The Conference Board of Canada
Insights You Can Count On

State of the Labor Market: Forecasting the Outcome

The Conference Board of Canada

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Montreal, Quebec

Agenda

- Tourism Labour Supply/Demand Project
  - Objectives
  - Process
- Historical perspective of tourism performance during past & current recessions
- Preliminary “updated” labour supply/demand projections
- Recommendations from the industry

Project Objectives

- Identify if labour shortages will (or currently) exist
- If so, quantify the extent of labour shortages
- Present this information
  - By region (provincial)
  - By industry and occupation
  - Over a period of time (2006-2025)
- Ultimately provide quantitative evidence for the industry to be pro-active

Key Assumptions

- No assumption that labour supply=labour demand
- No assumption that employment in tourism occupations are lifelong careers
  - Hence, abandon the typical approach for calculating demand as being “replacement” or “new”
  - Instead, penetration rates capture attractiveness/access
- Wages alone will not solve supply/demand gaps (Market Interaction Component of the Model)
  - Instead, realize importance of other strategies to close potential supply/demand gaps

Focus this year

- HR changes as a result of the recession
  - Composition of workforce
  - Hours worked
- Expected path of recovery (2 scenarios)
  - Geographic perspective
  - Industry perspective
- Strengthen regional component

Process this year

- Generate preliminary supply/demand forecasts
  - Integrate latest labour database (2007 HRM)
  - Incorporate latest economic/demographic/travel forecasts
- Conduct focus groups – feedback & rich content
- Web-survey of businesses – benchmark responses
- Web-survey of DMO's – refine regional assumptions
- Finalize model results & final reporting

Tourism Sector Definition

- Tourism Sector comprises 5 industry groups
  - Transportation
  - Accommodation
  - Food & Beverage Services
  - Recreation & Entertainment
  - Travel Services
- Revenues for the sector come from a combination of tourism and non-tourism (local) sources.
- Within the sector, we identify 37 distinct occupations (plus some general groupings). Some straddle 2 or more industry groups (cooks/chefs).
- In 2007, 1.65 million jobs in tourism sector.

Factors Affecting Labour Supply

A Population

- Non-Immigrant Population by age/sex
- Immigrant Population and Immigration by age/sex

B Labour Force Participation

-Forecast Labour Force Participation by age/sex immigrant status

C Appeal/Access of Tourism Occupations to the Labour Force

- In the basecase, assume “Appeal/Access” remain fixed by using a constant proportion of people available to work in each tourism related occupation according to age/gender/immigrant status

Tourism in Past Recessions

1981-82 Recession

- 1982 Accommodation & Food (-8.0% GDP)
- Impact on employment -1% (accommodation & food), -5% (transportation)
- By 1984, tourism employment (levels) had recovered in accommodation & food
- By 1987, tourism employment (levels) had recovered in transportation (& warehousing)
- One year later, full-time employment returned (part-time never declined)

Tourism in Past Recessions

1990-91 Recession

- 1991 Accommodation & Food (-13.7% GDP)
- Impact on employment -2% (accommodation & food), -3% (transportation)
- By 1993, aggregate demand (in real dollars) recovered
- By 1994, tourism employment (levels) had recovered in accommodation & food
- By 1995, tourism employment (levels) had recovered in transportation (& warehousing)
- One year later, full-time employment returned (part-time never declined)

