



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

In business for your business™

Labour shortages are back with a vengeance

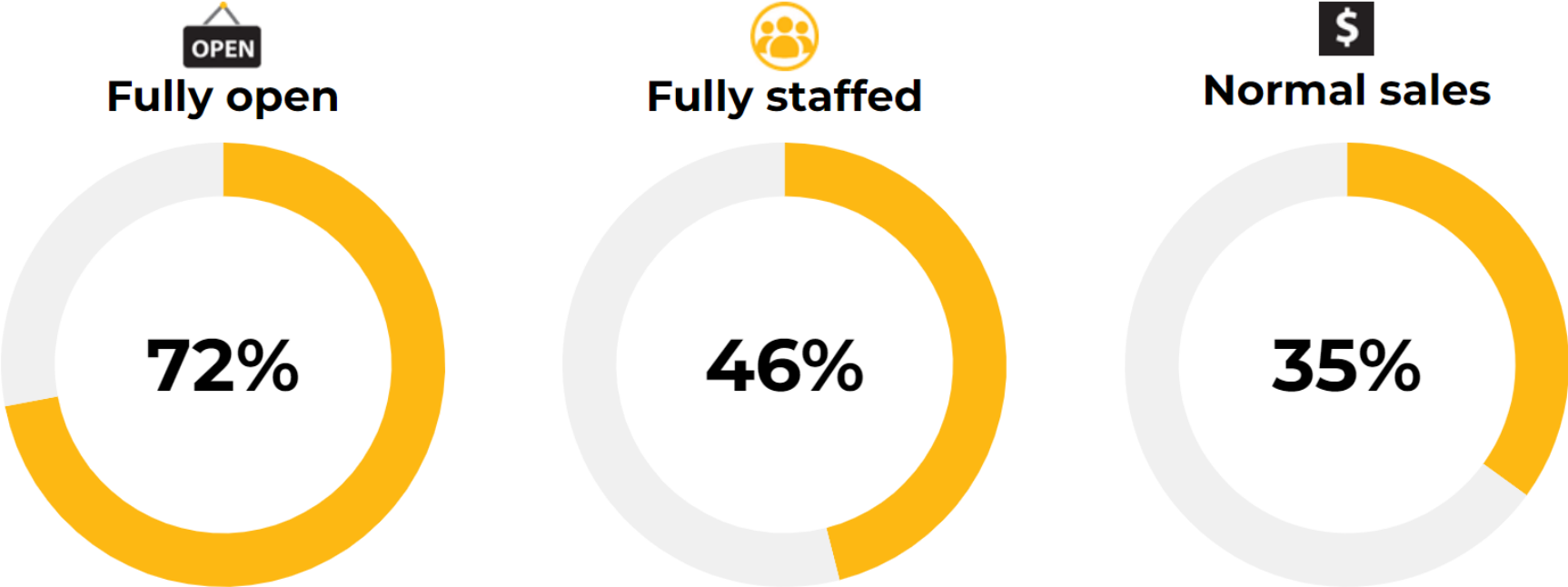
CFIB presentation to the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

April, 2022

Small Business Recovery Dashboard

As of February 25, 2022

Canadian small businesses



Labour shortages: Recent research from CFIB

Research Report
December 2021



Labour shortages are back with a vengeance



HIGHLIGHTS



In November 2021, more than 1 in 2 Canadian small businesses said they were affected by labour shortages. This proportion has been on an upward trend since the start of the pandemic.



The pandemic is not the cause of this complex problem, but has certainly exacerbated the situation. Demographics are also largely to blame for the imbalance between employment supply and demand.



While a large majority of small businesses have already responded by raising wages, their experience shows it is no silver bullet. Rather, a set of solutions is needed to address the main problem, namely a lack of any applicants. A few actions, such as using the Temporary Foreign Worker Program and investing in automation, present the best potential.

Current labour market conditions



In November, more than half of small businesses had yet to return to their usual workforce level for that time of year.

Despite the challenging COVID conditions, employers mostly point to the difficulties recruiting staff, retaining staff or getting employees back to work.

Reasons reported by small businesses still shy of their usual workforce



Source: CFIB, Your Voice - November 2021 survey, November 4-23, n = 4,514.

Top explanations given by small business owners for their staffing problems (% response)



Source: CFIB, Your Voice - September 2021 survey.
Note: This question was only asked to survey respondents who are not fully staffed due to staffing issues.

According to CFIB's *Small Business Recovery Dashboard*, after 20 months of the pandemic, one out of every two small businesses is still short of its normal workforce capacity in comparison to its usual staffing levels. This is due to a number of reasons.

The first reason involves staffing issues, 54% of small businesses that are not currently at normal staffing levels report it is because they cannot get all the staffing they need. The second reason pertains to the economic downturn, as 22% say they have temporarily reduced their staffing and 8% have permanently reduced their staffing (Figure 6).

