



CANADIAN TOURISM  
HUMAN RESOURCE  
COUNCIL

2010

## THE FUTURE OF CANADA'S TOURISM SECTOR: ECONOMIC RECESSION ONLY A TEMPORARY REPRIEVE FROM LABOUR SHORTAGES

Canada's tourism sector is facing a potentially severe shortage of labour over the next 15 years. The latest update of the Tourism Labour Supply and Demand study shows that as demand for labour grows, the pool of available workers will have an increasingly difficult time keeping up. Canada's population is aging, causing a significant deceleration in labour force growth over the long term. The consequences of labour shortages—such as missed opportunities for investment in the sector and the inability to meet potential demand—could cost Canadian tourism businesses billions of dollars.

Similar to many other sectors of the Canadian economy, tourism industries suffered from the effects of tighter labour markets in the years leading up to the economic recession in 2008-09. Weak economic conditions have provided a temporary reprieve, but the latest projections suggest labour shortages will re-emerge and worsen progressively over the next 15 years. By 2025, the sector's supply of labour could fall short of potential demand by an estimated 219,000 jobs<sup>1</sup>, leaving 10.3% of potential labour demand unfilled.

Labour shortages in the tourism sector are projected to ramp up substantially within the next several years. Baby boomers—those born between 1947 and 1966—make up almost 30% of the Canadian population. The oldest members of the baby boom generation turn 63 this year, which means that this large labour pool is nearing retirement age.

The exodus of this demographic cohort from the Canadian workforce will have a dramatic effect on labour supply. Rising immigration and a higher degree of labour market participation by women will partially offset their departure,

but these two factors will not be enough to sustain sufficient growth in the Canadian labour force over the long term. Moreover, declining birth rates are expected to curb the growth of young entrants to the labour force, and these young workers are a critical source of labour for the tourism sector.

Given these challenges, the Canadian Tourism Human Resource Council and the Conference Board of Canada have updated the Tourism Labour Supply and Demand study by incorporating the effects of the recent economic recession into the forecast for tourism employment. The forecast is presented by tourism industry and occupation, and by Canadian province and sub-provincial region.

The study provides employers, educators and other stakeholders with the most current information about the potential extent of future labour shortages in the tourism sector. It is hoped the results will be viewed as a "call to action," to ensure the full extent of projected labour shortages never materializes.

<sup>1</sup> For this study, a job is defined as work for the period of one year, regardless of whether it is full-time or part-time. A job may be work for 10 hours per week or 40 hours per week, as long as it is for one year. If the work is only for three months of the year, then it counts for only one-quarter of a job.



## LABOUR CHALLENGES HAVE TEMPORARILY EASED

The Canadian economy fell into a recession in the final quarter of 2008, which provided a reprieve from the tight labour markets seen in the years leading up to the downturn. Estimates suggest that in 2009, employment in Canada's tourism sector fell by 2.6% compared to the previous year. Potential demand for tourism labour fell an estimated 1.8%, leading to a labour surplus equivalent to 34,210 jobs. The largest estimated surplus was in the food and beverage services industry, at 16,022 full-year jobs, followed by accommodation, with an estimated surplus of 8,011 full-year jobs.

Industry input on regional and occupational issues affecting the tourism sector now, and in the coming years, was integrated into this study through an online survey and a series of regional focus groups. These consultations helped shape the final projections for tourism labour supply and demand. The online survey results were benchmarked against a previous survey conducted between December 2008 and February 2009, to obtain a snapshot of the effects of the economic recession on labour issues in the tourism sector during 2009.

The survey results supported this overall lag in the economy revealing that labour issues have eased significantly among tourism businesses since the previous survey. In fact, less than half of the respondents (44%) polled between October and December 2009 said labour issues were a significant impediment currently facing their company, down from 67% less than one year earlier (Figure 1).

**Figure 1: Percent of Respondents who agreed Labour Issues were a Significant Impediment**



Instead, respondents to the more recent survey were much more concerned about the financial state of their businesses. The most frequently cited impediments were increasing operational costs (57%) and the downturn in the Canadian and global economies, which were cited by 56% and 53% of businesses, respectively (Figure 2).

**Figure 2: Significant Challenges Facing Tourism Businesses in Q4-2009**



Feedback received during the focus group sessions also revealed a change in attitude among tourism stakeholders. In the previous series of focus groups held in February 2009, tourism businesses were still reporting a significant number of labour market challenges in many regions of the country, and were only beginning to feel the effects of the economic recession. However, by the end of the year the labour market had loosened substantially, and nearly all participants agreed it was much easier to recruit and retain staff than it had been a year earlier. Furthermore, many businesses reported freezing wages and reducing part-time and seasonal staff in response to the downturn.

The recent economic recession had a severe impact on domestic and international tourism in 2009, keeping travellers closer to home. Businesses in the transportation and accommodation industries, which rely more heavily on tourists visiting from elsewhere in Canada and from abroad, tended to report the most severe revenue losses in 2009. Other industries, such as food and beverage services as well as recreation and entertainment, were able to benefit from an uptick in regional and local demand that stemmed from this "staycation" trend.

