

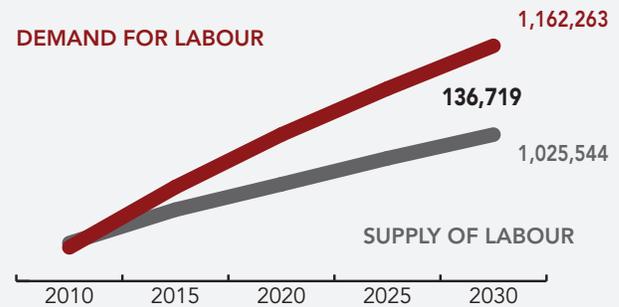


THE FUTURE OF CANADA'S TOURISM SECTOR: SHORTAGES TO RESURFACE AS LABOUR MARKETS TIGHTEN

Canada's tourism sector is facing a potentially severe shortage of labour over the next 15-20 years. Like other sectors of the Canadian economy, tourism suffered from the effects of tight labour markets in the years leading up to the economic recession of 2008-2009. In 2007, it was estimated that shortages in the tourism sector equalled 23,700 full-year jobs. While the recession eased labour shortages in Canada it was a temporary reprieve. The latest update of this study shows that labour shortages have already resurfaced in some provinces and will re-emerge nationwide by 2013 and intensify over time. The food and beverages services industry is expected to have the largest labour shortage of all the tourism industries. By 2030, labour shortages are expected to amount to nearly 137,000 full-year jobs¹.

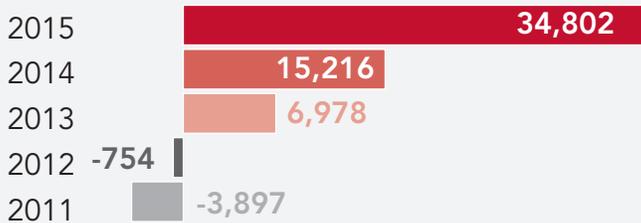
As demand for labour grows, the pool of available workers will have an increasingly difficult time keeping up. Canada's birth rates are below replacement levels and its population is aging, causing a significant deceleration in labour force growth over the long term. By 2030, nearly one out of every four Canadians will be 65 years or older, up from 14% in 2010. Furthermore, Statistics Canada's medium growth population projections show that, between 2010 and 2021, the number of people aged 15-24 will decrease by over 315,000. Food and beverage services will be particularly challenged by this trend. In 2006, almost half (48.1%) of those working in the industry were 15-24 years old. Given this scenario, businesses must either plan to replace young workers with a different demographic group or compete more effectively for a smaller number of workers.

The economic downturn reduced demand for employment in Canada, leading to a surplus of labour. In 2011, it was estimated that the food and beverages services industry had a surplus of labour of nearly 3,900 full-year jobs. However, as the demand for workers intensifies, this surplus will shrink. The industry is expected to return to shortage in 2013. These shortages are projected to intensify as market conditions improve over the next few years. The consequences of labour shortages—such as missed opportunities for investment in the sector and the inability to meet potential demand—is estimated to cost Canadian tourism businesses \$23 billion.



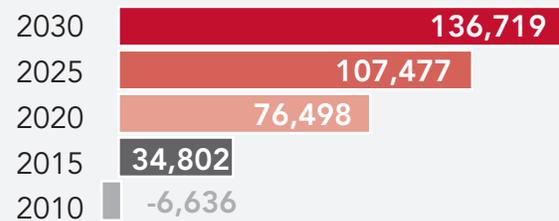
As demand outstrips available labour the resulting gap will grow, causing almost 137,000 jobs to go unfilled by 2030. This potential shortage represents 11.8% of the total demand for labour within the industry.

SHORT TERM LABOUR SHORTAGE 2011-2015



Among tourism industries food and beverage services is expected to see the largest increase in labour between 2010 and 2030. By 2030, demand for labour could support over 1.16 million jobs in the food and beverage industry, if enough workers are available. However, demand will greatly outstrip the supply of labour. Labour supply is predicted to increase by only 167,000 jobs (19.4%) reaching only 1,025,000 by 2030.

LONG TERM LABOUR SHORTAGE



¹For 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 only counts as only one-quarter of a job.

Within the food and beverage services industry, the largest labour shortages by far are projected for food-counter attendants/kitchen helpers, and food and beverage servers due to the sheer size of these occupational groups. These occupations could experience shortages equivalent to almost 41,000 and 35,400 full-year jobs respectively. Cooks and bartenders are also projected to fall short of demand while restaurant and food service managers round out the top five occupations with the largest forecast absolute shortages in the industry.

