executives working in Human Resources, Operations or Finance were specifically targeted for these interviews from organizations that were thought to have experience employing workers in a variety of employment relationships.

Figure 2.0 – Interview Campaign: Targeted Sectors



Over 80 interview requests were made, which resulted in a twenty percent response rate. To prepare respondents for their interview, a topic guide was provided in advance (see Appendix). To help ensure a fulsome and forthright interview process, interviews were conducted confidentially, and findings were aggregated to identify common themes and trends. Interviews focussed on three primary topics, as outlined below.





Business Leaders' Forum

After the interview campaign was complete, and research was synthesized, a Business Leaders' Forum was held. Eight senior business leaders from the sectors identified in Figure 2.0 attended. The Forum began with a summary of the findings from the *It's more than Poverty* report and an overview of trends identified through the interview campaign. Forum participants then engaged in a discussion about the business perspective on the current state of precarious employment, and in dialogue about potential responses.

Leaders' Forum Agenda	
Introduction and Overview	Introduction to the Business Leaders' ForumOverview of Today's Objectives
Context Setting	 Background Previous Research and Findings KPMG's Engagement with the United Way
Discussion	Current StatePotential Responses

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Overview

Based on the research undertaken, employer perspectives have been grouped thematically, and analyzed based on theme. The graphic below illustrates each topic grouping.

Figure 5.0 Research Overview



Awareness

Awareness

• Awareness refers to employers' knowledge and understanding relating to instances of precarious employment and the social and business effects associated with precarious employment.

General awareness – The vast majority of employers responded that they had a general awareness of precarious employment, and in particular, the types of employment that could be considered precarious. Often awareness was discussed in the context of recent media coverage (see Figure 6.0), and anecdotal evidence.

General understanding – Conversely, employers displayed limited knowledge and understanding of the effect of precarious employment, and in particular the link between precarious employment and social outcomes. However, a handful of employers mentioned that they understood that less secure employment generally results in increased uncertainty and can place added stress on individuals and families. Respondents frequently expressed surprise at the growth of precarious employment, and the changing profile of the precariously employed. For example, employers were surprised to hear that individuals in middle income brackets faced similar negative social outcomes resulting from precarious employment as those in lower income brackets, and those precariously employed individuals were more likely to have a partner in a similar employment circumstance.

What We Heard...

I'm aware, but it's mostly anecdotal information. I hear about it from students, and I've experienced it with my nieces. I'm no expert, but I think we're on the cusp of this being more and more of a problem.

Boardroom Awareness – Respondents indicated that issues related to precarious employment have generally not been discussed at the executive level or made it onto board level agendas. Therefore, employers have not conscientiously sought to address precarious employment or associated social issues. That said, a handful of employers did note that their organizations actively seek to reduce their reliance on part-time and temporary workers as they notice improved engagement, corporate alignment and performance with full-time employees.

Perception – There were differing opinions on the label "precarious employment." Some employers, particularly those in industries where contract, temporary and part-time employment are the norm, such as entertainment and media, feel the term "precarious" has a negative connotation. In particular, they felt the term suggests that employers are not concerned with employee well-being. On the other hand, some respondents thought the term precarious was an appropriate descriptor, thought provoking and could help improve awareness by driving discussion.

What We Heard...

Sure, I've heard of it. But we've spent no time on this in the boardroom...this could be a very typical employment wave. It might increase, but over time it could diminish.



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Figure 6.0: Precarious Employment in the Headlines

Types of Precarious Employment

Types of Precarious Employment

- Six separate types of precarious employment were most frequently identified in research undertaken.
- Each type of precarious employment may have unique circumstances, and require different responses.

Seasonal – Fluctuating seasonal demand can drive the need for additional resources throughout the year. Increased demand in a primary business area can also drive demand in supporting functions such as IT, finance and human resources.

Example: In the spring and fall, home improvement and retail chains experience increased demand in supply depots. In the construction industry, the summer build season drives the need for addition resources.

Project based – Businesses will occasionally undertake special projects that temporarily require unique skills, experience or knowledge to complete. In other cases, permanent resources are simply at full capacity delivering existing business commitments and additional resources are required to deliver the project.

Example: A business undertaking an IT transformation may require individuals with unique IT knowledge, project management staff or additional support staff.

Short-Term Replacement – Occasionally permanent employees will take extended leaves of absence for a defined period of time. During this period, organizations will seek to fill the gap on a temporary basis.

Example: Backfilling for maternity leave is a common example of a short-term replacement, but it can also result from medical leaves or sabbaticals.

