



CANADIAN TOURISM  
HUMAN RESOURCE  
COUNCIL

2009

THE FUTURE OF  
CANADA'S TOURISM SECTOR:

## LABOUR SHORTAGES TO RE-EMERGE AS ECONOMY RECOVERS

Canada's tourism sector is experiencing a shift towards tighter labour markets over the medium and long term. As demand for labour in the tourism sector continues to grow, evidence suggests the supply of labour will have an increasingly difficult time keeping up. As a result, the challenge of recruiting and retaining tourism workers will continue to intensify.

The rapid deterioration of economic conditions since the fall of 2008 will substantially ease labour shortages in Canada through 2009 and 2010. But as economic conditions improve, fuelling growth in demand for tourism services, the imbalance between labour supply and demand will begin to expand again.

By 2025, the potential labour shortage could reach 256,669 jobs.<sup>1</sup> This shortage represents the effect of unfulfilled labour demand over the next twenty years.

The projected labour shortages in the tourism sector will be caused by the increasing demand for labour during a period when the labour force is expected to see a sizable shift in its growth and composition. Traditionally, the tourism sector has relied heavily on young people as a source of labour. However, the rate at which young people are entering the labour force is decreasing, and the competition to attract young people is increasing from other sectors.

Given these challenges, the Canadian Tourism Human Resource Council and the Conference Board of Canada are working together to identify the extent of potential labour shortages in the tourism sector over the long term. Last year, the Conference Board developed a macroeconomic model to forecast potential labour shortages in the tourism sector out to 2025, by province, by tourism industry group and by tourism occupation. This year, the forecast update took the study a step further, by examining potential labour shortages at the sub-provincial regional level.

Rather than accepting future labour shortages as a fait accompli, this study aims to provide a broader perspective on the cumulative, long-term effect of missed opportunities and unfulfilled tourism demand that could potentially arise from worsening labour shortages. Identifying these missed opportunities will allow tourism stakeholders to take pre-emptive action, to reduce the potential effects of labour shortages on the performance of the tourism sector.

<sup>1</sup> A job is defined as regular work for the period of one year, regardless of whether the job is full time or part time. If the work – regardless of the number of hours per week – exists for only a fraction of a year, then it only counts as the corresponding fraction of a job



## TOURISM DEMAND WILL GROW AT A HEALTHY PACE...

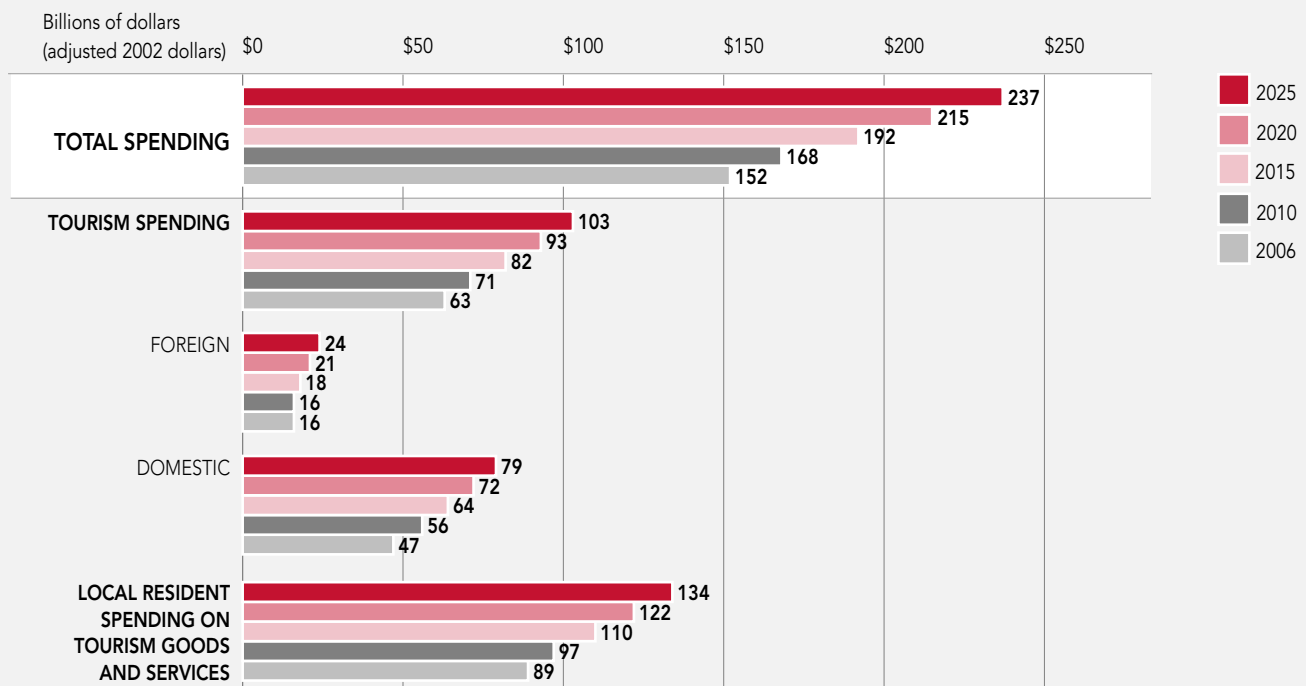
Tourism demand is defined as the spending by Canadian and non-resident visitors on tourism goods and services. The Conference Board of Canada's latest forecast of the potential demand for tourism goods and services in Canada suggests that spending could rise from \$152 billion in 2006 up to \$237 billion in 2025 (at inflation-adjusted 2002 dollars). Growth in spending is expected to be strongest between 2010 and 2015.