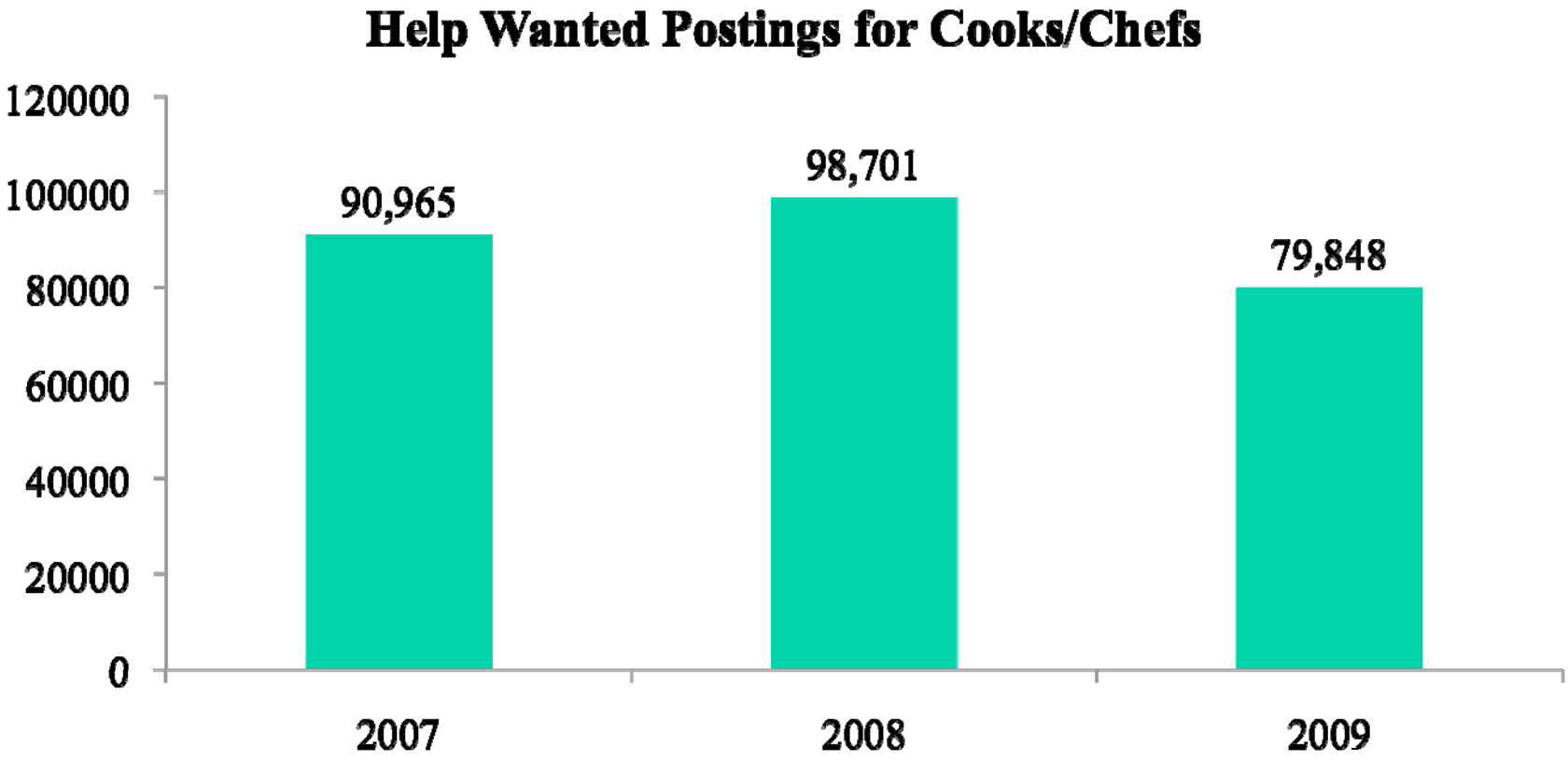
Tourism in Current Recession

Impact of Current Recession on Tourism in Canada

- Overnight travel in Canada down by 4.1%
  - Domestic down 3.5%
  - US down 5.3%
  - Overseas down 9.5%
  - Expenditures down 5.5% (current $)
- Total (real) tourism and non-tourism demand down 3%
  - Tourism demand down 6%
- Tourism sector employment down 2.6% (2.4% accommodation & food)

National: Cooks/Chefs Help Wanted Postings off 19% since '08

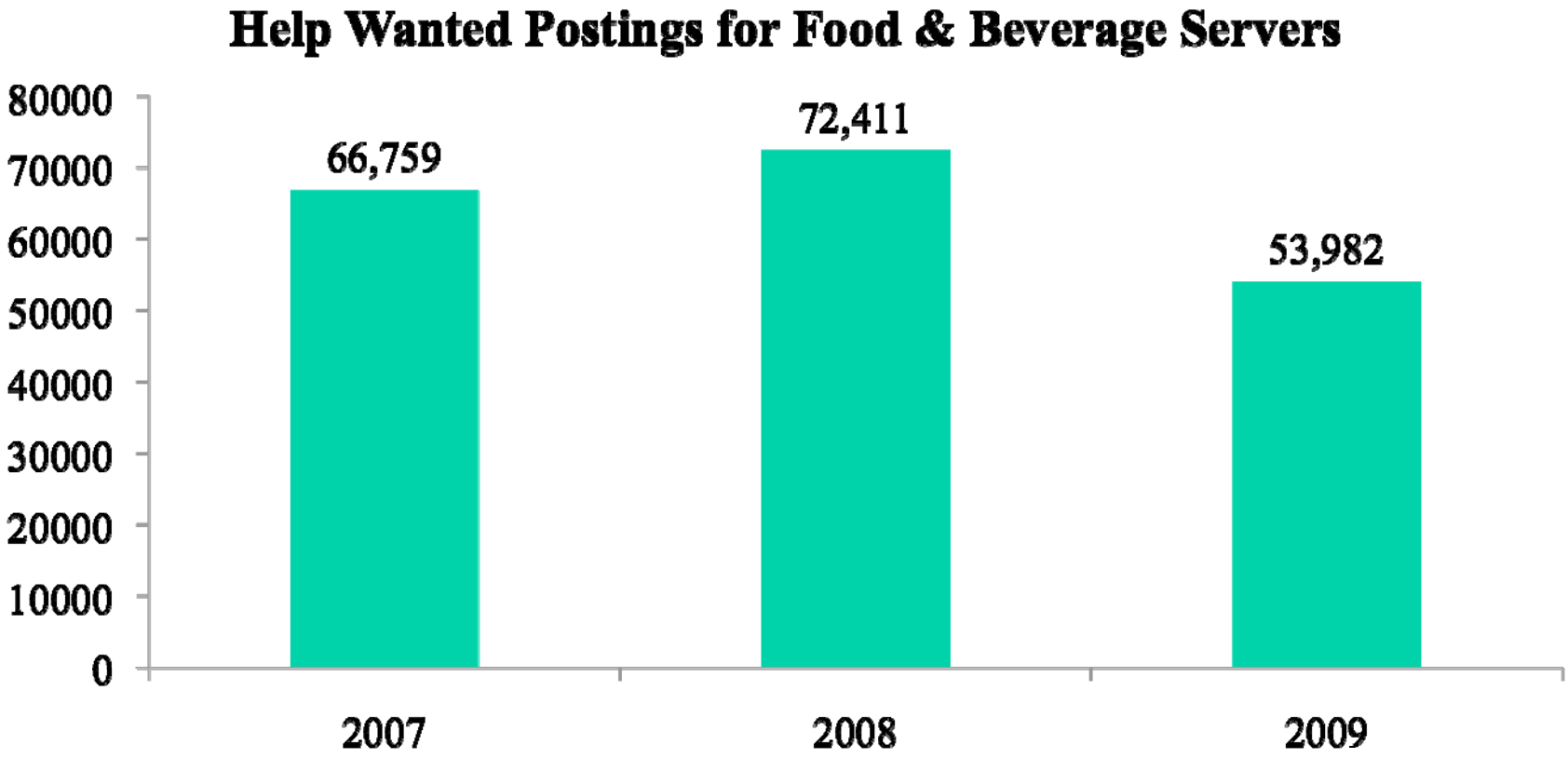
(# of help wanted postings January – October each year)



