



Tourism SkillsNet Ontario: Workforce Issues, Opportunities, and Impact

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Moving Forward Together

Representing over \$77 billion in economic activity and \$5 billion in annual tax revenues for the province, tourism is an economic driver. It is also incredibly diverse. The industry is made up of numerous sub-sectors and supports livelihoods and critical household incomes in unique communities across every corner of Ontario. The predominantly small tourism organizations, entrepreneurs and SMEs that make up the industry continue to need support in 2024 in order to remain viable. Tourism SkillsNet Ontario provides a framework for developing capacity by coordinating partnerships, aligning resources and providing a common data model, and, supporting the skills development needs of the network.

— **Adam Morrison, President and CEO, OTEC and Chair, Tourism SkillsNet Ontario**

Tourism and hospitality continue to be vital to our economy; employing 1 in 10 Canadians, indirectly supporting adjacent sectors, and contributing to tax revenues that build and maintain the human services and community infrastructure we rely on. As tourism businesses navigate a multitude of economic and labour-related pressures, the need is critical to have the most up-to-date intelligence driving industry and government decision-making on key workforce issues and solutions. Tourism SkillsNet Ontario continues to fill this important gap in knowledge, understanding, and industry mobilization.

— **Dr. Jessica Ng, Director, Policy and Government Affairs, Tourism Industry Association of Ontario**



Overview of Tourism in Ontario

Tourism is an economic driver, a job creator, and a vehicle for fostering social cohesion. It employs 9.3% of the workforce¹ and provides valuable work experience for 50% of Canadians². It promotes Indigenous heritage and culture, while supporting environmental protection and sustainable livelihoods in every corner of the province.

In Ontario, tourism revenues are forecasted to slightly surpass pre-pandemic levels in 2023 and continue to grow by 12% on average through 2025 to over \$92 billion.³ At the same time, employment demand is projected to expand to more than 742,000 jobs by 2025.⁴

While the projected outlook is promising, it reflects the combined impact of inflationary pressures, rising business costs, supply chain disruptions, and persistent staffing gaps. These financial constraints on businesses make it difficult to offer competitive wages and remain competitive in attracting and retaining talent. The leading cause of job openings will result from industry employees choosing to leave their jobs – either moving to larger, more resourced businesses in a bigger geographic market or exiting the industry altogether. This is costing the industry billions of dollars in lost economic activity. The impacts of labour shortages on business growth and viability are particularly complex and pervasive for small and medium-sized enterprises (SMEs). SMEs, in particular, generally lack the internal HR capacity to address recruitment, retention, and labour market competitiveness. With over 90% of tourism businesses being small, local, and sole proprietors, there is a real risk to Ontario's economic recovery if these businesses fail, and the households they represent fall deeper into debt.⁵

Addressing the labour crisis through enhanced coordination and innovative workforce solutions, such as those underway through the Tourism SkillsNet Ontario (TSNO) alliance, remains one of the best opportunities to protect this critical sector for the future.

Sources:

1. Snapshot Of The Tourism Sector Labour Market Provincial Report Series: Ontario. February 2023. Tourism HR Canada.
2. General Population Survey, Labour Market Information: Perceptions of Tourism as a Place of Employment Research. January 2023. Tourism HR Canada.
3. Destination Dynamics: Local, economic and labour forecast model. OTEC-Conference Board of Canada. January 2024. Table: Tourism Sector Revenue Projections
4. Destination Dynamics: Local, economic and labour forecast model. OTEC-Conference Board of Canada. January 2024. Table: Employment
5. Innovation, Science and Economic Development Canada. 2022. SME Profile 2020: Tourism Industries in Canada.

Employment demand is projected to expand to more than 742,000 jobs by 2025.

Tourism and Hospitality employment levels are projected to add over 95,000 jobs by 2027.

Provincial Outlook

Ontario’s tourism and hospitality industry has experienced significant disruptions and transformations over the years due to various factors, including technological advancements, and economic and global events. The pandemic impacted supply chains, closed businesses, influenced inflation and more. Despite these challenges, travel demand has returned, and trends show it will continue to rebound.

What’s changed, and what’s in the forecast?⁶

OPEC’s latest update to Destination Dynamics: local, economic and labour market projections for Ontario’s tourism and hospitality industry continues to project a 9% annual revenue increase on average between 2023 and 2027.

In 2023, Ontario’s tourism and hospitality industry grew by 16% compared to the previous year – reaching \$76.9 billion, an increase of 3% since 2019. The number of tourism workers in the sector grew by 10% from 2022 to 2023. Compared to 2021, the number of workers is 5% lower in 2023, signaling that employment levels are below pre-pandemic levels. However, employment levels are predicted to rise 13% to over 778,000 jobs by 2027, which is also complemented by a predicted rise in total tourism activity spending; see table 1 below. Total tourism activity spending on domestic goods and services in 2023 rose by 13% compared to 2022, and international spending is projected to reach \$9.6 billion by 2027, which is an increase of 23% compared to 2019, equating to an average of 12% growth rate per year.

