

Help Wanted

Labour shortage troubles deepen for SMEs in 2007

Aneliese Debus, Research Analyst
Bradley George, Director, Provincial Affairs
Plamen Petkov, Policy Analyst

Vacancy rates continued to grow in 2007, with 4.4 per cent of jobs in small- and medium-sized enterprises (SMEs) vacant for four months or more and one third of employers experiencing difficulties finding employees.

The skills and labour shortage has become a significant problem for Canada's business community. The issue has gained increased attention in all corners of the country with particular attention being placed on the consequences of this problem for SMEs.

SMEs are increasingly unable to find the workers they need to bring their products and services to market. Growth plans are put on hold and confidence slides as more SMEs find themselves short-staffed. Ultimately, the economy and local communities are left to suffer.

In 2004, to gain a better understanding of this issue, the Canadian Federation of Independent Business (CFIB) began to use data from its "Your Business Outlook" survey to study long-term vacancy rates. This long-term vacancy rate, defined as the share of positions that remained vacant for at least four months, is a robust measure of vacancy rates and excludes positions that became vacant as a result of temporary circumstances.

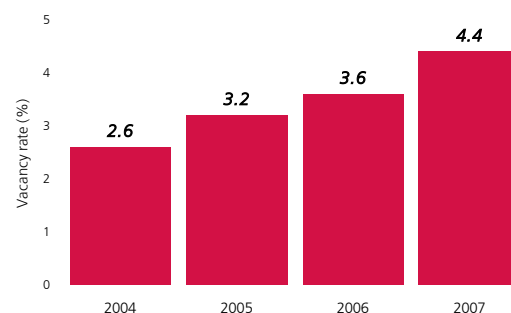
The 2007 estimates presented in this report are based on the responses of 9,253 business owners to surveys conducted in March, June,

September and December. Results are accurate to within +/-1.02 percentage points 19 times out of 20.

Long-term vacancies in the SME sector

This study reveals that labour shortages continue to plague SMEs. The latest long-term vacancy rate results show that 4.4 per cent of positions remained open for four months or more in 2007 as business owners were unable to find employees (see Figure 1).

Figure 1:
Long-term Vacancy Rate (%)

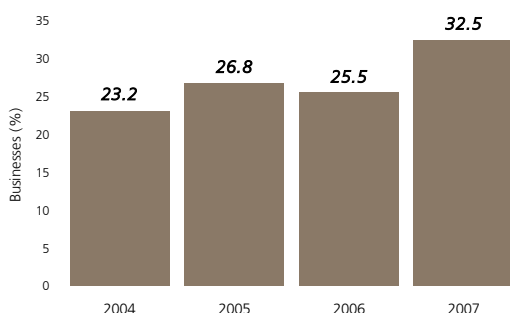


The 2007 long-term vacancy rate is up from 3.6 per cent registered in 2006, sustaining the upward trend in vacant positions from previous years. The increases are consistent with other CFIB data indicating that the shortage of labour is becoming more problematic for SMEs.

Another important measure of the difficulty SMEs have finding employees is the proportion of businesses with long-term vacancies. CFIB's survey reveals that, not only has the long-term vacancy rate increased considerably in the past year, but so has the number of SMEs with a long-term vacancy. Between 2004 and 2006, approximately one in four SME owners reported a long-term vacancy. However, the most recent survey suggests that one in three (32.5 per cent) SME owners had at least one long-term vacancy in 2007 (see Figure 2).

Figure 2:

Percentage of Firms with at Least One Long-term Vacancy (%)



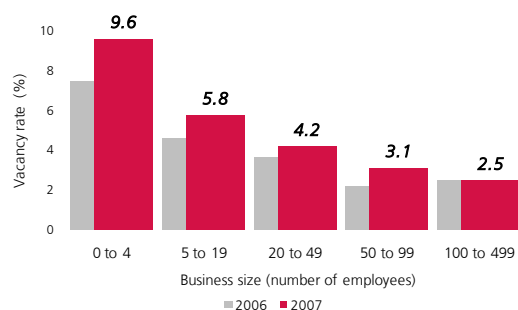
By business size

Businesses of all sizes struggled to find workers, but smaller businesses were particularly hard hit by labour shortages in 2007. In general, the smaller the business the higher the observed long-term vacancy rate.