In September, CFIB asked small businesses facing staffing challenges why they were in that situation: 63% reported a lack of applicants or employees with the necessary skills or experience, and 52% had no applicants at all (Figure 7).

The following sections describe these realities in more detail by highlighting labour market imbalances by education level and sector.

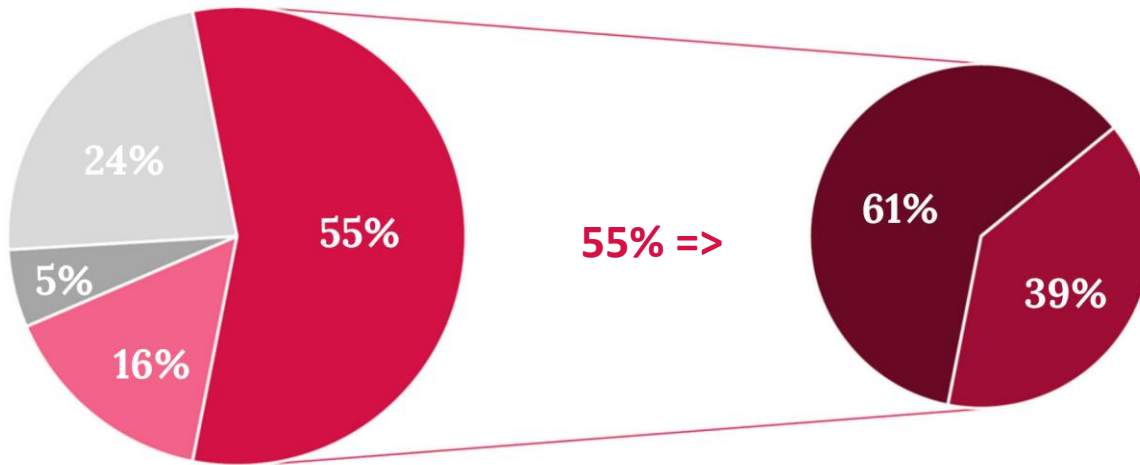
LABOUR SHORTAGES ARE BACK WITH A VENGEANCE

PAGE 6

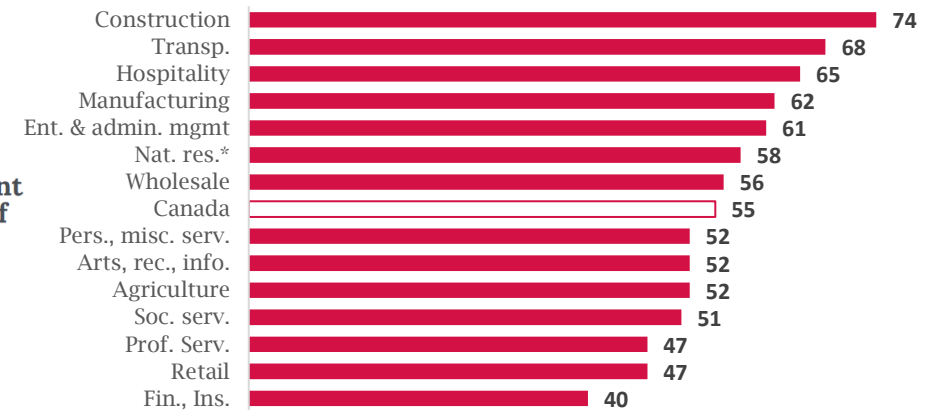
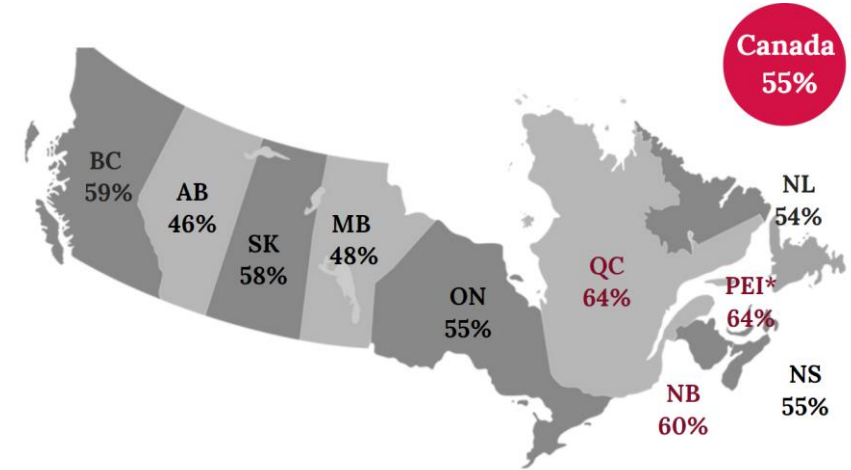
- In December 2021, CFIB released a research report on labour shortages in Canadian small businesses.
- The report is based in particular on data from:
 - Our monthly Business Barometer®;
 - A survey carried out from November 4 to 23 among 4,514 business owners from all sectors and regions.