Over the long term, although spending on tourism goods and services will keep expanding at a healthy pace, growth will ease as domestic demand for tourism and non-tourism activities (such as eating at a local restaurant) moderates

and growth in the Canadian population slows. Changing demographics in the Canadian domestic travel market will also play a role in the deceleration of demand growth.

The Conference Board forecast suggests spending by domestic and foreign visitors on tourism activities in Canada could rise from \$63.2 billion in 2006 to \$103 billion in 2025, a potential increase of 63 per cent. Meanwhile, spending on tourism goods and services generated by non-tourism activities could grow from \$88.9 billion in 2006 to \$134.4 billion in 2025, a potential gain of 51 per cent.(Figure 1)

**FIGURE 1: Potential Tourism and Non-Tourism Spending in Canada**



## ...FUELLING DEMAND FOR LABOUR IN THE TOURISM SECTOR...

Strong growth in spending on tourism goods and services in Canada is expected to fuel demand for labour in the tourism sector over the next two decades. Projections suggest demand for labour could grow from 1.71 million jobs in 2006 to 2.21 million jobs in 2025, a potential increase of 29 per cent.

By far, the largest increase in potential labour demand will occur in the food and beverage services industry. The industry could support nearly 1.22 million full-year jobs by 2025, up from 908,340 full-year jobs in 2006. The demand for labour in this industry will grow strongly up to 2015, and then ease slightly between 2015 and 2025.

... WHILE LABOUR SUPPLY GROWTH WILL LAG BEHIND

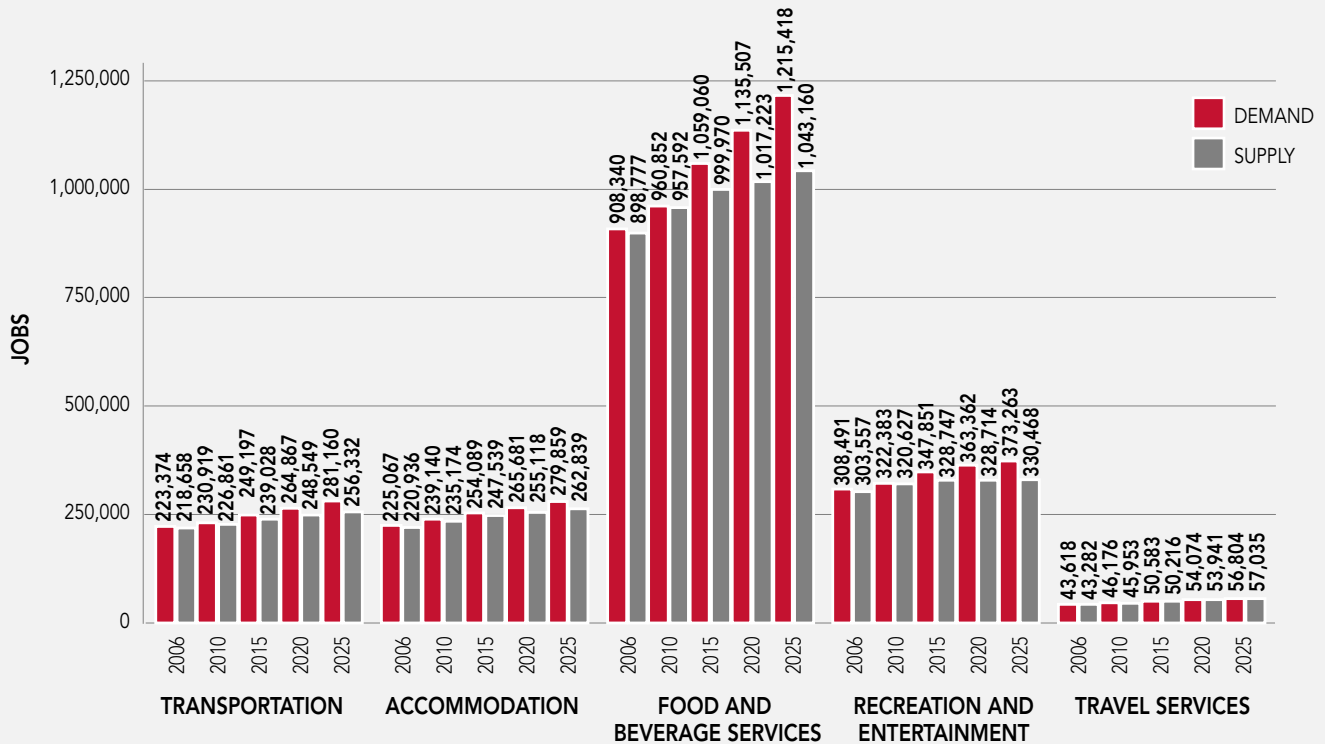
Key factors influencing the supply of labour in the tourism sector are relative wages and the attractiveness of tourism occupations to various segments of labour force participants. However, the most important determinant in forecasting potential labour supply in the tourism sector are the demographic projections of Canada's workforce.