Occupation	Shortage
Food-counter attendants and kitchen helpers	40,930
Food and beverage servers	35,376
Cooks	19,619
Bartenders	8,128
Restaurant and food service managers	5,359

When labour shortages are presented as a proportion of labour demand, a different story emerges.² Bartenders and food and beverage servers will face very acute shortages, seeing 21.3% and 15.0% of jobs going unfilled respectively. Delivery drivers, food service supervisors and food counter attendants and kitchen helpers will also face acute shortages.

Occupation	Shortage
Bartenders	21.3%
Food and beverage servers	15.0%
Delivery drivers	14.3%
Food service supervisors	12.9%
Food-counter attendants and kitchen helpers	12.8%

Economic theory suggests that tight labour conditions will inevitably lead to higher wages. However, using wage increases as the sole strategy for attracting workers has significant disadvantages. Raising wages in the industry would result in a modest 11% decrease in the estimated labour shortage by 2030 with the remainder of the shortage eliminated due to a significant reduction in tourism demand. In other words, raising wages would not be enough to stimulate a significant increase in labour supply, and would stifle the growth of the tourism sector.

RISKS TO THE FORECAST

Any forecast is fraught with uncertainty, and this is especially true during the current turbulent economic environment. As a result, the projections for the timing and intensity of the looming shortages may vary considerably under a different set of assumptions. In this update high demand and low demand scenarios and their affect on labour requirements out to 2015 were explored. The high demand scenario was based on successfully achieving \$100 billion in tourism revenues by 2015 as outlined in Canada's Federal

Tourism Strategy (FTS). In this study, the base case estimate for tourism revenues in 2015 is \$96.3 billion.³ To meet the additional \$3.7 billion worth of demand for tourism goods and services forecast in the FTS, the number of full-year jobs required by the food and beverage services industry would increase by 7,000. With no corresponding increase in the supply of labour, this would increase the estimated labour shortage in food and beverage services to over 41,800 jobs by 2015.

On the other hand, a disruptive resolution to the EU debt crisis would have the opposite effect on labour demand. Under this scenario, the number of food service jobs required in 2015 would drop from 944,000 to 919,000 compared to the base case. However, despite this drop in demand, the food and beverage services industry would still experience a shortage of 9,300 full-year jobs.

SHORTAGES BY PROVINCE

Projections by province indicate that Ontario will experience the largest shortage. By 2030, Ontario's food and beverage services industry could fall short of labour demand by almost 62,000 full-year jobs. Areas of Atlantic Canada are expected to endure the most acute shortages, as a percentage of overall potential labour demand. Labour shortages could reach as high as 16.2% in Newfoundland and Labrador and as high as 22.4% in New Brunswick.

% OF DEMAND		ABSOLUTE SHORTAGE
16.2%	NL	1,838
22.4%	NB	3,236
11.8%	PE	488
12.4%	NS	4,254
11.5%	QC	29,312
12.9%	ON	61,412
5.8%	MB	2,250
10.0%	SK	2,817
11.3%	AB	13,273
9.5%	BC	17,401

The current analysis suggests that total tourism labour shortages will ramp up by the middle of this decade and by 2030 will balloon to 228,000 jobs. This would leave 10.7% of potential labour demand unfilled. These shortages are not inevitable. Changes to the status quo can increase the supply of labour over the long term. It is within the power of government, industry associations and tourism businesses to reduce these shortfalls. Identifying underutilized labour pools, improving the image of tourism jobs, and increasing non-wage benefits are some of the ways to attract and retain more workers, thereby reducing shortages and allowing the tourism sector to meet its full economic potential.

²For example, an occupation with a potential labour demand of 10,000 jobs but only enough supply to fill 9,000 jobs will have a shortage of 1,000 jobs, or 10% of total demand. However, a smaller occupation, requiring 1,000 jobs which falls 150 jobs short of that demand, will have a smaller numerical shortage but a more acute shortage in terms of the per cent of unfilled labour demand (15%).

³This study measures revenues in constant (2010) dollars. The Federal Tourism Strategy measures revenues in current dollars, unadjusted for inflation. To make the comparison possible, the base-case tourism demand was converted from \$85 billion (\$constant) to \$96.3 billion (\$current). Non-tourism (resident) demand is not affected in this scenario.

ABOUT THIS STUDY

The study quantifies the implications of long-term demographic and economic trends on the supply and demand for labour in Canada's tourism sector, and outlines potential labour shortages by industry and occupation, as well as by province and sub-provincial region.



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The full report and summary brochures for Canada and each of the provinces are available on the CTHRC website: www.cthrc.ca

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