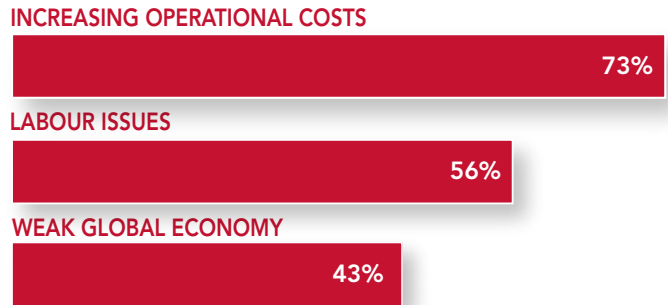
Despite the overall slackness in the labour market, many food and beverage occupations continued to present staffing challenges for businesses in many parts of the country. Chefs, kitchen workers, and entry-level counter staff were among the jobs that continued to be difficult to fill in 2009. Some occupations in the accommodation industry, such as housekeeping room attendants, also remained challenging to fill.

## SHORTAGES ARE EXPECTED TO RETURN BY 2012

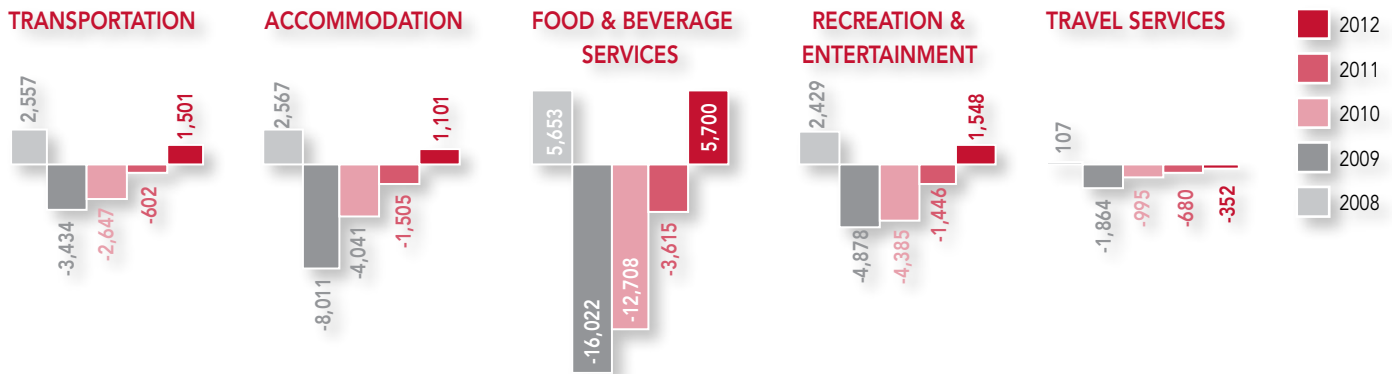
Looking ahead, most focus group participants agreed that labour issues would ramp up over the next 3-5 years as the pool of available workers dwindles, although higher operational costs remained the most significant concern (Figure 3). Newcomers to Canada and older workers were frequently mentioned as potential sources of labour supply for the tourism sector; in fact, some participants viewed international immigration as crucial, since it will be a key driver of long-term growth in the Canadian population.

As economic conditions gradually improve through 2010 and 2011, labour markets are expected to tighten once again. As a result, labour shortages are expected to return to most segments of the tourism sector by 2012 (Figure 4).

**Figure 3: Significant Challenges Facing Tourism Businesses (Next 3-5 years)**



**Figure 4: Labour Shortages during the Recession and Recovery**



The return to a shortage situation is not uniform across the Country. Saskatchewan, where tourism stakeholders reported very minor effects from the economic downturn, will see shortages this year, albeit small. On the other hand, Ontario, where particularly severe consequences were reported, is not expected to experience shortages until 2013, although Toronto will return to shortages by 2012 (Figure 5).

**Figure 5: Return to Labour Shortages, by Year and Province**

	2010	2011	2012	2013
Newfoundland & Labrador		●		
Prince Edward Island			●	
Nova Scotia			●	
New Brunswick		●		
Quebec			●	
Ontario				●
Manitoba		●		
Saskatchewan	●			
Alberta			●	
British Columbia			●	

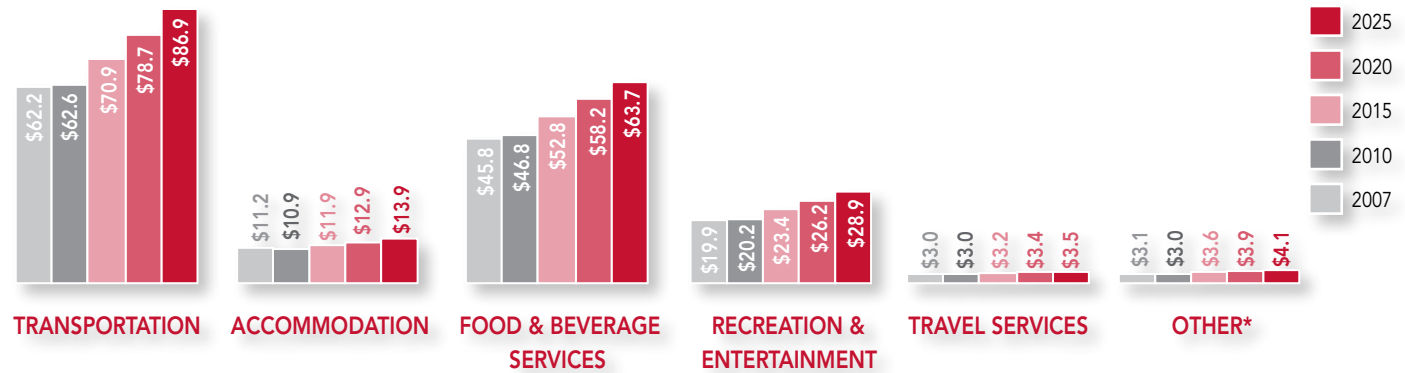


## DEMAND FOR TOURISM GOODS AND SERVICES WILL EXPAND...

Despite the effects of the recent economic recession, the potential demand for tourism goods and services is projected to grow at a healthy pace over the long term, fuelling the demand for labour. The Conference Board's latest forecast suggests spending on tourism goods and services in Canada could rise from \$145 billion in 2007 to more than \$201 billion in 2025<sup>2</sup>. Growth in demand is expected to be strongest between 2010 and 2015 (Figure 6).