Projections suggest the supply of labour in the tourism sector could grow enough to fill 1.95 million jobs by 2025, up from 1.69 million jobs in 2006. Between 2006 and 2010, the sector's potential labour supply is expected to grow at an average annual compound rate of 1.5 per cent, then decelerate to 0.9 per cent over the subsequent five years. Growth is expected to slow even further between 2015 and 2025. Falling fertility rates, longer life spans, and the aging of the baby-boom

generation will all contribute to the aging of Canada's population, which will limit labour force growth. And, although immigration rates are rising, Canada's focus on highly-skilled immigrants is unlikely to fill the gap in tourism jobs.

Industries in food and beverage services and accommodation are expected to see the largest increases in potential labour supply over the next 20 years. The supply of labour to food and beverage services could rise from the equivalent of nearly 899,000 jobs in 2006 to over 1,043,000 jobs in 2025. Potential labour supply in the accommodation industry is forecast to grow from 221,000 jobs in 2006 to over 262,800 jobs in 2025. (Figure 2)

FIGURE 2: The Growing Gap Between Labour Demand and Labour Supply





## LABOUR SHORTAGES WILL ESCALATE

Strong growth in demand for tourism goods and services contrasted with slower growth in Canada's labour force are leading to a growing imbalance between labour demand and labour supply in the tourism sector.

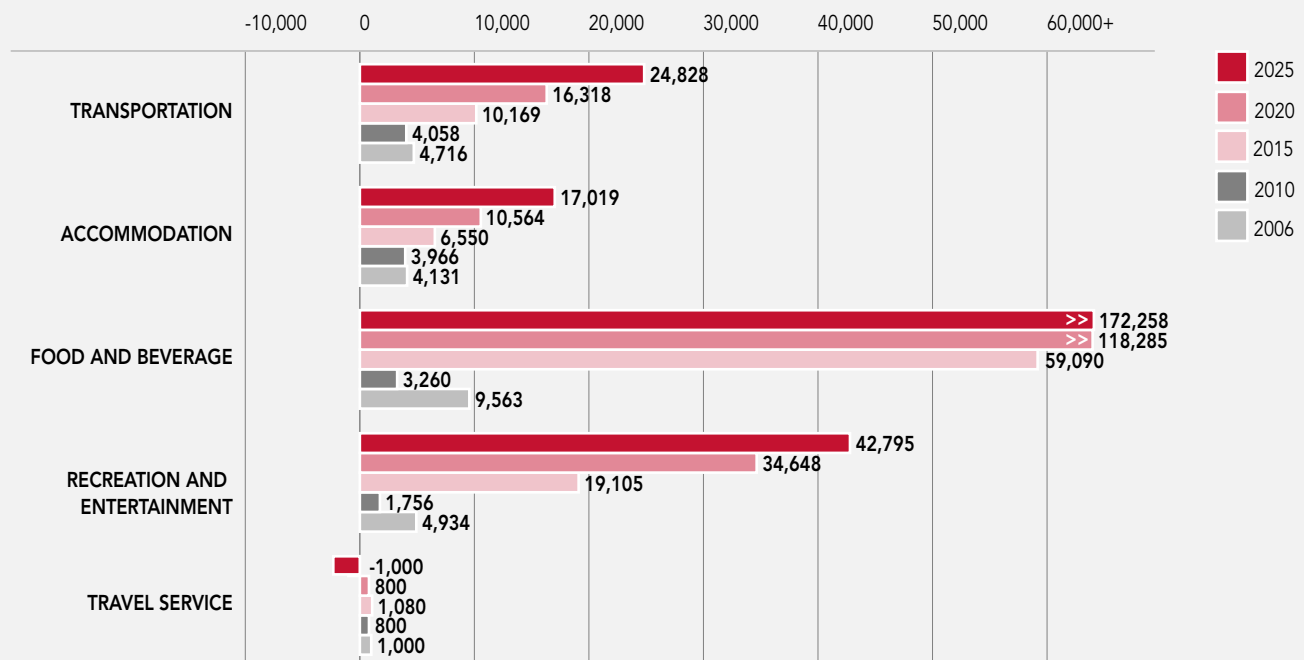
Until 2009, the occupations in short supply were consistent across most regions of Canada. Shortages appeared to be most acute for chefs, some supervisory and middle-management positions, front-line and customer-service occupations, and physically strenuous jobs, such as hotel room attendants. Recruiting for these occupations was often difficult, requiring longer lead times, and forcing some companies to hire candidates who were less than ideal. In the western provinces, it was common for some tourism positions to go unfilled.

It is true that labour market conditions changed dramatically in the last months of 2008. Nationally, this will lead to a surplus of labour in the food and beverage services and recreation and

entertainment industry groups in 2009. Still, market conditions are expected to improve through 2010, resulting in substantial labour shortages over the medium and long term. In 2010, the potential labour shortage in the tourism sector is forecast to surpass 13,000 full-year jobs; by 2025, this figure could balloon to nearly 257,000 jobs.

