



Registrar’s report: 2017 HRP A Member survey Compliance with requirement to notify Registrar of bankruptcies and insolvency events

May 30, 2017

The requirement to notify the Registrar of bankruptcies and insolvency events came into force with the passage of the *Registered Human Resources Professionals Act, 2013*, on November 6, 2013. The requirement was fully implemented on September 21, 2016, when the HRP A Board of Directors enacted the supporting by-laws.

The compliance rate for the requirement to notify the Registrar of bankruptcies and insolvency events is defined as follows:

$$\text{Compliance rate} = \frac{\text{The number of members having given notice to the Registrar of a bankruptcy or insolvency event}}{\text{The number of members having experienced a bankruptcy or insolvency event}}$$

Estimating the number of members which have experienced a bankruptcy or insolvency event

The insolvency rate for Ontario is available online from the Government of Canada Superintendent of Bankruptcy.

Rate	2010	2011	2012	2013	2014	2015	2016
Bankruptcy	3.2	2.4	2.2	2.0	1.8	1.6	1.5
Proposal	2.3	2.4	2.3	2.1	2.0	2.0	2.1
Total	5.5	4.8	4.5	4.1	3.8	3.7	3.6

Source: <https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br01820.html>

The most recent insolvency rate for Ontario is for 2016 at 3.6 per 1000 population aged 18 years and older. We can see that there has been somewhat of a downward trend since 2013. Continuing that trend one could estimate the insolvency rate in Ontario in 2017 to be about 3.5 per 1000. We could use this figure of 3.5 per 1000 as the bankruptcy and insolvency event rate for HR professionals registered with HRP, but this would assume that the bankruptcy and insolvency event rate is the same for individuals registered as members with HRP than it is for the general population in Ontario.

Since 2016, the HRP Member Survey includes the following question: *“Have you or your firm experienced a bankruptcy or filed a consumer proposal within the last year?”* Based on the responses to this question, the bankruptcy rate for HRP members based on the 2016 HRP Member Survey was 8.83 per 1000 (which, surprisingly, is more than 2 1/2 times the province-wide average). Based on the 2017 HRP Member Survey was 8.00 per 1000.

	2016	2017
Number of survey respondents (excluding students)	3,677	2,496
Number of survey respondents (excluding students) indicating that they have experienced a bankruptcy or insolvency event in the last 12 months	31	20
Bankruptcy and insolvency event rate calculated based on Member Survey responses	.0084	.0080

The fact that the bankruptcy and insolvency event rate calculated based on Member Survey responses for 2016 and 2017 are so close lends support to the fact that these results are not a fluke.

Based on a bankruptcy and insolvency event rate of .0080 and with 21,445 members, we would expect about 172 notices of insolvency per year (21,445 x .0080 = 172).

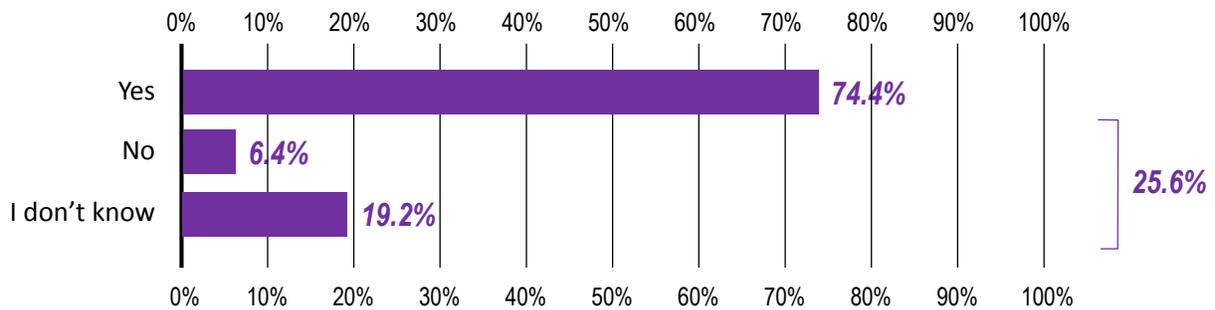
$$E = \frac{A \times C}{B} = \frac{21,445 \times 20}{2,496} \cong 172$$

Which gives a compliance rate $G = \frac{F}{E} = \frac{3}{172} = .017$

Calculations	2017
A Total number of members (which does not include students) on April 3, 2017	21,445
B Number of survey respondents for 2017 Member Survey (excluding students)	2,496
C Number of survey respondents (excluding students) indicating that they had experienced a bankruptcy or insolvency event in the last twelve months	20
E Estimated number of members having experienced a bankruptcy or insolvency event in the last twelve months	172
F Actual number of reports of bankruptcies or insolvency events in the last twelve months	3
G Compliance rate	1.7%

The proportion of members who would notify the Registrar if they were to experience a bankruptcy or insolvency event

“The Registered Human Resources Professionals Act, 2013, requires all members to notify the Registrar of any insolvency event (i.e., bankruptcy or consumer proposal). Were you to experience an insolvency event (i.e., bankruptcy or consumer proposal), would you notify the Registrar of such?”