Source: Special run from CBoC Help Wanted Index

National: Food & Beverage Servers Help Wanted Postings off 25%

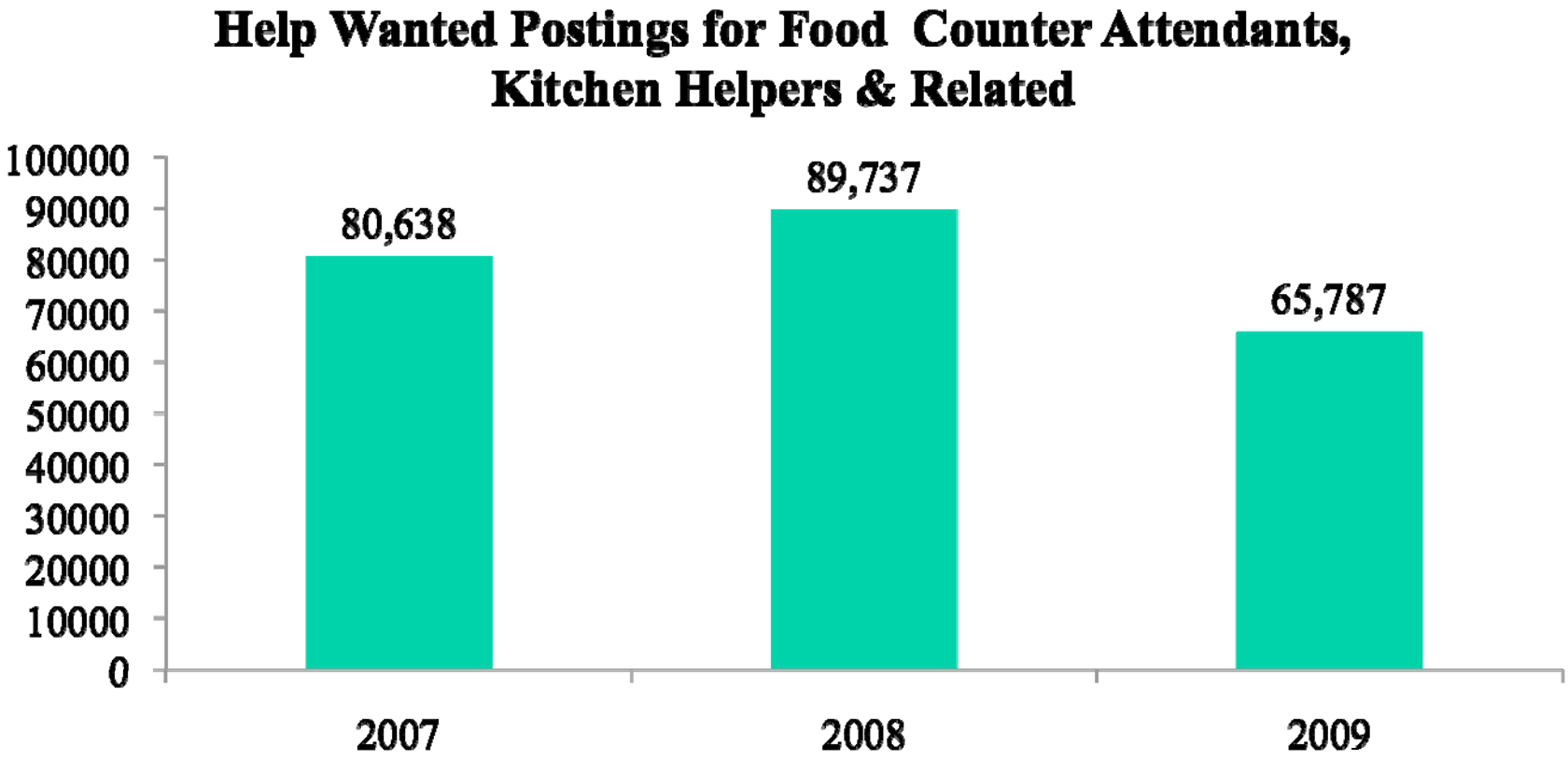
(# of help wanted postings January – October each year)