Food and beverage services is forecast to suffer the largest labour shortage among all tourism industry groups by far, although shortages are also projected for the recreation and entertainment, transportation, and accommodation industries. Only travel services, an industry adapting to changing consumer needs, is expected to avoid significant shortages.(Figure 3) Given this forecast, it comes as no surprise that jobs in food and beverage services—such as food-counter attendants, servers, cooks and bartenders—will experience the greatest labour shortages among tourism sector occupations.

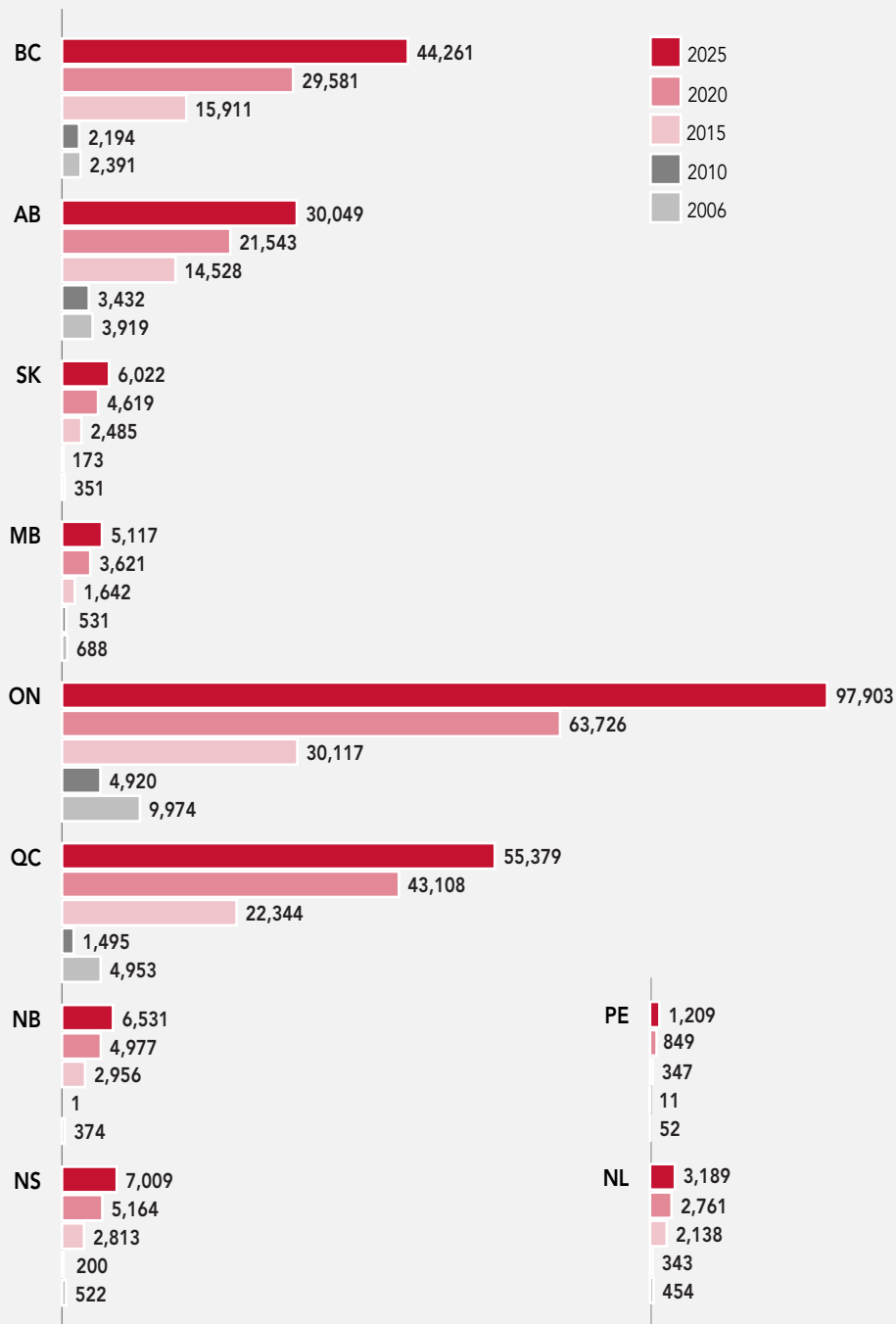
**FIGURE 3: Shortages by Industry Group**



**AFFECTING ALL THE PROVINCES**

Projections for potential tourism labour shortages in the provinces indicate that Ontario will experience the most significant shortage. By 2025, Ontario’s supply of labour could fall short of potential labour demand by nearly 98,000 full-year jobs. Substantial labour shortages are also expected for Quebec, British Columbia, and Alberta. (Figure 4)