Businesses with fewer than five employees reported the highest vacancy rate, at 9.6 per cent (see Figure 3). This indicates that, on average, these businesses were short-staffed by about 10 per cent for at least four months. For smaller businesses, each vacancy is critical since it represents a sizeable share of its total staff and a significant portion of the human resources pool available to the business.

Figure 3:

Long-term Vacancy Rates (%), by Size of Business

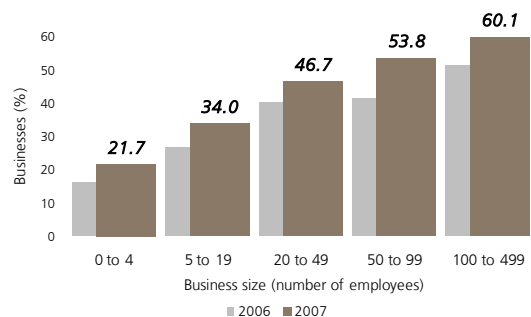


Vacancy rates have increased for businesses of all sizes since 2006, with the exception of medium-sized businesses with between 100 and 499 employees, for which vacancy rates remained unchanged at 2.5 per cent (see Appendix A). Businesses with fewer than nineteen employees had vacancy rates above the national average of 4.4 per cent.

Vacancy rate increases were also accompanied by a greater likelihood of having at least one long-term vacancy (see Figure 4). In 2007, SMEs of all sizes were more likely to report staff shortages. Smaller firms with fewer than five employees, for example, had a 21.7 per cent chance of having a vacancy in 2007 compared to a 16 per cent chance in 2006 (see Appendix B).

Figure 4:

Percentage of Firms with at Least One Long-term Vacancy, by Size of Business (%)



As expected, larger businesses, having more positions to fill, are more likely than smaller businesses to have had at least one long-standing job opening. For instance, medium-

sized businesses with between 100 and 499 employees were three times more likely to have at least one unfilled job opening than businesses with fewer than five employees.

By sector

Further analysis of long-term vacancy rates indicates that vacancies were not unique to a few sectors but, rather, present in all segments of the economy. The vacancy rates ranged from a high of 6.0 per cent for the construction sector to a low of 3.0 per cent in the finance, real estate and insurance sector (see Table 1).

Table 1:

Long-term Vacancy Rates (%), by Sector

Sector	Long-term Vacancy Rate (%)
Construction	6.0
Hospitality, personal services	5.9
Primary	5.3
Agriculture	4.8
Retail	4.4
Business services	4.4
Health, education	3.7
Manufacturing	3.5
Transportation	3.5
Wholesale	3.3
Finance, insurance, realty	3.0

For the second consecutive year, the construction sector can be singled out as the one with both the highest long-term vacancy rate (6.0 per cent) and the highest likelihood of having a vacancy for at least four months, at 43.4 per cent (see Appendix C).

Similarly, 41.9 per cent of businesses in primary resources, and 39.5 per cent of those in the hospitality and personal services sector have indicated that they have had at least one position they could not fill in four months, which is also reflected in their vacancy rates, 5.3 per cent and 5.9 per cent, respectively. Agriculture (4.8 per cent) is the other sector that has experienced a higher than average vacancy rate. Entrepreneurs in manufacturing (3.5 per cent), transportation (3.5 per cent), wholesale (3.3 per cent) and finance, real estate and insurance (3.0 per cent) reported below-average vacancy rates. At 4.4 per cent,

the average rate for businesses in retail and business services matched the national rate.

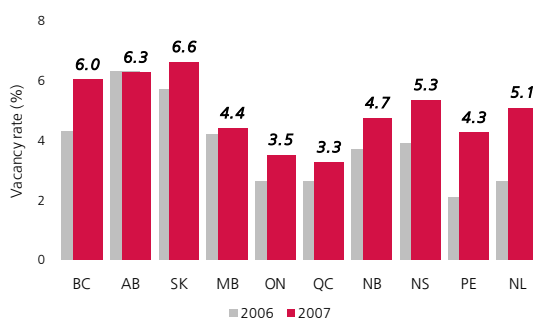
In 2007, SMEs in all sectors reported higher vacancy rates compared to the previous year. Firms in the finance, real estate and insurance sector saw vacancy rates jump from 1.8 per cent in 2006 to 3.0 per cent in 2007 (see Appendix D). Hiring pressures in this sector, however, appear to be less intense than in others, as only 19.7 per cent of these small businesses reported vacancies in 2007.