Source: Special run from CBoC Help Wanted Index

National: Food Counter Attendants, Kitchen Helpers & Related off 27%

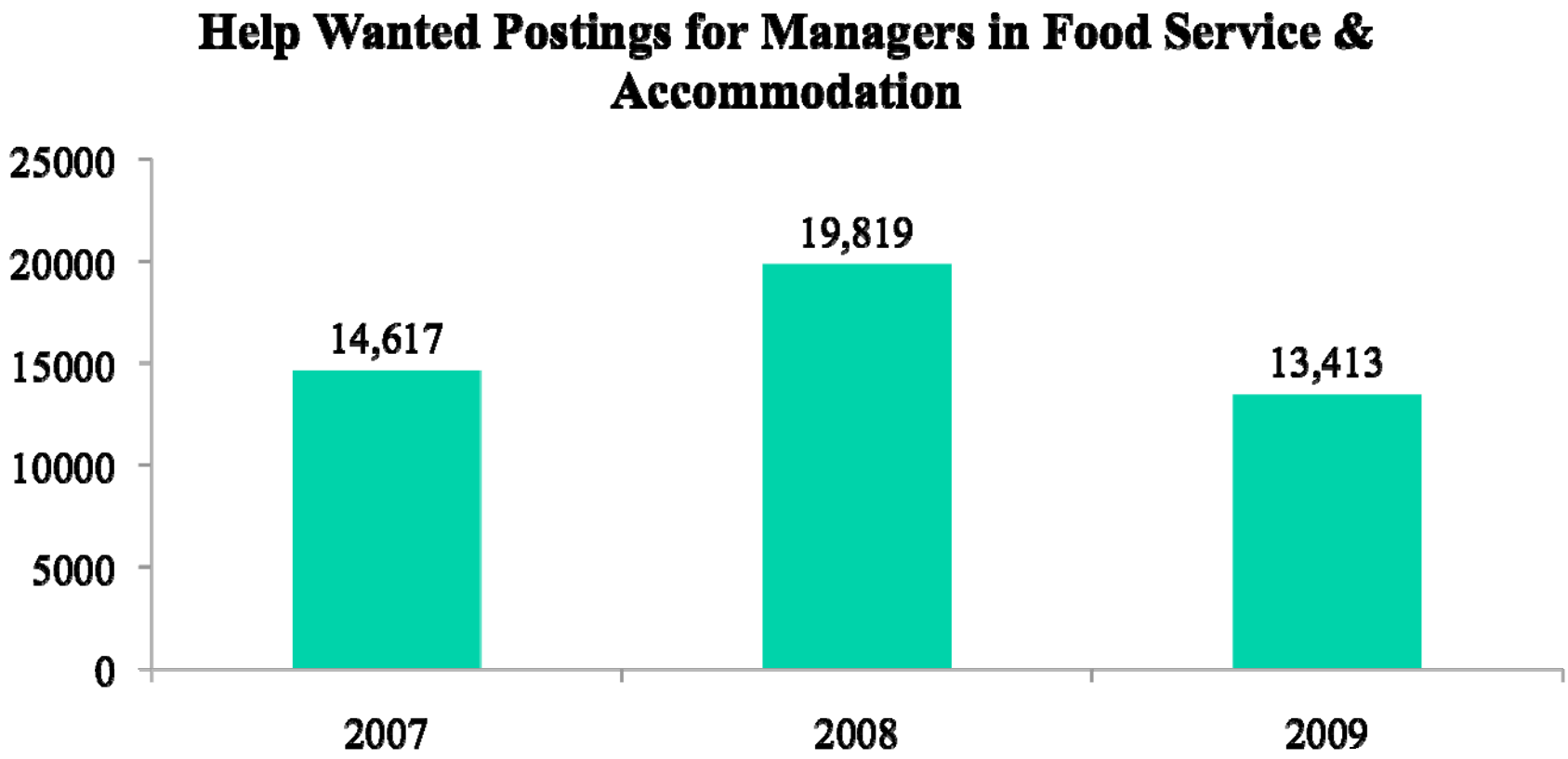
(# of help wanted postings January – October each year)