When asked on the Member Survey, 74.4 % of respondents indicated that they would notify the Registrar were they to experience a bankruptcy or insolvency event. This contrasts with the 1.7% who actually do. But more importantly, 25.6% of members indicated that they would either disregard the law, or are unsure whether they would obey the law or not.

An interesting question is how the 20 members who did experience a bankruptcy or insolvency event responded to the question as to whether they would notify the Registrar if such an event were to occur.

It is possible to cross-tabulate whether a member had experienced a bankruptcy or filed a consumer proposal within the last year with the stated intent to notify the Registrar were such an event to happen. The differences between those who did and those who did not experience a bankruptcy or filed a consumer proposal within the last year are not statistically significant.

Of the 20 members who indicated that they or their firm has experienced a bankruptcy or filed a consumer proposal within the last year, 13 indicated that they would notify the Registrar, 3 indicated that they would not notify the Registrar, 3 indicated that did not know if they would or not, and 1 chose not to answer the question.

Interestingly, although 20 members did experience a bankruptcy or filed a consumer proposal within the last year and 13 of those stated that they would notify the Registrar were this to happen to them, HRPA has received only 3 such notifications. It is obvious that members are not being honest about whether they would notify the Registrar of a bankruptcy or insolvency event.

		Have you or your firm experienced a bankruptcy or filed a consumer proposal within the last year?		
		Yes	No	
The <i>Registered Human Resources Professionals Act, 2013</i> , requires all members to notify the Registrar of any insolvency event (i.e., bankruptcy or consumer proposal). Were you to experience an insolvency event (i.e., bankruptcy or consumer proposal), would you notify the Registrar of such?	Yes	13 (65.0%)	1631 (74.3%)	1644 (74.2%)
	No	3 (15.0%)	143 (6.5%)	146 (6.6%)
	I don't know	3 (15.0%)	421 (19.2%)	424 (19.1%)
	No response	1 (5.0%)	0 (0%)	1 (.04%)
		20 (100%)	2195 (100%)	2215 (100%)

Analysis and discussion

There are three key findings:

1. Clearly, our members are experiencing insolvency events and simply not notifying the Registrar that this is the case even though this is a requirement entrenched in both the Act and the By-laws.
2. When asked 74.4% of members say they would notify the Registrar of a bankruptcy or insolvency event should this event occur to them and yet only 1.6% actually do.
3. Of those 20 members who did indicate that they had experienced a bankruptcy or insolvency event, 13 said that they would report this event to the Registrar, and yet the Registrar has received only 3 notifications in the last year.

The last two indicate that, at least in the matter of bankruptcies and insolvency events, self-report cannot be trusted.

In regards to the extremely low rate of compliance with the requirement to notify the Registrar of bankruptcies and insolvency events, some of the comments on the write-in question are informative in this respect.

	Comment
60.	I disagree with the insolvency clause. HR professionals are not in control of company funds and I don't see the compelling public interest in divulging personal financial information.
128.	I had no idea that there would be an issue should a member become personally insolvent as oppose to just their business or corporation. This seems quite invasive as individuals can go bankrupt for many reasons that do not have anything to do with their professional membership.
247.	The rules re: bankruptcy are unnecessary and are an overreach of the HRPAs regulatory responsibility. The requirement for professional liability insurance for those who may provide consultation on the side is also unnecessary. ...

252.	Regarding one of your questions: there are requirements through the ministry of labour/general government regarding insolvency/bankruptcy in organizations regarding notification. I am not sure the purpose of advising HRPAs. ...
273.	... I feel as though the Association is in place to build knowledge and skills of its members, not to create Acts and Regulations to help guide our behaviour. I wasn't aware if I file for bankruptcy that I would have to tell the Associate, nor do I think it's the business of the Associate what I do with my personal finances. People can file for bankruptcy for a number of reasons, and this is the first I've heard. ...
332.	I see no professional reason for HRPAs members to report bankruptcy - it has no relevance on an HRPAs professional's ability to do their job - this is just big brother watching

The problem of course is that the requirement is law, it was put in place by the Legislature and enabled by HRPAs By-laws. It would appear that many members feel that they simply don't have to abide by rules they don't agree with. This shows a remarkable disregard for the law and HRPAs regulatory authority. It also speaks little of the covenant that all members make when they register or renew their registration with HRPAs. For many members, it would appear, the agreement to abide by the Act, the By-laws, the Rules of Professional Conduct, and any other professional guidance issued by the Association, does not apply when one doesn't agree with the rules.

This can be related to the transition from an unregulated to a regulated profession. Many members have not yet begun this transition.