By province

Businesses in Saskatchewan reported the highest long-term vacancy rate of all provinces at 6.6 per cent (see Figure 5). Alberta is a close second (6.3 per cent), followed by British Columbia (6.0 per cent) and Nova Scotia (5.3 per cent).

Figure 5:

Long-term Vacancy Rates (%), by Province



Long-term vacancy rates increased in almost all provinces in 2007. The exception to this pattern is Alberta, where the vacancy rate has remained virtually unchanged over the last two years. Western Canada continues to experience the highest vacancy rates, but the most significant rate increases in 2007 occurred in the Atlantic Provinces. The rate for Prince Edward Island doubled from 2.1 per cent in 2006 to 4.3 per cent in 2007, and that of Newfoundland and Labrador jumped from 2.6 per cent in 2006 to 5.1 in 2007. In 2006, these two provinces were among those with the lowest vacancy rates.

Alberta remains the province with the highest likelihood of having a vacancy, with 48.2 per

cent of SMEs reporting one or more vacancies of at least four months (see Appendix E). In British Columbia and Saskatchewan, respectively, 43.4 per cent and 38.3 per cent of business owners indicated that they were short-staffed for a period of at least four months. In contrast, the firms least likely to be understaffed were those located in Quebec, where 25.9 per cent of businesses reported vacancies. Quebec also has the lowest long-term vacancy rate (3.3 per cent) among all provinces.

Notwithstanding the provincial differences, it is clear that long-term vacancy rates are growing and the inability to fulfil hiring needs affects businesses across the country.

Number of open jobs

CFIB's long-term vacancy rate estimate provides an account of SMEs' experiences with the shortage of qualified labour. The results suggest that a number of positions in small- and medium-sized businesses remained open for a number of months. To put these findings in perspective, CFIB moves one step further and calculates the total number of open SME jobs corresponding to the long-term vacancy rate.

In providing this estimate, CFIB applies the long-term vacancy rate to Statistics Canada data on the full SME economy and estimates the approximate number of SME jobs that have remained unfilled for four months or more.

Based on this approach, CFIB estimates that approximately 309,000 job positions in Canadian SMEs remained vacant for at least four months in 2007 (see Table 2). The increase from the 2006 estimate of 251,000 vacancies is in part due to the widespread increase in vacancy rates but also to the increased likelihood of having job openings.

These estimates demonstrate that the shortage of labour has forced SMEs to pass on business opportunities and has restrained their growth. At the national level, the increase in the number of unfilled jobs also indicates that labour shortage troubles are far from over.

Table 2:

Estimated Number of Long-term Vacancies in the SME Sector, 2007

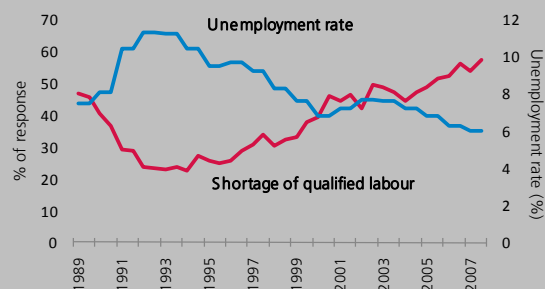
Province	Estimated Total Job Vacancies
British Columbia	44,000
Alberta	54,000
Saskatchewan	18,000
Manitoba	13,000
Ontario	97,000
Quebec	38,000
New Brunswick	17,000
Nova Scotia	16,000
Prince Edward Island	5,000
Newfoundland and Labrador	7,000
Canada	309,000

Source: CFIB estimates based on results of *Your Business Outlook Survey (2007)* and data from Statistics Canada's *Survey of Employment Payrolls and Hours (2006)* and *Labour Force Survey (2007)*.

Note: These estimates refer to the full SME population.

Concern over shortage of qualified labour

Business owners' concern over the shortage of qualified labour has reached an historical high. Over the years, CFIB has asked its members to identify the most important issues for their businesses and the shortage of qualified labour has emerged as an issue for a growing proportion of respondents. By the end of 2007, 57.4 per cent of Canadian SME owners mentioned employee shortages as one of the most significant problems for their businesses (see Appendix F).



Source: CFIB, *Our Members' Opinions Survey #24-61 (1989-2007)* and Statistics Canada.