Source: Special run from CBoC Help Wanted Index

National: Managers in Food Service & Accommodation off 32%

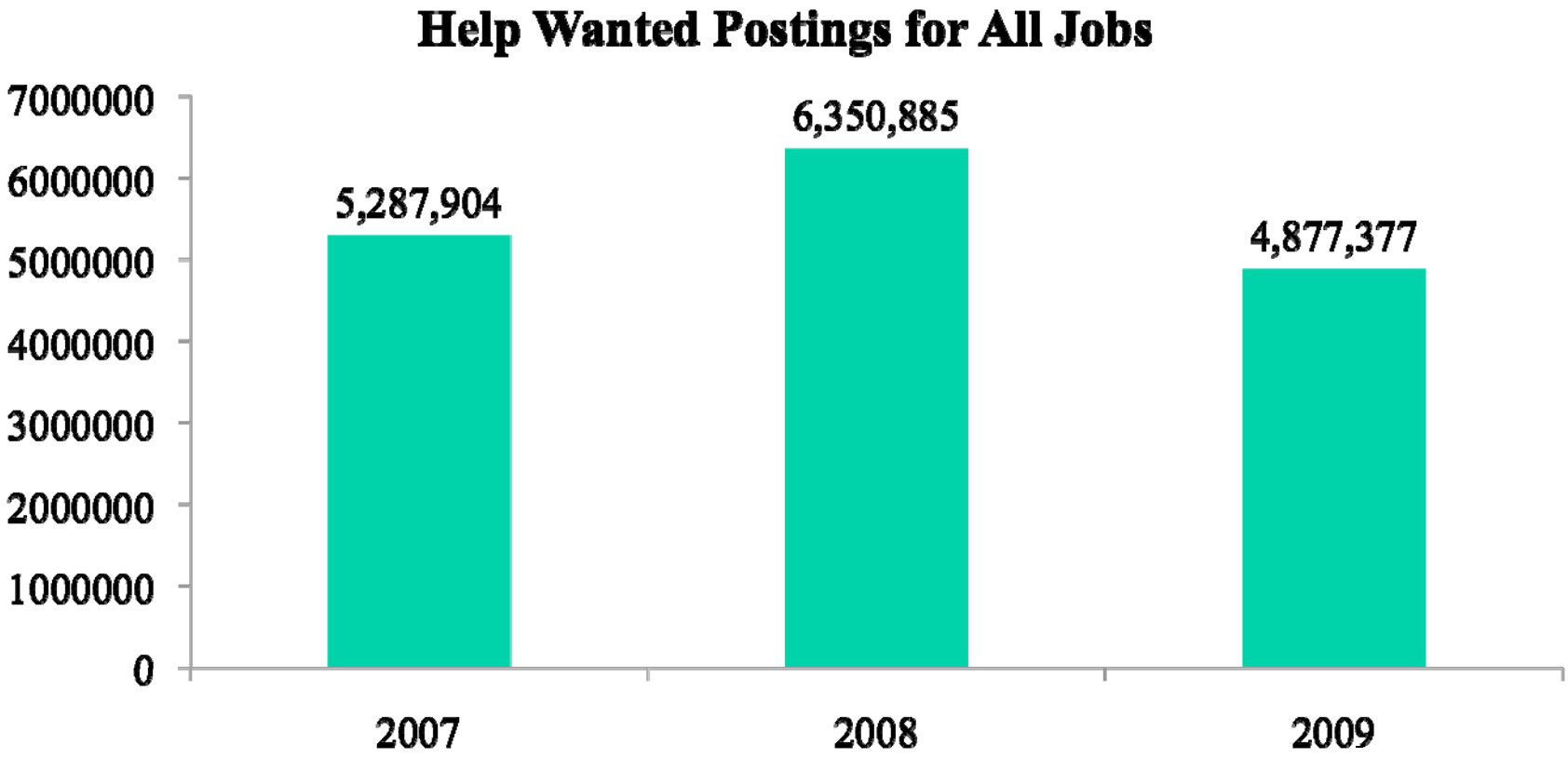
(# of help wanted postings January – October each year)



Source: Special run from CBoC Help Wanted Index

National: All Jobs off 23%

(# of help wanted postings January – October each year)



Source: Special run from CBoC Help Wanted Index

Going forward

- Demand for tourism goods and services will recover
- Staffing difficulties to intensify as Canada's labour market changes
  - ***Canada's Population is Aging***
  - ***International Immigration is Increasing***
  - ***Labour Force Participation Rates will Decline***
  - ***Younger Workers in Short Supply***

Last Year's Model Results

- By 2025, the potential labour shortage could reach 256,700 (full-year) jobs nationally. This shortage represents the cumulative effect of missed opportunities and unfulfilled demand built up over the 2006-2025 year period.
  - The shortage suggests 11.6 per cent of the potential demand for labour could go unfilled by 2025.

Current (Preliminary) Results

- By 2025, the potential labour shortage could reach 224,000 (full-year) jobs nationally.
- While the level has declined, the analysis still suggests labour shortages will limit the potential growth of the sector, reducing employment and profits.
  - The shortage suggests 10.1 per cent of the potential demand for labour could go unfilled by 2025.