More than one in two small businesses are affected by labour shortages

▶ Small businesses experiencing labour shortages



- Affected by labour shortages
- Affected by labour shortages' consequences (wage increases, hiring bonuses)
- Other or Don't know/Unsure
- Not applicable or do not face labour shortages
- Don't have all the staff needed for current operations, due to labour shortages
- Have all the staff needed for current operations, but cannot get the staff needed to expand

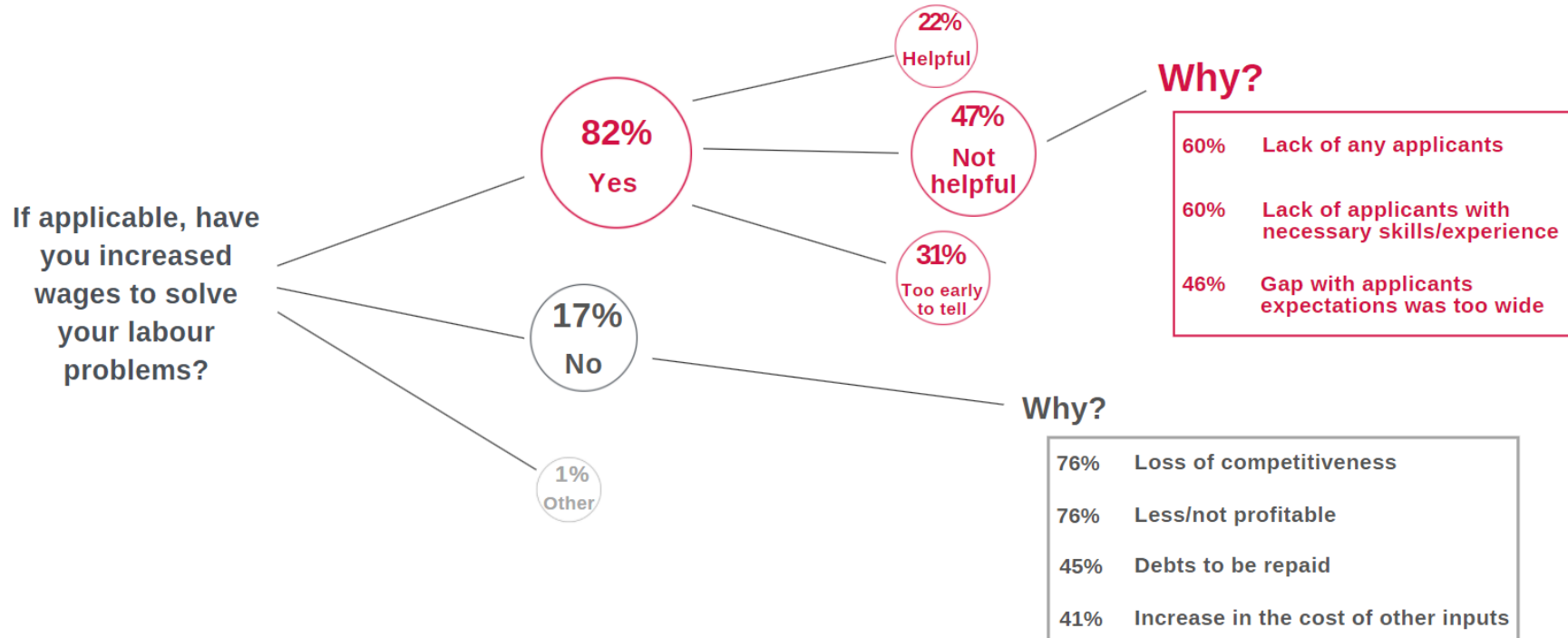


Source: CFIB, Your Voice – November 2021 survey, November 4–23, n = 4,514.

*Note: Small sample; use with caution.

Wage increases: a silver bullet?

- ▶ Distribution of small businesses affected by staffing problems, based on whether they used wage increases and their underlying reasons



Source: CFIB, Your Voice – September 2021, September 9 to 27, n=1 048

To cope with shortages, small businesses have tried various solutions

► **Top 3** solutions used by small businesses, ranked by success rate

	Utilization rate	Success rate
Investing in automation	33%	81%
Using Temporary Foreign Workers program	16%	52%
Allowing greater flexibility with work hours	70%	38%

Other solutions used, ranked by success rate:

Recruiting retired workers – **34%**

Increasing wages – **31%**

Recruiting younger workers – **24%**

Offering hiring bonuses – **18%**

Paying for advertising to find specific

Types of workers – **14%**

Hiring less-qualified workers – **13%**

Using employment agencies – **12%**

Source: CFIB, Your Voice – September 2021, September 9 to 27, n=1 048

Prioritize policies to address labour shortages.