Table 1: Ontario's Tourism and Hospitality Economic and Labour Highlights

	Ontario			
	2019	2023	2024*	2027*
Revenue (\$ in billions)	74.7	76.9	87.1	102.2
Employment	721,671	683,202	719,887	778,685
Tourism Activity Spending (\$ in billions)	21.8	21.3	23.4	28.3

Source: Destination Dynamics: Local, Economic and Labour Forecast Model. OPEC – Conference Board of Canada. January 2024. Tables: customized demand and supply tables.

* 2024 and 2027 are projected figures based on the Destination Dynamics modeling

Ontario's
Tourism and Hospitality:
2027 Forecast Snapshot:



\$100 billion
in revenue



770,000
direct jobs



\$28 billion
rise in tourism activity
spending

Ontario's Tourism and Hospitality Economic and Employment Potential

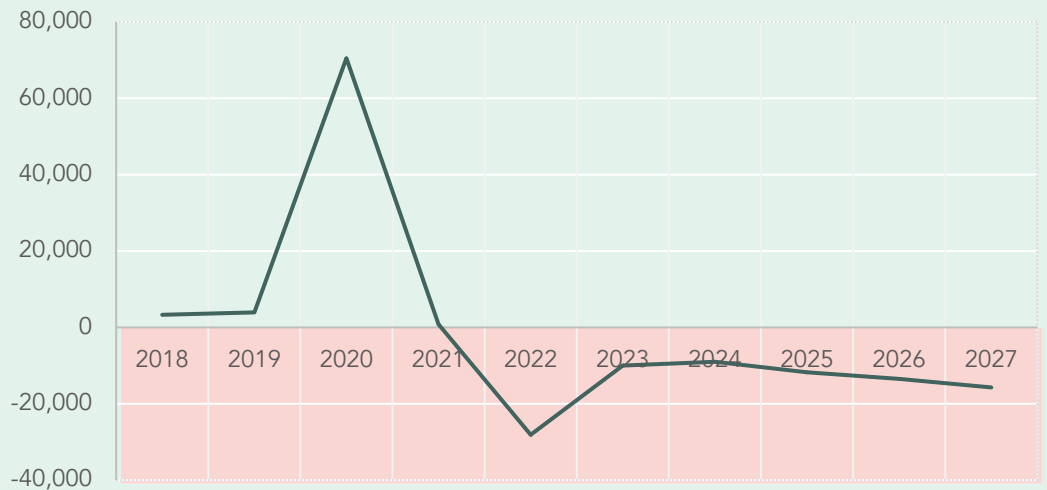
Ontario's tourism and hospitality industry has the potential to generate over \$100 billion dollars in 2027, which is equivalent to a 7% increase in growth rate on average between 2024 and 2027 (Destination Dynamic's forecast period). This would equate to 770,000 direct jobs across the sector, which will be driven by a rise in tourism activity spending of \$28 billion dollars.

Despite the optimistic projections for growth, vacancy rates are predicted to hold steady at 4.8%, indicating persistent difficulties in hiring and retaining a skilled workforce. Over the forecast period, employment growth is projected at a rate of 9%, which is slower than spending and revenue generation.

Over the next three years, opportunities for growth and the sector's ability to meet visitors' demands will continue to be constrained by a persistent labour shortage. The labour supply forecast predicts that the labour gap will continue to widen from -9,000 in 2024 to well over -15,700 workers by 2027, as highlighted in Figure 1 below.

Figure 1: Ontario's Tourism and Hospitality Labour Gap

Note: Positive values indicate a surplus of labour and negative values indicate a scarcity of labour.



Source: Destination Dynamics: Local, Economic and Labour Forecast Model. OTEC – Conference Board of Canada. January 2024. Tables: Employment Flows.

Destination Canada's recent report, *Tourism Outlook: Unlocking Opportunities for the Sector*⁷, also highlights labour shortages as a major supply constraint for the sector and suggests increased support for workforce development to expand the number of available workers. It is imperative for the sector's future and achieving full recovery and growth, to ensure it is recognized for providing lifelong skills, effectively upskilling the workforce and preparing workers for the future of work.

Sources:

6. Destination Dynamics: Local, Economic & Labour Forecast Model. OTEC & Conference Board of Canada. January 2024. Tables: customized demand and supply tables.