The concern over shortage of qualified labour is greatest in Western Canada. In Alberta, three in every four business owners (72.5 per cent) report difficulties finding the talent they need. Shortage of labour is an issue for 68.8 per cent of British Columbia businesses and for 65.1 per cent of businesses in Saskatchewan and Manitoba.

Sixty per cent of SME owners in Newfoundland and Labrador think the shortage of labour is a challenge for their businesses. In all other provinces, availability of qualified labour is a concern for one of every two SME owners.

Conclusion

CFIB's 2007 data reveals that the long-term vacancy rate and the number of SMEs with a vacancy of four months or longer continued to increase. The vacancy rate is far higher for smaller businesses, although larger firms are understandably more likely to have at least one vacancy.

While long-term vacancy rates remain the highest in the Western provinces, increases in Atlantic Canada are very significant. Notwithstanding the provincial differences, it is clear that long-term vacancy rates are growing and the inability to fill hiring needs affects businesses across the country. All sectors have reported higher long-term vacancy rates than in previous years. Construction remains the sector with both the highest long-term vacancy rate and highest likelihood of having a vacancy of at least four months.

CFIB estimates that there are at least 309,000 positions in the SME sector which have been left unfilled for at least four months in 2007. This is a sizeable increase over the 251,000 long-term vacant positions in 2006.

CFIB has conducted additional research into potential solutions, for example, tapping into under-represented groups such as immigrants

and seniors. Many small firms are pleased that the federal government and some provincial governments have accepted several CFIB recommendations for changes to the temporary foreign worker program and the permanent immigration systems.

Upcoming studies will focus on training and on the importance of better matching skills demanded in the labour market with those shaped by educational institutions. These studies will be of value to employees, policy makers and to SMEs facing the current labour market challenges.

It is important to note that labour demand is tied highly to the business cycle. Concerns about an economic slowdown in the United States have generated some apprehension about prospects for the Canadian economy and growth projections have been revised down to more conservative levels. While there is no evidence of a job slowdown in Canada, the fact that an inventory of unfilled jobs remains may act as a buffer, helping absorb any future adjustments to the demand for labour. In the next year, CFIB will continue to survey small business owners to measure their business expectations and assess their challenges with finding employees.

Appendix A:
 Long-term Vacancy Rates (%) by Size of Business, Provincial Detail, 2004 to 2007

Number of employees	0 to 4	5 to 19	20 to 49	50 to 99	100 to 499	All sizes
<i>British Columbia</i>						
2004	6.8	3.3	1.8	1.9*	0.5*	1.7
2005	11.4	5.0	2.9	2.0	1.7*	3.2
2006	10.0	5.7	4.4	3.0*	1.7*	4.3
2007	13.0	8.1	5.4	3.3	4.0*	6.0
<i>Alberta</i>						
2004	9.4	5.6	3.4	2.1*	1.4*	3.6
2005	12.2	7.9	5.4	3.4*	2.5*	5.3
2006	13.5	8.0	7.9	3.6	4.1	6.3
2007	13.2	8.9	7.1	5.5	1.9*	6.3
<i>Saskatchewan</i>						
2004	8.9	4.3	4.1	1.4*	0.9*	3.8
2005	10.1	5.9	5.0	2.9*	1.8*	4.3
2006	10.2	5.9	6.2*	2.4*	5.5*	5.7
2007	12.1	7.4	4.8*	5.5*	---	6.6
<i>Manitoba</i>						
2004	6.9	5.2	2.2	2.0*	0.9*	2.9
2005	10.7	5.4	3.8	2.6*	0.2*	4.2
2006	8.3*	4.8	4.7	3.0*	3.2*	4.2
2007	8.7*	4.8	4.9	4.0*	2.8*	4.4
<i>Ontario</i>						
2004	6.2	3.6	2.5	1.8	0.7	2.5
2005	7.1	4.6	2.5	1.6	1.6	3.0
2006	6.0	4.0	2.6	1.6	1.8*	2.6
2007	8.7	5.0	3.5	1.9	1.6	3.5
<i>Quebec</i>						
2004	7.2	3.6	2.2	1.1	0.7*	2.4
2005	7.5	3.8	2.3	1.6	1.0*	2.2
2006	6.5	3.3	2.1	1.5	1.4*	2.6
2007	7.6	4.2	2.7	2.3	1.5*	3.3
<i>New Brunswick</i>						
2004	8.1	3.4	2.9*	2.3*	1.9*	3.1
2005	6.9	4.5	2.6*	2.7*	3.8*	3.7
2006	6.8	3.2	4.5*	3.6*	3.0*	3.7
2007	10.6	4.0	3.3*	4.2*	5.1*	4.7
<i>Nova Scotia</i>						
2004	7.5	4.5	2.7	1.4*	---	2.9
2005	9.2	3.9	2.4	1.9*	2.9*	3.3
2006	6.5	4.5	3.9	2.9*	3.1*	3.9
2007	9.9	6.2	3.1*	4.8*	4.8*	5.3
<i>Prince Edward Island</i>						
2004	7.1*	4.4	2.1*	---	---	2.7
2005	4.6*	3.5	0.9*	---	---	1.9
2006	2.7*	4.8	1.5*	---	---	2.1
2007	6.0*	6.7*	3.4*	---	---	4.3