Labour Force Growth

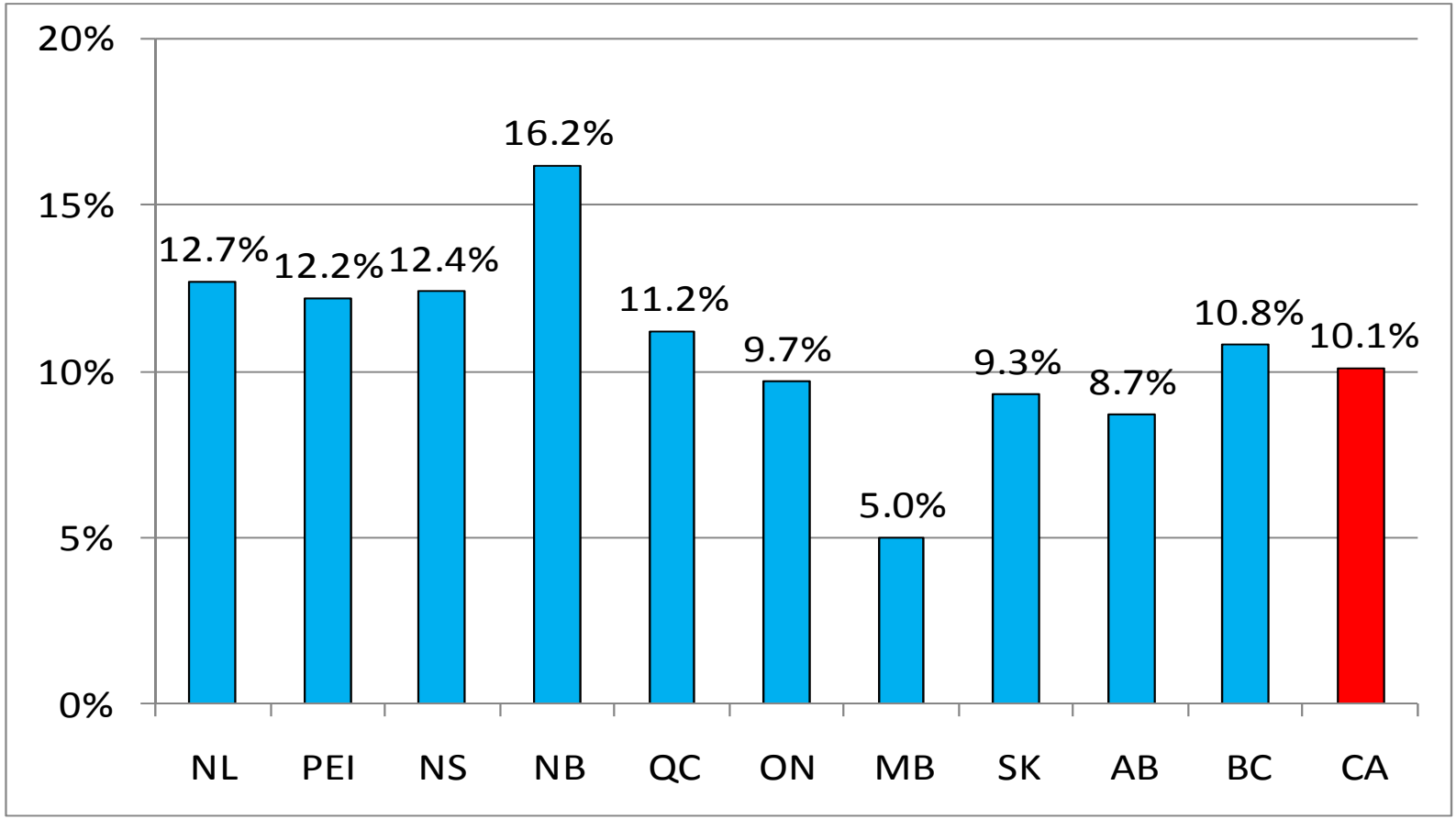
Canada	2006 -2010	2010 -2015	2015 -2020	2020 -2025
Overall Labour Force	**1.4%**	**0.9%**	**0.6%**	**0.5%**
Age 15-24	1.1%	0.1%	-0.8%	0.0%
Age 25-34	1.4%	1.2%	0.8%	0.0%
Age 35-44	-1.2%	0.8%	1.5%	1.1%
Age 45+	3.1%	1.2%	0.6%	0.6%

Tourism Labour Supply Gap

Canada	2006 -2010	2010 -2015	2015 -2020	2020 -2025
Overall Labour Force	1.4%	0.9%	0.6%	0.5%
Labour Demand - Tourism	1.3%	1.5%	1.2%	1.2%
Labour Supply - Tourism	2.0%	0.7%	0.4%	0.5%
Labour Supply Gap (Demand-Supply)	-0.7%	0.8%	0.8%	0.7%