7. Destination Canada (2023). *Tourism Outlook: Unlocking Opportunities for the Sector*. Accessible from: <https://www.destinationcanada.com/en/research#featuredreports>, December 20, 2023.

Local Workforce Issues

Top Employer Challenges

- **High Operating Costs/Inflation**
- **Cost Pressure of Offering Competitive Wages**
- **Affordable Housing**
- **Accessible Transportation**
- **Retention of Employees**

Source: Tourism SkillsNet Ontario Regional Working Group Members, November and December 2023.

Tourism SkillsNet Ontario continues to closely monitor the local workforce issues across the province, convening over 140 members across 17 regional working groups between the months of November and December of 2023.

High operating costs and inflation remain the top challenges identified by Tourism SkillsNet Ontario members. While these are a challenge for all businesses, those in food services continue to struggle the most. There have been business closures across the province already, likely in anticipation of the Canada Emergency Business Account (CEBA) pending repayments. The effects of inflation on the dining population have led to decreased business for all restaurants, particularly impacting mid-range restaurants. Food service businesses also continue to struggle with a lack of skilled staff in some regions. As a result, employers are adapting by hiring based on interpersonal skills and training technical skills on-the-job.

Rural areas continue to express challenges with accessible transportation for employees. Affordable housing also continues to be a prominent issue which is particularly difficult for employees whose income is below the living wage. In some cases, job offers have been declined due to these challenges.

Employers have ramped up retention efforts by introducing new benefits and perks such as free meals and offering greater flexibility in scheduling. Many recognize the need to formalize their workforce planning including recruitment efforts, onboarding, succession planning, and training, however barriers still exist. For example, in a recent survey by the Workforce Planning Board of Grand Erie⁸, when businesses in our sector reported on challenges to support higher quality of work, 71% said they had financial constraints, 50% said they had too many competing priorities, and 39% said they were unable to free up the time to offer additional training and coaching to staff.

Source:

8. Workforce Planning Board of Grand Erie (2023). Accommodation and Food Services: Quality of Work in Grand Erie. Accessible from: <https://workforceplanningboard.org/wp-content/uploads/2023/09/FutureSkills-Accommodations-and-Food-Services.pdf>, December 21, 2023.

Employer Solutions and Best Practices

- Flexible schedules
- Offering additional/new benefits
- Improving employer/employee communication
- Hiring for interpersonal skills rather than technical skills
- Staff recognition
- Showing employees their potential career paths within the sector
- Formalizing strategic plans for workforce
- Offering more than minimum wage
- Implementing Diversity, Equity and Inclusion Initiatives / Improved Workplace Culture

Workforce Development Impacts: Program Highlights

Accelerated Resiliency and Retention⁹

This training offers those seeking to build or advance their career in the tourism and hospitality sector with tools to deliver great customer service and essential skills to succeed.

Diversity in the Workforce:



97% of participants in Ottawa belong to underrepresented groups (i.e., Newcomers to Canada)

75% of participants in Hamilton identify as women



Photo Credit: Accelerated Resiliency and Retention training session with PATH Employment Solutions in Hamilton, Ontario.

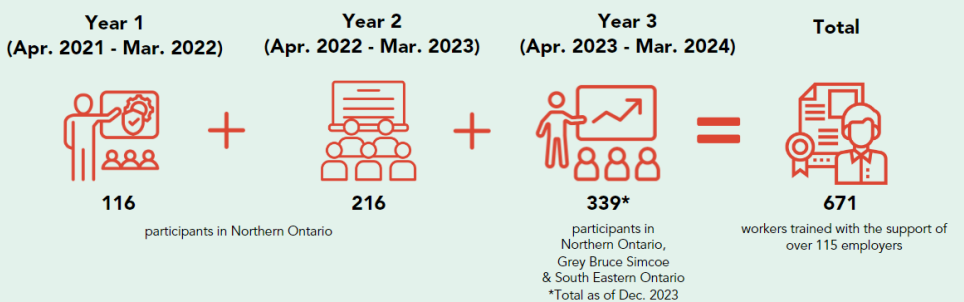
Local Partnerships = Local Engagement

177 Participants trained in-person through local training delivery partners in Toronto, Niagara, Hamilton, Ottawa, Windsor, and Muskoka.

Destination Northern Ontario: Tourism SkillsNet North¹⁰

Tourism SkillsNet North (TSNN) is designed to identify specific workforce labour gaps, train potential employees and match them with available job opportunities within Northern Ontario’s tourism sector. The project has seen significant growth since 2021 and has had significant impact on businesses, including supporting many smaller operators through wage subsidies and training for new hires.