**Figure 6: Potential Demand for Tourism Goods and Services in Canada (billions of 2002 dollars)**

\*Other refers to visitor spending on tourism commodities not categorized into one of the five industry groups such as pre-trip expenditures and convention fees.



## ...CREATING JOBS ACROSS THE COUNTRY

Robust growth in spending on tourism goods and services is expected to fuel strong demand for labour in Canada's tourism sector. Labour demand could grow from an estimated 1.67 million jobs in 2007 to 2.12 million jobs in 2025, a potential increase of nearly 27%.

By far, the largest increase in labour demand will occur in the food and beverage services industry. Projections suggest this industry could support 1.16 million full-year jobs by 2025, up from 891,000 full-year jobs in 2007. The demand for labour in food and beverage services will rise the most between 2011 and 2015, and then ease slightly between 2016 and 2025.

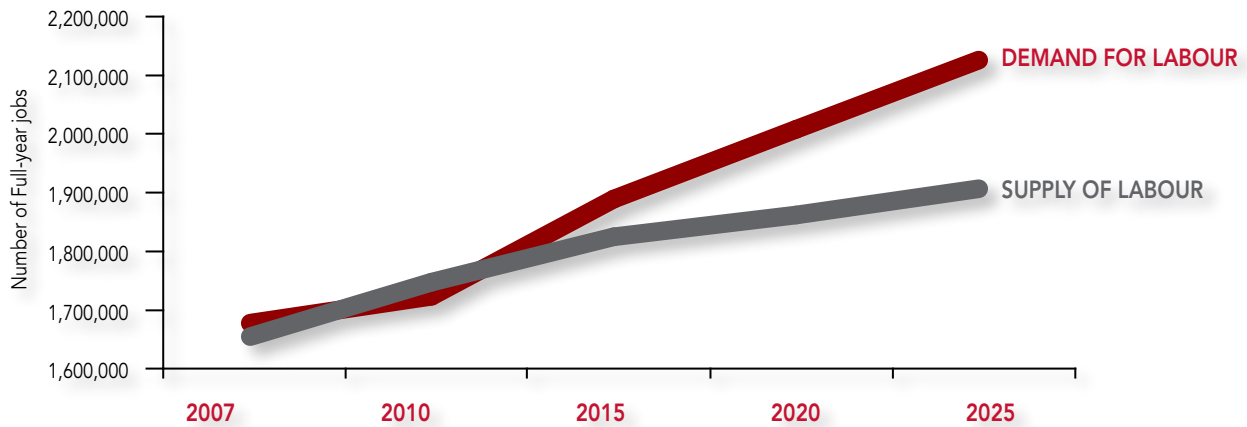
## THE NUMBER OF AVAILABLE WORKERS WILL LAG BEHIND...

The strong growth projected for tourism labour demand over the long term raises the question of whether the supply of labour can keep up. Demographic projections suggest this is unlikely. Falling fertility rates, longer life spans and the aging of the baby-boom generation will limit labour force growth. Women's participation in the labour force is projected to remain fairly stable, therefore the fertility rate is assumed to remain constant over the forecast period, at 1.54. By 2030, nearly one out of every four Canadians will be 65 years or older, a significant increase from the 12.6% share seen in 2000. Although immigration rates are rising, Canada's focus on highly-skilled immigrants is unlikely to fill the gap in tourism jobs.

Projections suggest the supply of labour in the tourism sector will grow much more slowly than labour demand. The supply of labour is expected to grow at 0.9% a year between 2010 and 2015, and expand more slowly from 2016 onward, causing supply to reach 1.9 million in 2025. Labour demand however, will grow 1.9% a year between 2010 and 2015, and 1.2% a year between 2016 and 2025, resulting in an escalating gap between the number of potential jobs and the number of employees available to fill them. By 2025, the demand for labour will be over 2.1 million full-year jobs (Figure 7).

<sup>2</sup> Inflation-adjusted 2002 dollars.