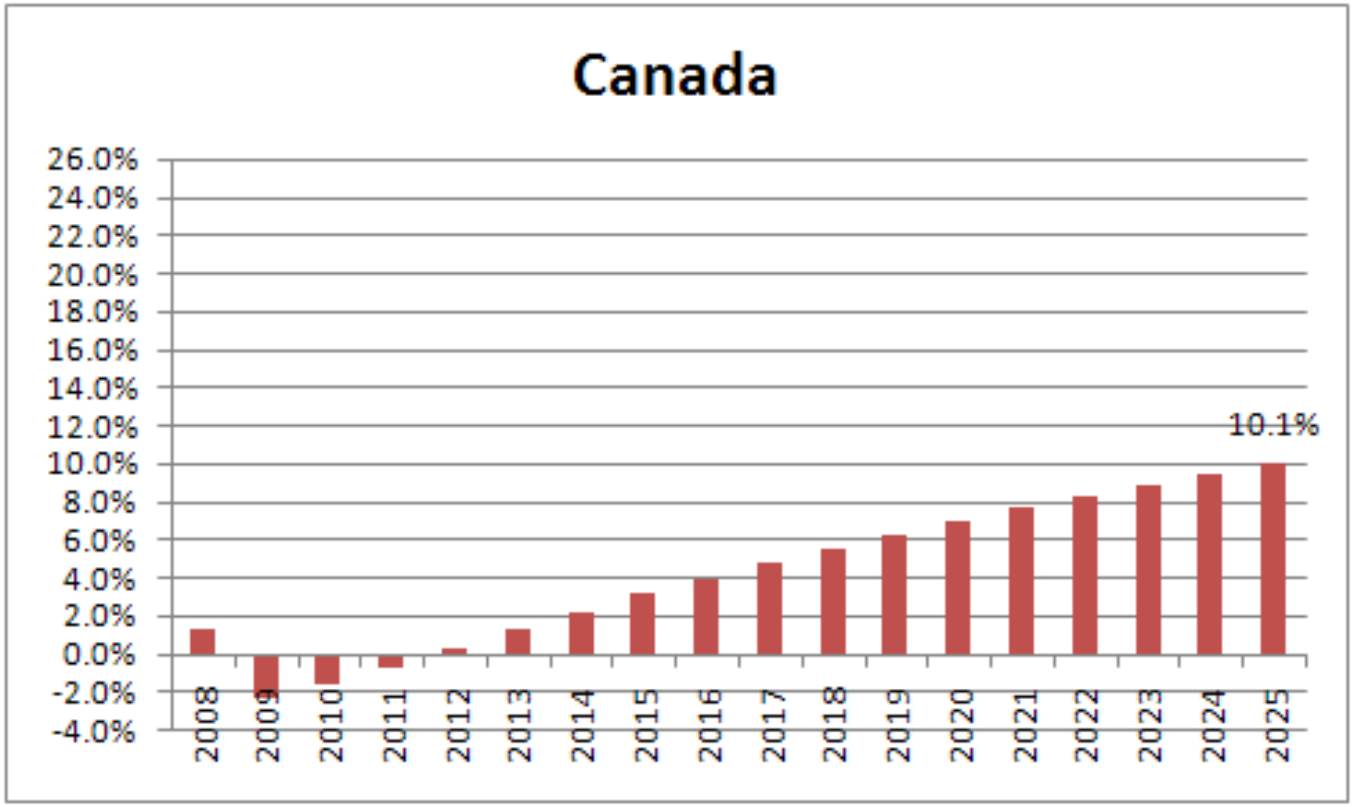
Potential Labour Shortage by 2025

(% difference between labour demand and supply)



Potential Labour Shortage - Canada

(% difference between labour demand and supply)