New role/function – Organizations will identify potential new roles or functions, and can be uncertain if the demand will remain. They will then hesitate to hire a permanent employee.

Example: A business may launch a new product and require additional support during the launch, but be uncertain if the product will be successful and require ongoing support.

Recurring contract – Oftentimes a contract will simply be rolled over on an on-going basis. This type of precarious employment can overlap with the other types of precarious employment identified above, or simply be a result of an organizational preference.

Example: A high performing contract worker may be extended on another contract, rather than being offered a path to full-time employment.

Temporary Workers – Some organizations will designate a position as temporary, and use temporary workers, often acquired through a staffing agency, on a semi-permanent basis.

Example: Positions in manufacturing are often designated as temporary. Examples of temporary workers can also be found in institutional settings such as universities, as the prevalence of tenured professionals is declining.

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Drivers

Drivers of Precarious Employment

• Drivers refer to the factors and conditions that motivate employers to hire precarious workers or the barriers that discourage employers from engaging workers in a more traditional employment relationship.

Financial pressures – Employers view the use of contract, temporary and part-time workers as an effective way to respond to financial pressures and remain responsive to global and local economic uncertainly. Precarious employment relationships increase short-term flexibility, and reduce long-term liabilities associated with pensions and benefits.

Varying and fluctuating business needs –Most employers reported that demand and business needs vary throughout the year, for a variety of reasons. Retail companies need additional front line and distribution staff during the holidays whereas other employers can be awarded or lose large contracts, impacting resource needs.

Talent identification/testing – Some employers viewed engaging workers in a contract, part-time or temporary role as an effective way to identify and test talent, similar to an audition, or an extended job interview. Employers generally viewed this as an "on-ramp" to a more traditional relationship.

Labour market demands – Employers frequently remarked that attracting talented employees requires them to offer more flexible employment options. A commonly cited example was a well compensated and specialized IT developer. Employers also observed that younger workers tended to prefer higher wages rather than lower wages with benefits and pensions.

Internal FTE budgeting – Organizations occasionally set FTE caps, limiting the number of full-time, permanent employees. Sometimes these caps are not calibrated with the amount of work that each business unit undertakes, and to work around the cap, managers will hire on a part-time or temporary basis.

Labour relations – Some employers noted that they were hesitant to develop a more traditional employment relationship with workers (such as extending benefits, or invitations to company events), as they were concerned about workers becoming eligible for membership in unions or impacts on collective bargaining agreements.

Canadian Revenue Agency requirements and other legislation/regulation – Employers noted that they were less likely to extend a traditional employment offer to workers due to CRA requirements (e.g., Canadian Pension Plan contributions, severance, etc.) and other obligations (e.g., WSIB) that drive up the cost for business.

Perceived Benefits and Risks

Perceived Benefits and Risks

- Employers identified both risks and benefits resulting from the use of precarious employment arrangements.
- Benefits refer to the positive effects for employers resulting from precarious employment relationships.
- Risks refer to the negative effects for employers resulting from precarious employment relationships.

Perceived Benefit	Employer Observations
Short-Term Cost Savings and Reduced Long-Term Liabilities	Short-term cost savings are realized as some part-time, temporary or contract workers are paid less than their permanent counterparts, do not receive benefit packages and generally do not receive severance pay if they are released.
	Long-term liabilities are reduced or non-existent as a temporary employment

	relationship means that employers do not have to pay pensions, or provide long-term benefits.
Staffing Flexibility	Precarious employment relationships enhance staffing flexibility, and give employers the ability to quickly respond to market conditions. It is more difficult to move, hire, or release employees in a traditional employment relationship.
Ability to Meet Demand	Increases in demand often drive the requirement for additional resources; there are fewer barriers for employers to hire temporary resources, which can enable organizations to meet this demand.
Worker Attraction	Some workers, particularly those with unique skill sets that command market premiums, are hesitant to commit to employers on a long-term basis. Additionally, some individuals simply prefer the flexibility that comes with temporary employment relationships.
Identification of Resources	Employers observed that hiring an individual on a temporary basis was an effective way to reduce the risk of hiring a permanent resource. In these instances, if the employee is deemed a good fit they will be bridged into a more secure position.
Risk	Employer Observations
Higher turnover and increased churn	The use of temporary workers increases risk of higher turnover, as these employees are more likely to leave organizations. This can lead to churn, and increase the resources organizations must invest in activities such as orientation and training.
Reduced engagement and alignment	Workers in precarious employment relationships were observed to be less engaged than their permanent counterparts, and are less inclined to invest more time and effort into their responsibilities. Additionally, these workers are less aligned with organizational goals, which was thought to reduce return on an organization's labour investment.
Reduced Performance	Workers in a secure employment relationship were generally thought to have more skills and knowledge when compared to their precarious counterparts. Those in precarious employment relationships were, in general, thought to be less productive, thus reducing overall organizational performance.
Health and safety risks	Workers in precarious employment relationships were thought to pose additional health and safety risks to an organization as they do not have the same knowledge and experience as their permanent counterparts.
Reduced customer satisfaction	Full-time employees were thought to improve customer satisfaction, particularly in customer facing businesses, such as those in the hospitality sector. One poor customer interaction can permanently fracture a relationship, and some employers