**FIGURE 4: Shortages by Province**

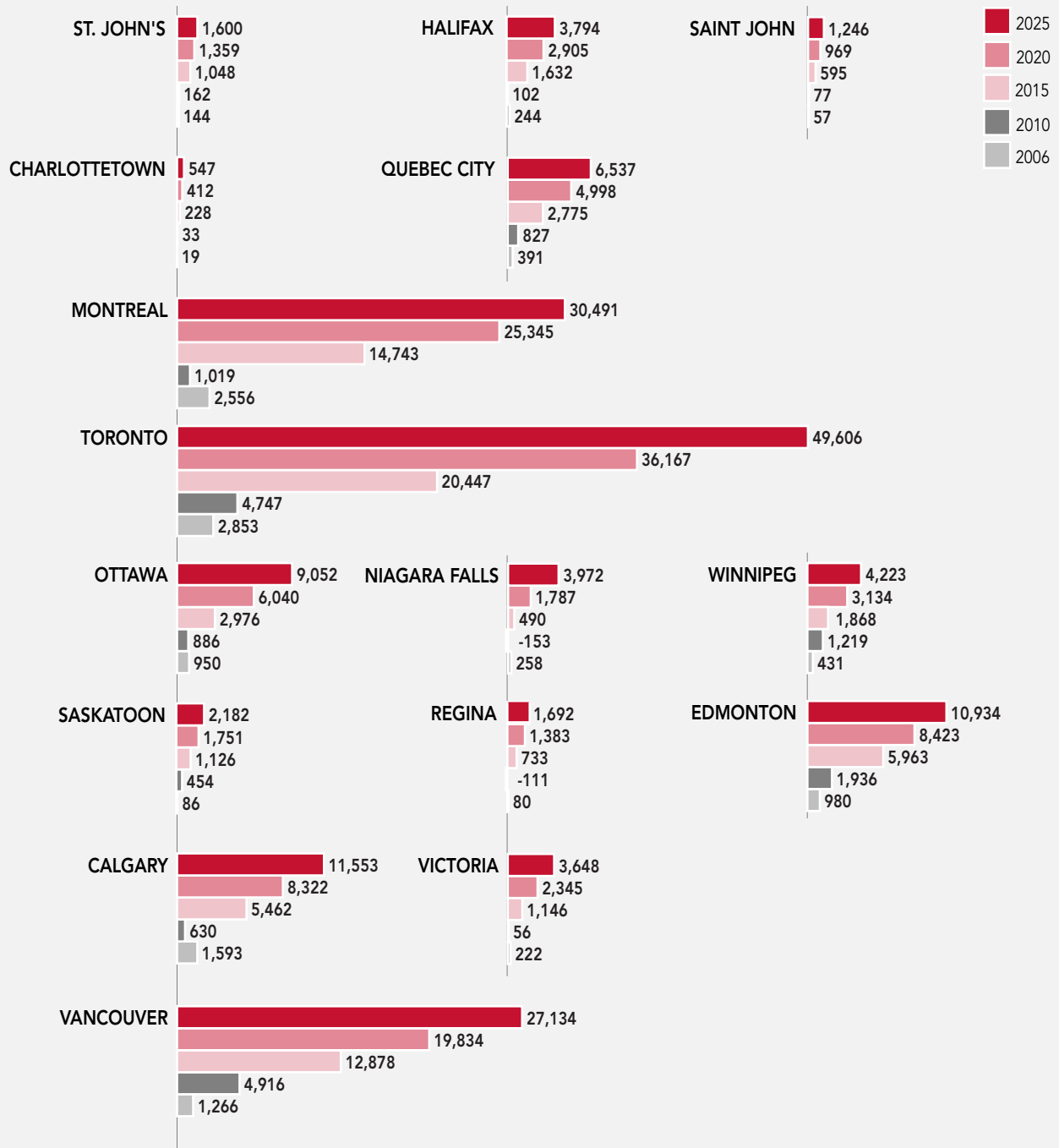




## AND THE CITIES

Among the metropolitan areas, Toronto's supply of labour could fall short of potential demand by nearly 50,000 full-year jobs. Significant numbers of unfilled jobs are also forecast for Montreal, Vancouver and Calgary. (Figure 5)