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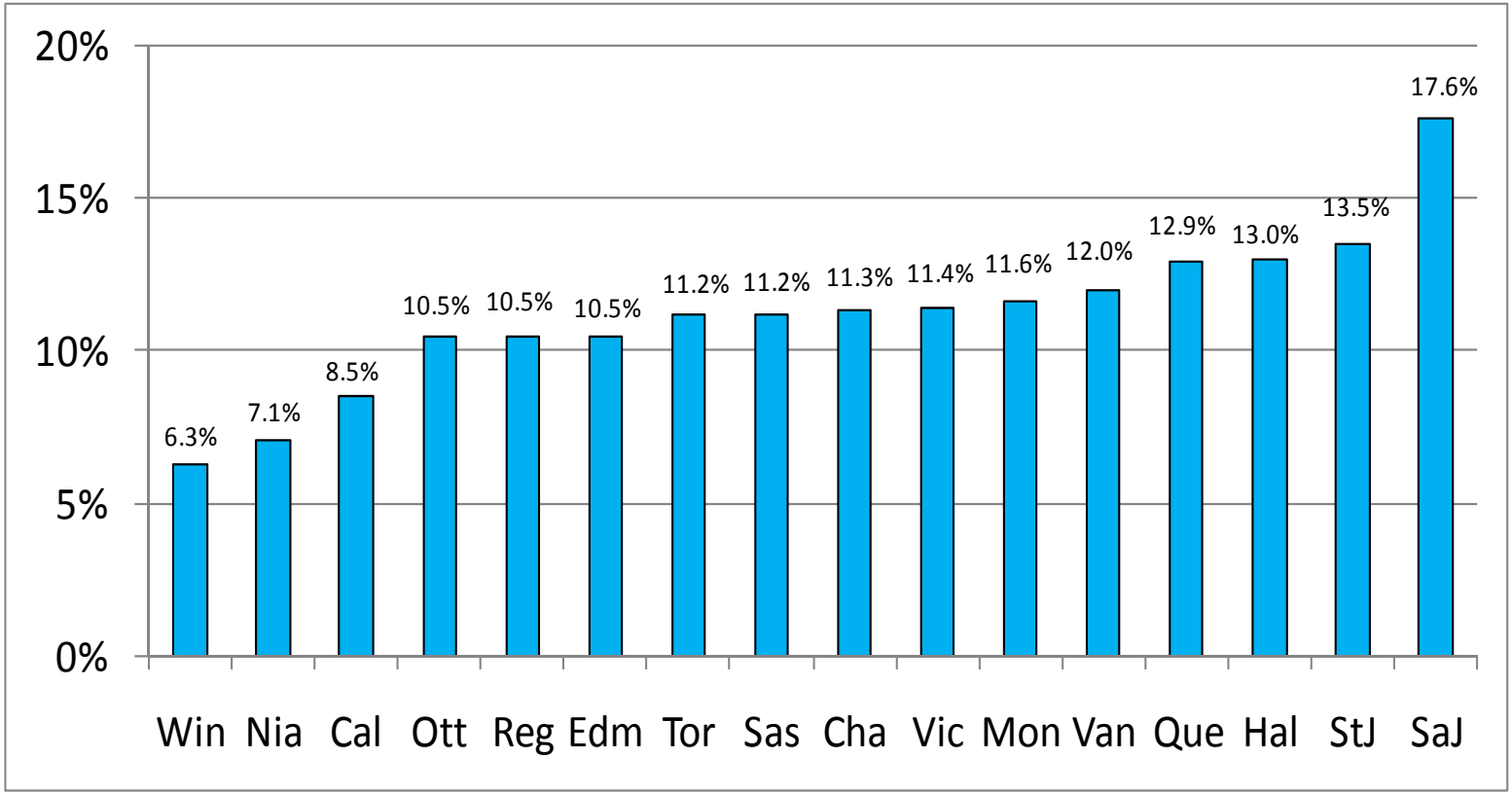

Labour Shortage by Industry
(Labour Demand - Labour Supply)

Canada	2008	2009	2010	2025
Transportation	5,031	-3,907	-1,516	25,022
Accommodation	4,185	-7,395	-3,690	19,484
Food & Beverage Services	9,664	-19,720	-16,937	144,375
Recreation & Entertainment	4,958	-7,355	-5,178	35,606
Travel Services	340	-1,769	-1,217	-348
Total Labour Supply Gap	24,178	-40,146	-28,538	224,139

Labour Shortage - Occupations

Canada	**#Jobs**
Top 5 Occupations Most Recently in Shortage (2008)	
Food Counter Attendants and Kitchen Helpers (G961) - FB	2,595
Food and Beverage Servers (G513) - FB	2,076
Cooks (G412) - FB	1,437
Light Duty Cleaners (G931)	1,097
Restaurant & Food service manager (A221)	1,018
Top 5 Occupations Expected to be in Shortage (2025)	
Food Counter Attendants and Kitchen Helpers (G961) - FB	48,234
Food and Beverage Servers (G513) - FB	45,856
Cooks (G412) - FB	14,767
Bartenders (G512) - FB	9,868
Program Leaders and Instructors in Recreation and Sport (F154)	7,701

Reducing Potential Labour Shortages

- Our previous empirical analysis demonstrated that a “wait-and-see” (do nothing) strategy to deal with labour shortages is not desirable for the sector
- Specifically, the “Market Interaction” component of the model suggests that increasing real wages is only marginally effective at increasing labour supply but it reduces profitability by reducing demand and increasing costs
- Instead, a pro-active strategy to increase productivity and/or increase labour supply (at the prevailing wage rate) is thought to be more effective

Recommendations from the Report

A) Enhance Productivity by:

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

Recommendations from the Report

B) Increase Labour Supply by:

1. Enhancing the image and appeal of tourism sector jobs
2. Streamlining (revising) temporary foreign worker programs
3. Adjusting immigration policies to bring more immigrants into Canada with skills levels C or D (lower-skilled occupations) under the Canadian National Occupation Classification
4. Increase incentives for under-represented labour pools (aboriginals, recent immigrants, people with disabilities, and retirees) to work in the tourism sector

Other Recommendations by Industry

1. Develop international work exchange programs
2. Share workers
3. Revise Employment Insurance and Canada Pension Plan regulations
4. Facilitate transition into workforce for underemployed persons
5. Facilitate transition into workforce for new immigrants
6. Better communication of current programs and services

The Time to Act Is Now …

Thank you.