**Figure 7: The Growing Gap between Labour Demand and Available Workers**

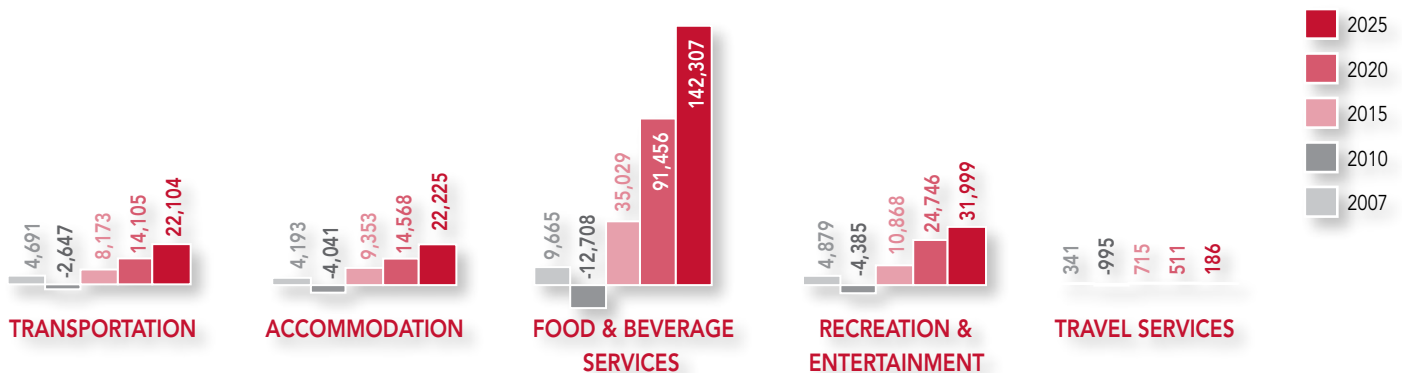


## ... CAUSING LABOUR SHORTAGES TO ESCALATE

Expanding demand for tourism goods and services, combined with the slowing growth of the Canadian labour force, is leading to a potentially severe shortage of labour in the tourism sector. In 2007, the gap between tourism labour

supply and demand in Canada was estimated at nearly 24,000 full-year jobs; by 2025, this figure could balloon to nearly 219,000 jobs (Figure 8).

**Figure 8: Shortages by Industry Group**



Food and beverage services is forecast to suffer the largest labour shortage among all tourism industries. By 2025, this industry's potential supply of labour could fall short of demand by more than 142,000 full-year jobs. Shortages are also

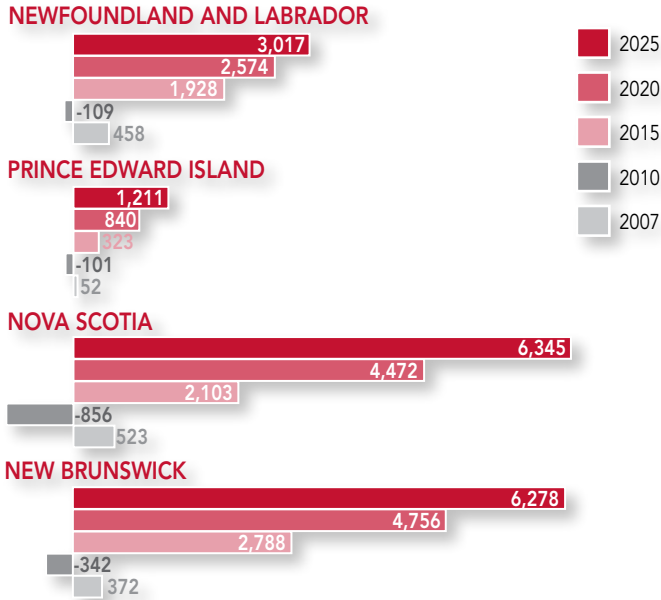
projected for transportation, accommodation, and recreation and entertainment. Travel services is the only industry in the tourism sector not expected to endure a significant labour shortage over the next 15 years.



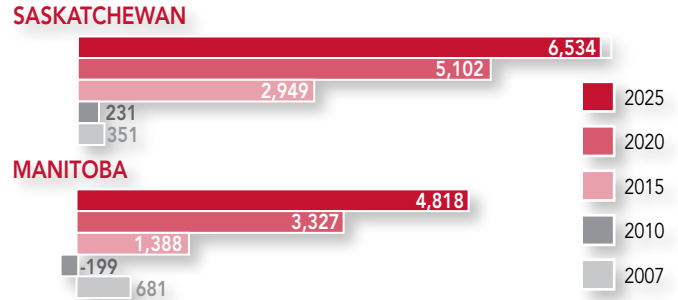
## THE SHORTAGE WILL AFFECT ALL PROVINCES...

Projections for potential tourism labour shortages by province indicate that Ontario will experience the most significant shortage. By 2025, Ontario's supply of labour could fall short of potential labour demand by over 80,000 full-year jobs. Substantial labour shortages are also expected for Quebec, British Columbia, and Alberta (Figures 9a, 9b, 9c, and 9d).

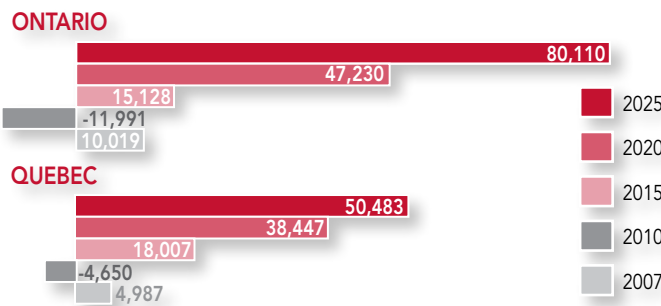
### Figure 9a: Labour Shortages in Atlantic Canada



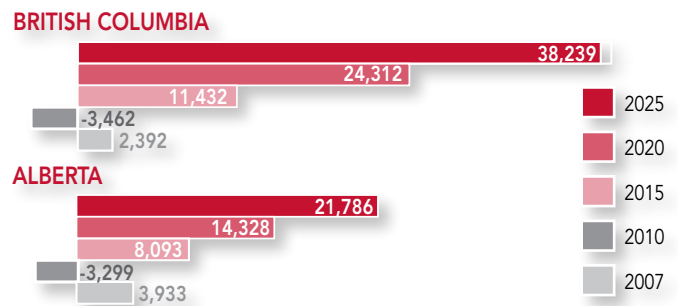
### Figure 9c: Labour Shortages in Saskatchewan and Manitoba