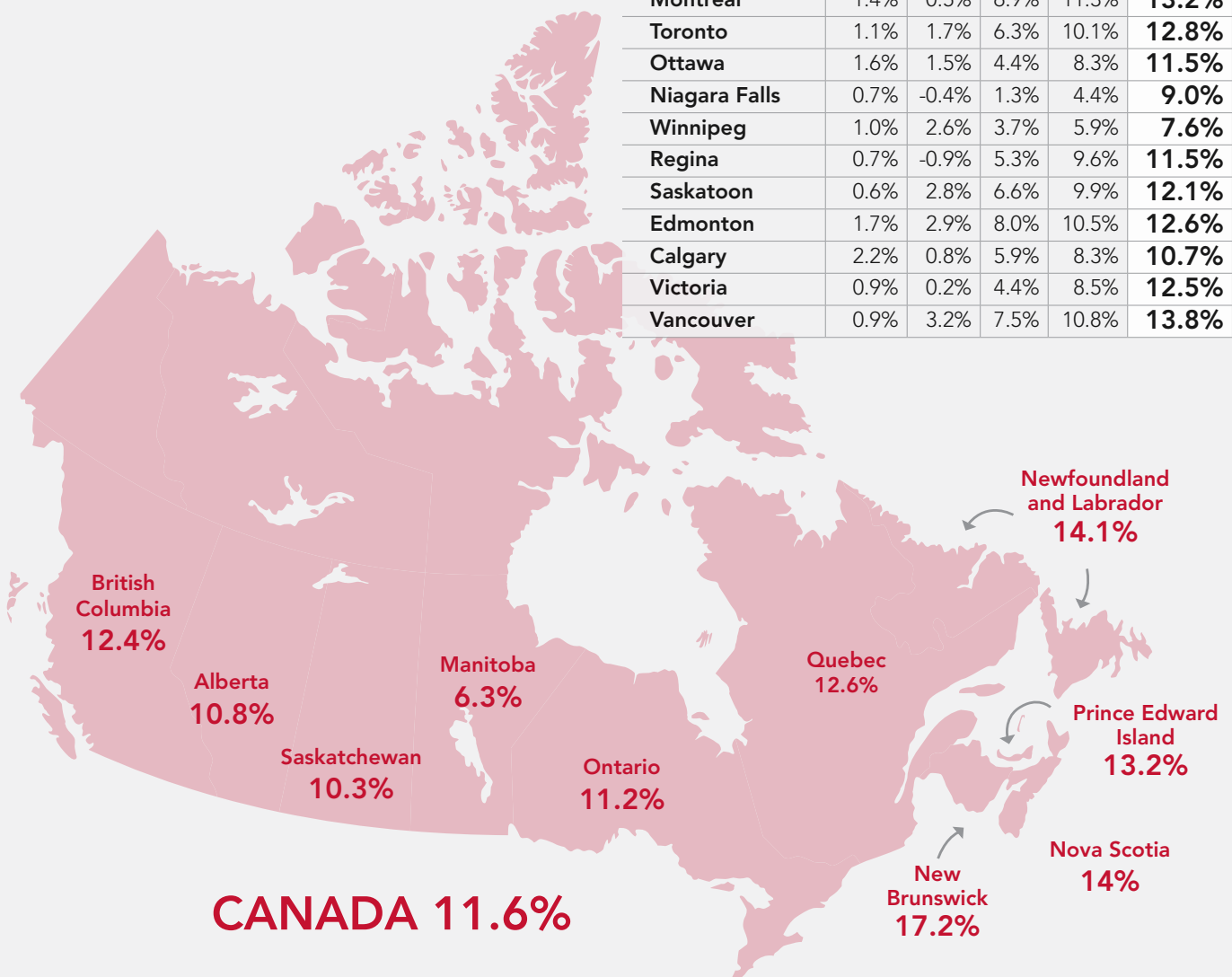
**FIGURE 5: Shortages by City**



By contrast, as a percentage of overall potential labour demand, Atlantic Canada is expected to endure the most acute shortages in tourism labour. By 2025, potential labour shortages in the tourism sector are projected to range from 13.2 per cent in Prince Edward Island to 17.2 per cent in New Brunswick. For metropolitan areas, the greatest shortages will be seen in Saint John (18.6%), St. John's (15.2%) and Halifax (14.6%). (Figure 6)

**FIGURE 6: Potential Labour Shortage in the Tourism Sector by Province and Sub-provincial Region** (jobs, per cent short of potential labour demand)

	2006	2010	2015	2020	2025
St. John's	1.5%	1.5%	9.5%	12.5%	<b>15.2%</b>
Charlottetown	0.5%	0.8%	5.6%	9.7%	<b>12.3%</b>
Halifax	1.1%	0.4%	6.4%	11.2%	<b>14.6%</b>
Saint John	1.0%	1.2%	8.9%	14.5%	<b>18.6%</b>
Quebec City	1.0%	2.1%	6.5%	11.3%	<b>14.3%</b>
Montreal	1.4%	0.5%	6.9%	11.3%	<b>13.2%</b>
Toronto	1.1%	1.7%	6.3%	10.1%	<b>12.8%</b>
Ottawa	1.6%	1.5%	4.4%	8.3%	<b>11.5%</b>
Niagara Falls	0.7%	-0.4%	1.3%	4.4%	<b>9.0%</b>
Winnipeg	1.0%	2.6%	3.7%	5.9%	<b>7.6%</b>
Regina	0.7%	-0.9%	5.3%	9.6%	<b>11.5%</b>
Saskatoon	0.6%	2.8%	6.6%	9.9%	<b>12.1%</b>
Edmonton	1.7%	2.9%	8.0%	10.5%	<b>12.6%</b>
Calgary	2.2%	0.8%	5.9%	8.3%	<b>10.7%</b>
Victoria	0.9%	0.2%	4.4%	8.5%	<b>12.5%</b>
Vancouver	0.9%	3.2%	7.5%	10.8%	<b>13.8%</b>





## TOURISM BUSINESSES AGREE LABOUR ISSUES ARE A SIGNIFICANT CHALLENGE

Despite the current economic situation, labour issues continue to be top of mind for operators in the sector. Tourism industry stakeholders were asked to contribute to this study through an online survey and a series of regional focus group sessions with the aim of receiving industry input on regional and occupational issues facing the sector.

The survey results revealed that attracting and retaining workers has been a considerable challenge for tourism businesses across Canada. More than two-thirds (67%) of tourism businesses responding to the survey said that labour

issues were a significant impediment currently facing their company. Nearly as many respondents (65%) also expected it to be a significant impediment three to five years from now. (Figure 7)

In fact, labour issues were the most frequently cited business impediment among all respondents in all industries. Increasing operational costs and the weak economy were also mentioned frequently, but the prevalence of these issues was lower among respondents, overall.