<i>Newfoundland and Labrador</i>						
2004	4.7*	3.1	2.4*	2.7*	---	2.8
2005	6.4*	3.1	1.1*	---	---	3.0
2006	5.7*	2.9	2.8*	---	---	2.6
2007	7.5*	4.3	6.0*	---	---	5.1
<i>Canada</i>						
2004	7.1	3.9	2.5	1.7	0.8	2.7
2005	8.3	4.8	2.9	2.0	1.8	3.2
2006	7.5	4.6	3.6	2.2	2.5	3.6
2007	9.6	5.8	4.2	3.1	2.5	4.4

*Estimates based on answers from 19 or fewer respondents, all of whom reported at least one long-term vacancy.
Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2004 to 2007).

Appendix B:

Percentage of Businesses with at Least One Long-term Vacancy by Size of Business, 2006 and 2007.

<i>Number of Employees</i>	<i>Businesses with at least one long-term vacancy (%)</i>	
	<i>2006</i>	<i>2007</i>
0 to 4	16.0	21.7
5 to 19	26.8	34.0
20 to 49	40.5	46.7
50 to 99	41.6	53.8
100 to 499	51.5	60.1

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2007).

Appendix C:

Percentage of Businesses with at Least One Long-term Vacancy, Sector Detail, 2007

	<i>Businesses with at least one long-term vacancy (%)</i>
Agriculture	27.1
Primary	41.9
Manufacturing	33.6
Construction	43.4
Transportation	36.5
Wholesale	29.6
Retail	29.7
Finance, insurance, realty	19.7
Business services	28.3
Education, health	24.7
Hospitality, personal services	39.5

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2007).

Appendix D:
Long-term Vacancy Rates (%), Sector Detail, 2006 and 2007

	<i>Vacancy rates</i>	
	2006	2007
Agriculture	4.4	4.8
Primary	4.0	5.3
Manufacturing	2.9	3.5
Construction	4.7	6.0
Transportation	3.3	3.5
Wholesale	3.2	3.3
Retail	3.5	4.4
Finance, insurance, realty	1.8	3.0
Business services	3.1	4.4
Education, health	2.7	3.7
Hospitality, personal services	4.3	5.9

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2007).

Appendix E:
Percentage of Businesses with at Least One Long-term Vacancy, Provincial Detail, 2007

	<i>Businesses with at least one long-term vacancy (%)</i>
British Columbia	43.4
Alberta	48.2
Saskatchewan	38.3
Manitoba	33.8
Ontario	29.0
Quebec	25.9
New Brunswick	29.5
Nova Scotia	28.9
Prince Edward Island	27.2
Newfoundland and Labrador	29.3
Canada	32.5

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2007).

Appendix F:
Business Concern Over Shortage of Qualified Labour, 2007

<i>Province</i>	<i>Level of concern (%)</i>	<i>Sector</i>	<i>Level of concern (%)</i>
British Columbia	68.8	Agriculture	55.9
Alberta	72.5	Primary	61.3
Saskatchewan	65.1	Manufacturing	57.9
Manitoba	65.1	Construction	70.5
Ontario	52.5	Transportation	61.8
Quebec	55.4	Wholesale	55.3
New Brunswick	46.3	Retail	55.0
Nova Scotia	48.2	Finance, insurance, realty	48.8
Prince Edward Island	54.0	Business services	55.3
Newfoundland and Labrador	60.4	Health, education	50.8
		Hospitality, personal services	56.2
Canada	57.4		

Source: CFIB, *Our Members' Opinions #61*, July – December 2007.