### Figure 9b: Labour Shortages in Central Canada



### Figure 9d: Labour Shortages in British Columbia and Alberta

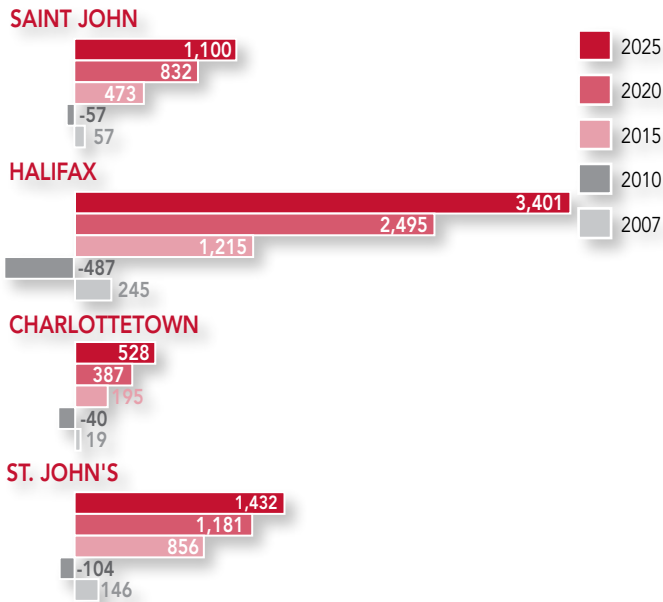


# Economic Recession Only a Temporary Reprieve from Labour Shortages

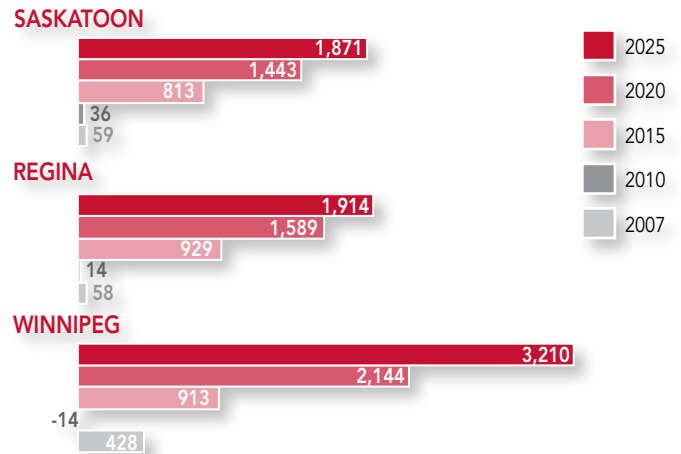
## ...AND INDIVIDUAL CITIES TOO

Among the metropolitan areas, Toronto's supply of labour could fall short of potential demand by 42,000 full-year jobs. In terms of absolute numbers, large shortfalls are also forecast for Montréal and Vancouver (Figures 10a, 10b, 10c, and 10d).

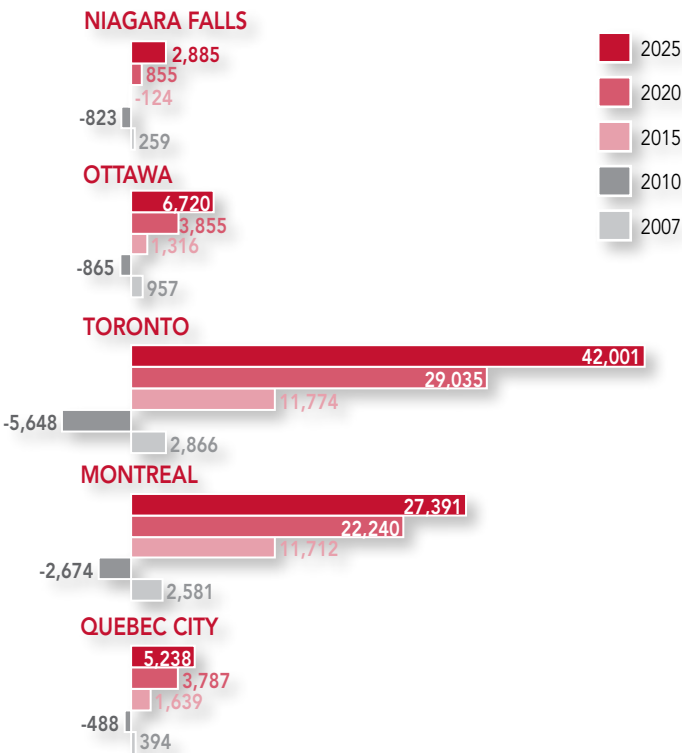
**Figure 10a: Labour Shortages in cities in Atlantic Canada**