**FIGURE 7: Significant Challenges Tourism Businesses Anticipate in 3 to 5 Years**

(per cent of respondents, by industry)

	ALL	ACCOM	FOOD & BEV	REC & ENT	TRANSP - AIR	TRANSP - OTHER	TRAVEL SERVICES
LABOUR ISSUES	<b>65%</b>	63%	75%	66%	83%	58%	63%
HIGHER OPERATIONAL COSTS	<b>62%</b>	64%	72%	59%	67%	58%	53%
ECONOMIC CHALLENGES	<b>61%</b>	70%	52%	48%	50%	50%	58%
COST OF TRAVEL	<b>42%</b>	47%	30%	31%	33%	50%	53%
WEAK US ECONOMY	<b>41%</b>	48%	38%	33%	50%	33%	35%
WANING INTEREST OF TOURISTS	<b>28%</b>	31%	25%	26%	17%	8%	29%
EXTRA SURCHARGES/FEEES	<b>24%</b>	28%	22%	15%	17%	33%	35%
LACK OF STABLE GOVT. FUNDING	<b>22%</b>	18%	18%	27%	33%	25%	31%
INADEQUATE MARKETING	<b>21%</b>	18%	18%	25%	17%	17%	27%
TRAVEL IMPEDIMENTS	<b>19%</b>	20%	18%	14%	17%	33%	29%
LACK OF LEADERSHIP FOR LOCAL TOURISM COMMUNITY	<b>19%</b>	19%	22%	19%	0%	8%	19%
NO SIGNIFICANT IMPEDIMENTS AT THIS TIME	<b>1%</b>	2%	2%	0%	0%	0%	3%

Feedback received during the focus group sessions suggested employees have held the balance of power in almost all regions across Canada over the last two years. Competition for staff has been fierce, with reports of tourism businesses poaching employees from one another and hiring less qualified workers. A lack of younger workers—who represent a significant portion of the tourism workforce—was reported in virtually every region.

In terms of tourism industry groups, participants generally agreed that labour shortages have been most acute in food and beverage services and accommodation. When looking at specific occupations, shortages appeared most acute for cooks, servers, hotel room attendants, as well as skilled workers.

Problems finding labour tended to be worse in remote areas, where transportation logistics are a huge impediment. This was followed by urban areas, where competition for staff tends to be fiercest, resulting in high turnover rates. In addition, labour issues were compounded for businesses operating in a unionized environment, as unions tend to impose restrictions on recruiting and retention strategies.

Moreover, a large number of businesses acknowledged that insufficient staff levels had likely resulted in lost business, in cases where potential customers could not be served or accommodated. Some businesses also believed that poor customer service had hurt their reputation to some degree, possibly driving away some potential customers.

### THE TIME TO ACT IS NOW...

Current projections suggest that over the next 15 years, the tourism sector could potentially support hundreds of thousands more jobs than workers will fill. If the tourism sector does not make collective changes to address the looming labour crunch, individual tourism businesses will be forced to react to the shortage of labour in isolation—most likely by raising wages to attract more employees. Although this may help businesses recruit more workers, it would also force businesses to pass on higher labour costs to customers, thereby reducing overall tourism demand—clearly not a desirable outcome.

Potential labour demand in the tourism sector will call for about 257,000 more full-year jobs in 2025 than the supply of labour can fill—barring any changes to the status quo. The tourism sector could eliminate labour shortages solely by raising wages; however, this approach would only increase the additional supply of labour by approximately 50,200 jobs.

The rest of the labour shortage would be eliminated through a reduction in demand, resulting from higher prices. In fact, by taking this approach, the tourism sector would reduce the potential demand for tourism in Canada by 9.4 per cent in 2025, costing the tourism sector an estimated \$22.2 billion in potential tourism spending.



### ...BY ENHANCING PRODUCTIVITY AND INCREASING THE SUPPLY OF LABOUR

A more effective means of closing the gap between labour supply and demand would be to raise the productivity of the tourism sector and to increase the supply of labour. This could be achieved by businesses and government working together to increase the attractiveness of tourism occupations, and to reduce the barriers hindering potential workers from entering the tourism sector.

#### Productivity can be increased through:

1. Good human resource practices that create and retain more productive employees;
2. Technology improvements that reduce the demand for labour;
3. Further refinement to tourism product offerings, to reduce the need for labour without sacrificing demand or service expectations.

### GOOD HUMAN RESOURCE POLICIES START WITH:

**Becoming an Employee Rated Employer of Choice.** An Employee-Rated Employer of Choice is a business where employees' actions align with the business goals of the organization. Employees feel appreciated and valued and their contributions are acknowledged and rewarded. The CTHRC strives for all businesses to be Employee-Rated Employers of Choice by providing them with the tools and resources they need to achieve this goal.

For more information go to:

<http://discovertourism.ca/employers/>

**Proper Training of Employees:** Occupational training and certification will bring benefits both in the short-term and long-term. If you are an employer, investing in training will improve your employees' performance, which, in turn, will help increase your customers' satisfaction and generate more

#### Labour supply can be increased by:

1. Enhancing the image and appeal of tourism sector jobs;
2. Streamlining temporary foreign worker programs, and adjusting immigration policies to bring more immigrants into Canada with skills levels C or D (lower-skilled occupations) under the Canadian National Occupation Classification;
3. Increasing incentives for under-represented labour pools (aboriginals, recent immigrants, people with disabilities, and retirees) to work in the tourism sector by:
  - a. increasing accessibility to the workplace;
  - b. educating employers about opportunities to work with these groups;
  - c. encouraging businesses and governments to work together to address seasonal and regional challenges;
  - d. providing perks such as flexible hours and access to the tourism product to workers who may be restricted in terms of the amount of income they can earn.

business for your establishment. Using training such as Emerit training can help decrease turnover, and develop consistent in-house training initiatives.