Potential Responses

Potential Responses to Mitigate the Effects of Precarious Employment

• Employers identified a number of responses that could be implemented or encouraged by organizations to help reduce the negative social impacts of precarious employment.

Employer Planning and Communication

Employers can potentially reduce the negative impacts associated with precarious employment on individuals, families and communities by more diligently planning, which can increase worker job certainty and stability. Ways to do this could include:

- Improved Internal Business Planning Employers observed that organizations may have started using insecure
 working arrangements as a default, and without considering other alternatives. Organizations could potentially be
 more strategic about offering precarious positions by considering if a more secure position would in fact be more
 appropriate.
- Enhanced Scheduling Organizations could seek to better accommodate workers by improving their demand forecasting and scheduling thereby providing workers with greater certainty about their work term, and day-to-day schedule. Additionally, organizations could improve two-way communication with workers, as some employers believe that they could enhance their accommodation of worker's personal commitments as a means of reducing some of the negative social effects of precarious employment.
- Leveraging Organizational Synergies Organizations could potentially improve communication by developing 'teaming agreements' with similar organizations in an effort to "share" temporary workers. This could potentially provide more consistency and certainty for workers, and employers could benefit from having access to more experienced workers.
- Introduce or Improve Bridging Programs Employers may be able to consider building or developing bridging programs as a way to transition people towards full-time employment. For instance, if an organization needs to replace an employee due to an extended leave, they could hire a permanent employee to fill the gap, and perhaps avoid having to scramble to address staffing requirements due to attrition in the future.

Cultivate Cultures of Inclusion

Those in precarious employment relationships may feel like, and be treated as "outsiders." By improving their sense of inclusion, these employees may feel more comfortable and engaged. Potential ways to cultivate a culture of inclusion include:

- Inclusion in a Performance Development Process Some temporary and part-time workers do not take part in a
 formal performance development process, or if they do, it is undertaken by a contracting company, rather than the
 organization at which they are working. An organization may be able to improve a sense of inclusivity by developing
 annual performance goals with all workers, and teaming them with a performance manager. A mentorship program
 could also yield some of the same benefits. In addition to improving inclusion, this could potentially increase worker
 engagement, alignment and general performance.
- Inclusion in organizational events Employers observed that temporary and part-time workers were, at times, overlooked during business social events, such as company barbeques, charity events, or recreational events. Including these employees in these events could increase their sense of belonging and inclusion.
- Defined work experience programs Organizations in similar industries could develop defined work experience programs that enable temporary and/or part-time workers to track the work experience they gain, and, with each position, potentially gain additional responsibilities. This would potentially add value to employers, and afford employees important development opportunities, which could be a gateway to more secure employment or higher wages.

Proactive Supports

Proactive supports refer to tangible assistance that an employer could provide to an employee and include:

- Extension of nominal benefits Employers could provide nominal benefits to certain temporary employees, for instance those on contract for over 12 months (or another set period of time). These benefits could be reduced from a full benefit package, but still provide an added layer of support for the precariously employed.
- **Employee discounts** In some instances, temporary and part-time workers are not afforded the same "work perks" as other employees. Extending these perks could be a meaningful gesture, and depending on the sector, could help provide some measure of financial relief to the worker.

Provision of Tools and Knowledge to Support Mitigating Behaviours

Certain knowledge and tools could potentially help mitigate the negative impact of precarious employment. Employers could help support those in precarious employment relationships by helping provide access to these knowledge and tools, including the following:

- Financial literacy and planning support Some of the negative social effects associated with precarious employment could potentially be alleviated with improved financial literacy, and financial planning ability, particularly for those in the middle and high income ranges. Employers could offer materials and training to workers to help build this knowledge.
- **Training** Temporary or non-permanent workers are seldom afforded the same training opportunities as other employees. Employers could extend their training programs to temporary workers; this would increase the value of these individual workers, and enable them to potentially contribute more value added work.
- **Career planning** At the beginning of a work term, employers could engage in a career planning discussion with all non-permanent workers. Depending on the workers' career goals they may be able to make additional contributions to the organization, while gaining valuable experience. This could potentially enable workers to find more secure employment with a current employer or down the road.