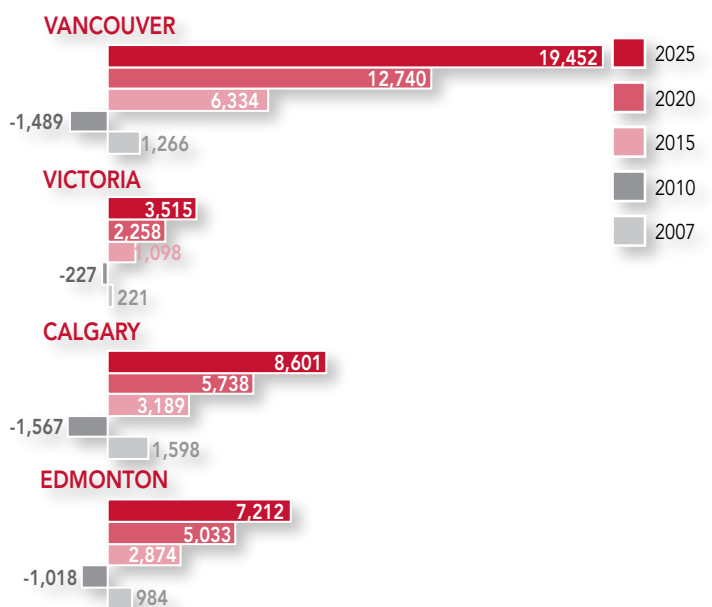
**Figure 10c: Labour Shortages in cities in Saskatchewan and Manitoba**



**Figure 10b: Labour Shortages in cities in Central Canada**



**Figure 10d: Labour Shortages in cities in British Columbia and Alberta**

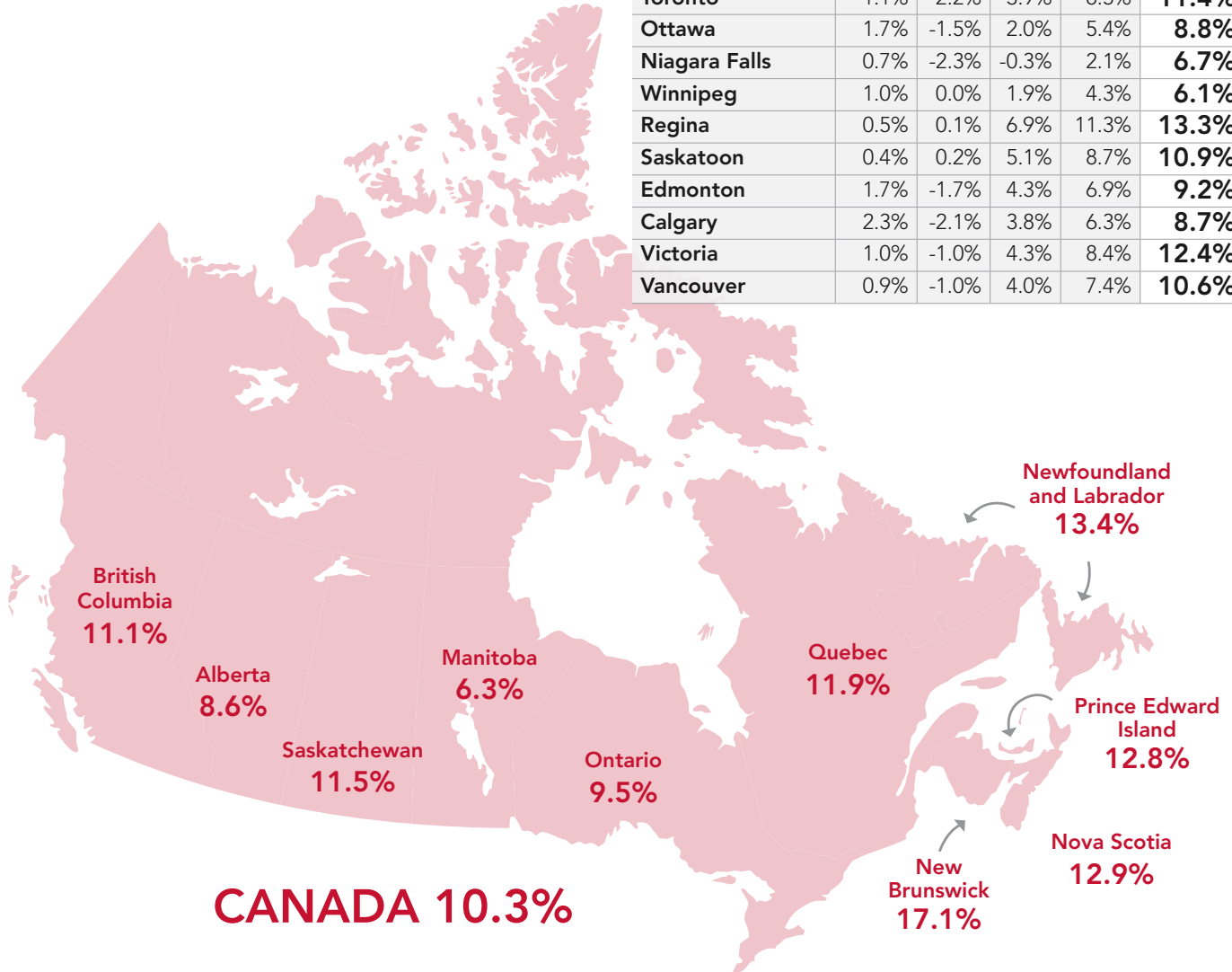




By contrast, Atlantic Canada is expected to endure the most acute shortages in tourism labour, as a percentage of overall potential labour demand. By 2025, potential labour shortages are projected to range from 12.8% in Prince Edward Island to 17.1% in New Brunswick (Figure 11).