For more information go to: <http://www.emerit.ca/>

**Knowing Where to find the Employees you need:** Good hiring practices begin with an assessment of what positions are needed, how many people are required and the type of employment. Once you know who you're looking for, where will you find them? Knowing where to look and who to look for will help. There are several resources available to help employers answer these questions, the best place to start is by discovering tourism for employers.

For more information go to:

<http://discovertourism.ca>

## FAST FACTS

### National

- The largest increase in potential labour demand will occur in the food and beverage services industry, which could support nearly 1.22 million full-year jobs by 2025, up from 908,340 full-year jobs in 2006.
- Overall, the tourism sector as a whole will experience a surplus in labour equivalent to 4,615 full-year jobs in 2009. However, market conditions are expected to turn around quickly, leading to significant labour shortages in the tourism sector over the medium and long term. In 2010, the potential labour shortage for the tourism sector is forecast to surpass 13,000 full-year jobs; by 2025, this figure could balloon to nearly 257,000 jobs

### Provincial

- By 2025, the supply of tourism labour in Prince Edward Island could fall short of demand by 13.2%.
- By 2025, Quebec's tourism sector could see a potential labour shortage equivalent to over 55,000 jobs left unfilled.
- Growth in Saskatchewan's overall labour force is projected to decelerate as the population ages, increasing at an average annual compound rate of 0.5% between 2007 and 2015, then slowing to nearly zero growth between 2016 and 2030.
- Among the provinces, Alberta is expected to generate the highest potential rate of growth in labour demand, followed by Ontario and British Columbia.
- Between 2006 and 2025, Alberta's demand for tourism workers could rise from 193,308 jobs to 279,269 jobs, a potential increase of 45%. During that same period, potential labour demand is forecast to rise 35% in Ontario and 32% in British Columbia.
- By 2025, the Manitoba's tourism sector could see a potential labour shortage equivalent to over 5,100 jobs left unfilled.
- By 2025, B.C.'s tourism sector could see a potential labour shortage of more than 44,300 full-year jobs left unfilled.
- New Brunswick's overall labour force (those aged 15-64 in 2009) is 64.3% of the province's overall population; however, it is projected to shrink to 57.4% by 2030.
- Newfoundland & Labrador's overall labour force (those aged 15-64 in 2009) is 71.2% of the province's overall population; however, it is projected to shrink to 59.2% by 2030.
- By 2025, the Nova Scotia's tourism sector could see a potential labour shortage equivalent to 7,000 jobs left unfilled.

### Regional

- Among the metropolitan areas, Calgary is expected to generate the highest potential rate of growth in labour demand, followed by Toronto, Edmonton, and Vancouver.
- Between 2006 and 2025, Calgary's demand for tourism workers could rise from 71,720 jobs to 108,323 jobs, a potential increase of 51%. During that same period, potential labour demand is forecast to rise nearly 50% in Toronto, 49% in Edmonton, and 38% in Vancouver.
- Toronto could experience a labour shortage equivalent to 12.8% of overall tourism labour demand over the next 15 years. The shortage of tourism labour in Ottawa and Niagara Falls during that period could reach 11.5% and 9%, respectively.
- Winnipeg could experience a potential labour shortage equivalent to 7.6% of the demand for tourism labour over the next 15 years.
- Saint John could experience a potential labour shortage equivalent to 18.6 per cent of the potential demand for tourism labour—the highest among all Canadian cities.
- Winnipeg could experience a potential labour shortage equivalent to 7.6% of the demand for tourism labour over the next 15 years.
- St. John's could experience a potential labour shortage equivalent to 15.2% of the potential demand for tourism labour over the next 15 years.



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This Brochure summarizes the main findings of the final report: *The Future of Canada's Tourism Sector: Labour Shortages to Re-emerge as Economy Recovers*. June 2009

The full report is available on the CTHRC website: [www.cthrc.ca](http://www.cthrc.ca)

Summary brochures each of the provinces can also be found at [www.cthrc.ca](http://www.cthrc.ca)

For more information contact: [research@cthrc.ca](mailto:research@cthrc.ca)

This is a publication of the Canadian Tourism Human Resource Council

*The Canadian Tourism Human Resource Council (CTHRC) works on behalf of the 174,000 businesses that make up Canada's vibrant tourism sector. Established in 1993, the CTHRC promotes professionalism throughout the sector and addresses key labour market issues. Collectively, Council members and the CTHRC bring together Canadian tourism businesses, labour unions, associations, educators and governments to co-ordinate human resource development activities and contribute to a sustainable, globally competitive tourism sector. The CTHRC also conducts tourism labour market research on topics such as compensation, return on training investment, integration of foreign trained workers, sector demographics, annual labour market survey, and much, more.*

**Canada**

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