Potential Next Steps for United Way Toronto and the Poverty and Employment Precarity in Southern Ontario (PEPSO) Project

Potential Next Steps for United Way Toronto and PEPSO

• Potential next steps have been identified based on discussions with employers and United Way Toronto.

Based on the work undertaken throughout this engagement, potential next steps have been identified to help mitigate the effects of precarious employment. Three areas of focus the United Way may wish to pursue are explained below, and represented graphically in Figure 7.0.

1. Research - The United Way and PEPSO may wish to continue conducting additional research into the effects of precarious employment. Additional research could yield important insights that will help provide a foundation for moving this important issue forward. Research could focus on the following areas:

Precarious Employment and Business Outcomes: Additional information gathered on employee/ worker engagement rates, employee/ worker productivity, turnover rates, hourly wage differences, client satisfaction and other similar data points. Additionally, business risks associated with precarious employment could be explored; a powerful message could be developed if a causal relationship is established between precarious employment and certain business risks. This information could help support a business case and demonstrate to business that addressing precarious employment is related to desirable business outcomes.

Reviewing parallels between the diversity agenda and precarious employment: For businesses, addressing diversity was the right thing to do from a social perspective and a business perspective. There may be important learnings from this initiative that can translate to precarious employment.

2. Awareness and Advocacy – Based on the research conducted, the United Way may wish to build awareness of their findings, and begin advocating for change. This could be accomplished in the following ways:

An awareness campaign: An awareness campaign could be centred on new research findings, and be focused on business outcomes. The United Way previously has had success raising awareness on the social implications of precarious employment, and the media has willingly focused on this issue. By conducting a similar campaign, the United Way may be able to harness the momentum resulting from its research.

Advocacy: Undertaking advocacy activities can compliment a broader awareness campaign. An effective way to do this may be by developing partnerships with organizations with converging interests. For example business associations, such as the Ontario Chamber of Commerce and the Toronto Region Board of Trade, may be willing to lend their support to this issue if there is a link established between mitigating the effects of precarious employment and helping improve Ontario's competitiveness by increasing productivity.

3. Engagement – This step involves engaging with organizations and business leaders in an effort to implement steps to mitigate the negative effects of precarious employment. Engaging with business will likely be a critical step to success, particularly if buy-in and ownership can be obtained. This could include:

Providing practical advice: Framing solutions through a lens of risk to employers may help increase buy-in by clearly demonstrating that it is in business' best interests to address these issues. Furthermore, developing practical responses to these risks may help employers implement these responses in their strategic and day-to-day planning in the near term.

Holding business leaders' forums: These forums could target multiple stakeholders, and focus on the development and implementation of multi-lateral solutions. Engaging business in this manner will help develop solutions for business, by business, and enable the formulation of sector based approaches that could have wide-spread impact.



Figure 7.0: A Framework for Next Steps

Appendix

Interview Topic Guide

Awareness

- What is your organization's approach to hiring temporary or contract workers?
- What challenges or pressures are organizations facing that might lead them to use temporary/contract workers? What are the benefits of using temporary/contract employers?
- What is your level of awareness regarding social impacts associated with less secure employment?

Current Actions

- Has your organization taken any actions or implemented any policies that are aimed at mitigating the potential adverse effects of less secure employment?
- Does your organization currently offer programs or have any policies that could be leveraged to by those in less secure working situations?
- Are you aware of any other actions/ policies that may mitigate the potentially adverse effects of precarious employment?

Potential Responses

- Based on your experience, do you see any trends developing relating to less secure employment?
- What could employers do to relieve the potential effects of less secure employment? What could be done at the industry or sector level?
- What would be the value for an employer to implement policies and practices that relieved precarious employment?



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As a firm with locations in more than 30 cities across Canada, we are actively connected to the communities where we operate – as a business, as an employer – in every sense. The issues that impact our communities are the same issues that impact our people and their families, our clients and our operations. So making a commitment to having a positive impact is how we recognize the significance of our relationship with the communities where we operate and live.

Being actively engaged in our communities has always been an important part of KPMG's culture. Community Leadership is one of the four key components of our overall business strategy.



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