Recommendations taken from CFIB prebudget submission:

- Improve and simplify the processes for the TFW Program and permanent immigration system to bring foreign workers to Canada faster.
- Open the TFW program to all types of jobs and all sectors, regardless of the prevailing regional unemployment rate as a temporary measure to address immediate labour shortages caused by the pandemic.
- Introduce a payroll tax holiday for all new hires.
- Ensure Employment Insurance and COVID-19 supports do not discourage return to work.

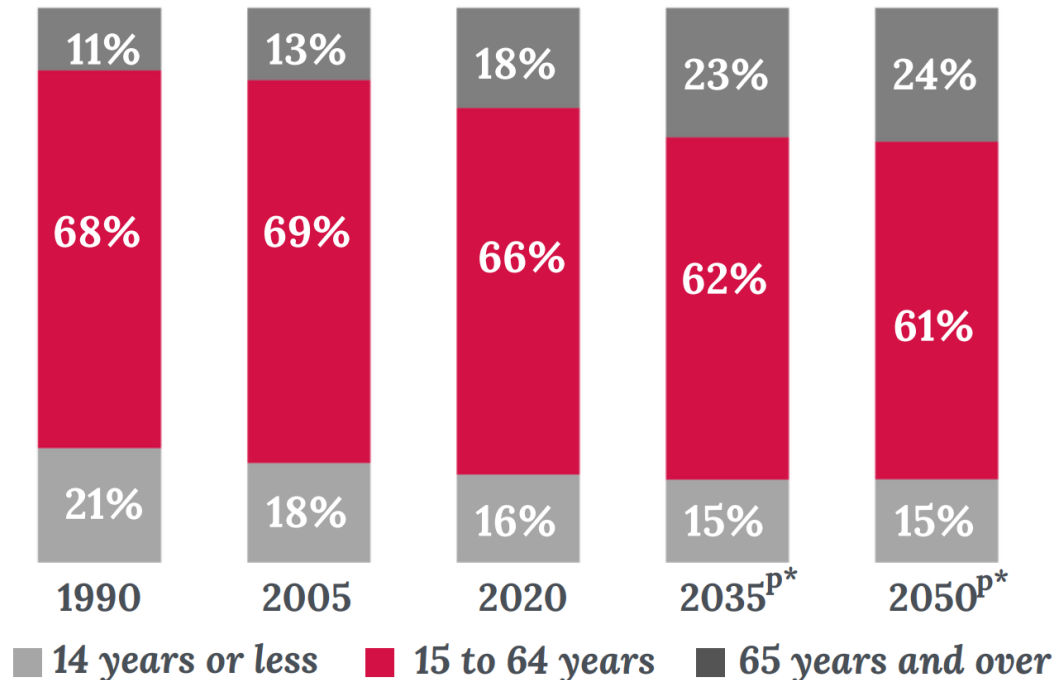
Other recommendations to help small businesses with their labour shortages:

- Stimulate automation through programs or tax credits.
- Add tax credits for workers' training, particularly for informal, on-the-job training and tax credits for hiring young graduates and students.
- Correct the mismatch between labour market needs and the qualifications of unemployed individuals.

APPENDIX

Demographics are driving labour shortages

▶ Canadians by age group (1990-2050)



Within 30 years, the share of the population aged 65 or over is set to increase by one-third while the population aged 15–64, which represents the labour force, is poised to contract by one-thirteenth.

Source: Statistics Canada, Tables 17-10-0057-01, 17-10-0109-01 and 17-10-0134-01.

*Note: P indicates a projection.

Across sectors, the most effective actions used are similar

► **Top** solution used by small businesses, by sector, ranked by success rate

	Agriculture & Nat. res.	Construction	Manuf.	Wholesale & Transportation	Retail	Arts, rec., & info.	Fin., ins. & admin.	Professional services	Hospitality	Personal, misc. services	Social services
Action used	Temporary Foreign Workers	Automation	Automation	Automation	Automation	Automation	Automation	Temporary Foreign Workers	Automation	Automation	Automation
Utilization rate	27%	29%	49%	24%	27%	24%	46%	9%	26%	18%	43%
Success rate	100%	63%	83%	100%	69%	75%	83%	100%	78%	60%	100%

Other solutions used by small business that with high success rates*

Automation

Temporary Foreign Workers

Recruiting Retired Workers

Automation

Temporary Foreign Workers

Source: CFIB, Your Voice – September 2021, September 9 to 27, n=1 048

*a success rate above 60% are highlighted in the table as sectoral measures which appear to have a high potential for success