Figure 11: Labour Shortages as a Percentage of Labour Demand, by Province and City

	2007	2010	2015	2020	2025
St. John's	1.5%	-1.0%	7.9%	11.1%	<b>13.9%</b>
Charlottetown	0.5%	-1.0%	4.7%	8.9%	<b>11.6%</b>
Halifax	1.1%	-2.1%	4.8%	9.8%	<b>13.4%</b>
Saint John	1.0%	-1.0%	7.5%	13.2%	<b>17.4%</b>
Quebec City	1.0%	-1.3%	4.0%	8.9%	<b>11.9%</b>
Montreal	1.4%	-1.4%	5.7%	10.3%	<b>12.3%</b>
Toronto	1.1%	-2.2%	3.9%	8.5%	<b>11.4%</b>
Ottawa	1.7%	-1.5%	2.0%	5.4%	<b>8.8%</b>
Niagara Falls	0.7%	-2.3%	-0.3%	2.1%	<b>6.7%</b>
Winnipeg	1.0%	0.0%	1.9%	4.3%	<b>6.1%</b>
Regina	0.5%	0.1%	6.9%	11.3%	<b>13.3%</b>
Saskatoon	0.4%	0.2%	5.1%	8.7%	<b>10.9%</b>
Edmonton	1.7%	-1.7%	4.3%	6.9%	<b>9.2%</b>
Calgary	2.3%	-2.1%	3.8%	6.3%	<b>8.7%</b>
Victoria	1.0%	-1.0%	4.3%	8.4%	<b>12.4%</b>
Vancouver	0.9%	-1.0%	4.0%	7.4%	<b>10.6%</b>



## FOOD AND BEVERAGE SERVICES WILL FACE THE LARGEST CHALLENGES

Four of the five tourism occupations expected to face the most significant shortage of workers are found primarily in the food and beverage services industry. In absolute terms, by 2025, food counter attendants and kitchen helpers could suffer a shortage equivalent to 49,000 full-year jobs, while food and beverage servers are projected to face a shortage equivalent to 43,000 full-year jobs. Other occupations in the top five list of shortages include cooks, bartenders, and program leaders and instructors in recreation and sport (Figure 12a).

**Figure 12a: Potential Labour Shortages by Occupation\* (number of full-year jobs)**

	2007	2010	2015	2020	2025
<b>Food-counter attendants and kitchen helpers</b>	2,894	-3,579	13,120	33,478	<b>49,564</b>
<b>Food and beverage servers</b>	2,468	-2,778	11,928	27,782	<b>42,655</b>
<b>Cooks</b>	1,617	-2,252	3,528	10,497	<b>16,791</b>
<b>Bartenders</b>	463	-342	2,478	5,606	<b>8,784</b>
<b>Program leaders and instructors in recreation and sport</b>	757	-834	2,529	5,789	<b>7,779</b>

## ADDRESSING THE LOOMING LABOUR SHORTAGE

Economic theory suggests that tight labour conditions will inevitably lead to higher wages as the competition for workers intensifies. But using wage increases as the sole strategy for attracting workers has significant disadvantages. It is true that labour shortages could be alleviated if wages were significantly increased, but it would also force employers to pass on these supplementary operational costs to customers, thereby stifling tourism demand and imposing a heavy toll on the sector's profitability. This is clearly not a desirable outcome. Instead, raising the productivity of the tourism sector, as well as attracting and integrating additional labour supply at the prevailing wage rate are much more effective solutions.

The latest forecast analyzed the potential outcome of two methods of growing the tourism sector's potential labour supply. The analysis showed that both strategies could help significantly increase the potential supply of tourism labour and thus help ease future shortages.

The tourism occupation projected to suffer the most acute labour shortage over the long term is bartenders; by 2025, the potential supply of workers in this occupation is expected to fall short of demand by 20.2%. This is followed by food and beverage servers at 16.4%, and landscaping and ground maintenance workers at 15.2% (Figure 12b).

**Figure 12b: Labour Shortages as a Percentage of Labour Demand, by Occupation**

	2025
<b>Bartenders</b>	<b>20.2%</b>
<b>Food and beverage servers</b>	<b>16.4%</b>
<b>Landscaping and ground maintenance workers</b>	<b>15.2%</b>
<b>Food service supervisors</b>	<b>14.6%</b>
<b>Program leaders and instructors in recreation and sport</b>	<b>13.5%</b>

\*Note: The figures for these occupations include the combined labour shortages from the food and beverage services, accommodation, and recreation and entertainment industries, where applicable.

The first method focused on increasing the awareness and attractiveness of tourism sector occupations among young workers. This scenario involved increasing the rate of employment in entry-level (or near-entry level) tourism occupations by 1% per year over 10 years. The analysis targeted the occupations that employed the largest share of jobs held by workers aged 15 to 24 years old. Results of the analysis showed this strategy could potentially increase the tourism sector's labour supply enough to fill an estimated 106,000 full-year jobs by 2025.

The greatest benefit would be seen in food and beverage services, which employs a large percentage of young people. Its labour supply would increase 8.5%, which is enough to fill almost 87,000 jobs by 2025, and would reduce the labour shortage in that industry by 61%. The recreation and entertainment industry and the accommodations industry would each see their supply of labour increase by over 3.0%.



The second scenario analyzed the benefits of accelerating the pace at which new immigrants to Canada enter the tourism workforce. This involved addressing some of the current barriers and challenges, so immigrants could get their first job in the tourism sector more quickly after receiving immigrant status. According to the analysis, this strategy could potentially increase the sector's labour supply enough to fill 30,360 full-year jobs by 2025.

Developing and implementing comprehensive strategies to increase the attractiveness of the tourism sector and accelerate the integration of new immigrants into the workforce could also benefit the sector in other ways. Employee retention would increase and efforts needed to train new recruits would diminish. These strategies could also help boost the profitability of tourism businesses, by reducing costs associated with recruitment and training, and allowing businesses to improve their quality of service.

In addition to these scenarios, tourism stakeholders have identified a number of urgent issues the broader sector and all levels of government should address in order to proactively respond to potential labour shortages. These priority actions are viewed as having the greatest impact on expanding the future supply of labour in the tourism sector and on improving labour force productivity.

### 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

#### Priorities for the tourism sector:

- Enhance the image and appeal of tourism jobs; the tourism sector must ramp up its efforts to collectively promote tourism as a viable career option for young people. This could be accomplished by:
  - Showcasing the professional benefits of a tourism career to students
  - Adjusting to the needs and expectations of younger workers
  - Increasing the focus on skills training
  - Expanding the number of standardized certification programs
- Create partnerships to share part-time or seasonal workers between businesses
- Develop international work exchange programs
- Increase awareness of current programs and services

#### Priorities for government action:

- Address shortcomings in the Temporary Foreign Worker Program
- Revise Employment Insurance and Canada Pension Plan regulations
- Facilitate the transition of new immigrants into the workforce
- Provide tax incentives for training
- Increase tourism marketing efforts
- Increase awareness of current programs and services

help increase your customers' satisfaction and generate more 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 tourism sector will return to labour shortages in 2012, equivalent to 9,498 full-year jobs.
- By 2025, the tourism sector will see a labour shortage equivalent to almost 219,000 full-year jobs.
- The largest increase in potential labour demand will occur in the food and beverage services industry, which could support nearly 1.16 million jobs by 2025.
- By 2025, the recreation and entertainment industry will face a shortfall of 32,000 full-year jobs.
- Increasing the rate of employment of entry-level occupations by just 1% per year from 2011 to 2020 could increase the supply of labour by 105,999 full-year jobs.

### Provincial

- The supply of tourism labour in Alberta could fall short of demand by 8.6% in 2025.
- By 2025, British Columbia's tourism sector could see a potential labour shortage of more than 38,200 full-year jobs.
- The labour force participation rate in Manitoba is expected to reach 69.6% by 2011. It will then start to gradually decline, falling to 65.9 by 2030. This will result in labour shortages equal to 4,818 full-year jobs by 2025.
- At 1.87, Saskatchewan's fertility rate is the highest in the country; however it is still below the rate needed for replacement. Combined with out migration to other provinces, this will severely constrain the growth of the labour force.
- Demand for tourism goods and services in Ontario is expected to increase from \$59 billion in 2010 to \$86.7 billion by 2025 driving demand for labour to over 845,000 full-year jobs in 2025.
- Quebec's food and beverage service industry is expected to see shortages equivalent to 30,663 full-year jobs by 2025.
- In Newfoundland and Labrador, the number of working age people (15 to 64 years old) represented 70.9% of the population in 2008, but this share will shrink to 59.4% by 2030. The supply of labour available to the tourism sector will be 12% lower in 2025 than it was in 2007.

- By 2025, New Brunswick's tourism sector could see a potential labour shortage of nearly 6,300 full-year jobs.
- The supply of tourism labour in Prince Edward Island could fall short of demand by 12.8% in 2025.
- Nova Scotia's accommodation industry is expected to face a shortfall of almost 900 jobs by 2025.

### Regional

- Edmonton could experience a potential labour shortage equivalent to 9.2% of the demand for tourism labour over the next 15 years. The shortage of tourism labour in Calgary during that period could reach 8.7%.
- Victoria could experience a potential labour shortage equivalent to 3,515 full-year jobs over the next 15 years. The shortage of tourism labour in Vancouver during that period could reach 19,452.
- Winnipeg could experience a potential labour shortage equivalent to 6.1% of the demand for tourism labour over the next 15 years.
- Toronto is expected to generate the highest potential rate of growth in tourism labour demand, followed by Calgary, Edmonton and Vancouver.
- Potential labour demand in Quebec City could support 43,857 full-year jobs by 2025, while labour demand in Montreal could support 222,134 full-year jobs by 2025.
- Saskatoon could experience a potential labour shortage equivalent to 1,871 full-year jobs over the next 15 years. The shortage of tourism labour in Regina could reach 1,914, with shortages in the rest of the province reaching 2,749.
- St. John's could experience a potential labour shortage equivalent to 13.9% of the demand for tourism labour over the next 15 years.
- Saint John New Brunswick could experience a potential labour shortage equivalent to 17.4% of the demand for tourism labour over the next 15 years.
- Spending on tourism goods and services in Charlottetown is expected to rise from \$196 million in 2010 up to \$244 million by 2025.
- The supply of labour in Halifax is expected to shrink from 23,895 in 2015 to 22,031 by 2025.



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This brochure summarizes the main findings of the report, *The Future of Canada's Tourism Sector: Economic Recession Only a Temporary Reprieve from Labour Shortages*. The report and provincial summaries are available on the CTHRC website: [www.cthrc.ca](http://www.cthrc.ca)

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

*The Canadian Tourism Human Resource Council (CTHRC) works on behalf of the 178,000 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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