In 2023, the TSNN project expanded to include South Eastern Ontario (Regional Tourism Organization 9) and Grey Bruce Simcoe (Regional Tourism Organization 7)



Sources:

9. Skills Development Fund 3: Accelerated Resiliency & Retention Program: Internal Project Data. Ontario Tourism Education Corporation. December 2023.

10. Destination Northern Ontario: Tourism SkillsNet North: Internal Project Training Data. Ontario Tourism Education Corporation. January 2024.



Critical Needs and Opportunities

Maximizing the Industry's Community and Economic Impact

Building on the recommendations from the Tourism Industry Association of Ontario's (TIAO) 2022 State of the Ontario Tourism Industry Report, the top labour-related critical needs and opportunities in Winter 2024 include:

- Optimizing the Skills Development Fund to support SME's organizational capacity to better recruit, retain and advance priority labour pools and ensure program effectiveness through longer term funding cycles.
- Rolling out a portable benefits program that shares the cost of health benefits between employee, employer, and government to offer a cost-effective and sustainable option allowing workers who do not have workplace health benefits to access them.
- Ensuring that newcomer settlement programs are prioritizing employment and training opportunities for priority economic sectors like tourism and hospitality.
- Encouraging Regional Service System Managers (SSM) to work with priority sector organizations in their regions to support regional labour market planning and employment mobility.
- Support the development and adoption of an economic and labour market data and forecasting strategy with the Tourism SkillsNet Ontario alliance to support targeted labour market planning projects that address provincial and regional needs.
- Long-term: Immigration reform to ensure provincial and federal immigration pathways meet the needs of the tourism and hospitality industry.

Policy Wins and Progress Updates to Support Recovery:

- **Policy Recommendation:** Extend the temporary 30% hiring cap for accommodation and food and beverage sectors under the Temporary Foreign Worker Program (TFWP).
 - ✓ **Policy Progress Win:** Temporary hiring cap for accommodation and food and beverage sectors has been extended to August 30, 2024, allowing employers to hire up to 30% of their workforce through the TFWP for positions under the provincial/territorial median hourly wage.

About Tourism SkillsNet Ontario

Tourism SkillsNet Ontario (TSNO) is an alliance for collaboration, communication, and coordination, focused on tourism and hospitality workforce development and programming at a local level. Led by OTEC, Tourism SkillsNet Ontario connects over 300 members from public, private and nonprofit organizations, including businesses, educational institutions, municipalities, employment service providers, destination marketing organizations and regional tourism organizations.

Tourism SkillsNet Ontario members map strategies to tackle key workforce development challenges, such as talent acquisition, retention and skills gaps, and advise on provincial advocacy efforts to maximize the inclusive economic potential of this sector at local and provincial levels. Through Tourism SkillsNet Ontario, members are uniquely positioned to give visibility to local issues, provide input into training curriculum, and harness cross-sector collaboration opportunities. Learn more about Tourism SkillsNet Ontario at tourismskillsnet.ca.

What Tourism SkillsNet Ontario Members Are Saying:

- In response to the TSNO 2023 Annual Member Survey, nearly 80% of respondents agreed that attending TSNO meetings increased their access to and knowledge of workforce solutions.

"I appreciate all the takeaways from participating in the meetings to help us stay in the know regarding the sector, so we can help guide and support our employers and clients better"

~ TSNO Member, 2023

Connecting Communities



Growth of alliance

2018

5

Regional Working Groups

2024

18

Regional Working Groups

Tourism SkillsNet Ontario Provincial Advisory Council Members:



About OTEC



The Ontario Tourism Education Corporation (OTEC) is Ontario’s tourism and hospitality workforce development organization. OTEC is an independent, not-for-profit training, consulting, and workforce development organization that delivers innovative, high-quality solutions for the development and growth of a professional, skilled workforce.

OTEC provides a diverse portfolio of customized, sector-specific workforce solutions designed to ensure organizations achieve the highest standards of service and performance objectives – including customer service and leadership training, upskilling and reskilling, professional certifications, HR technology, and consulting services for a wide range of businesses and destinations.

Skills and labour challenges are among the most pressing issues faced by the tourism and hospitality industry. To address this, OTEC directs tourism and hospitality workforce development efforts across the province in its capacity as the founder and chair of Tourism SkillsNet Ontario (TSNO).

About TIAO



The Tourism Industry Association of Ontario (TIAO) is recognized by government as the voice of tourism. At TIAO, we work on behalf of our membership, collectively representing the majority of tourism businesses and employees across the province, to take on pressing policy issues that impact the Ontario tourism industry. TIAO leads the way in government relations on behalf of the Ontario tourism industry, including tourism businesses and operators, destination marketing organizations, regional tourism organizations, and educators. We provide evidence-based policy recommendations to ensure the provincial government understands and addresses the multifaceted needs of the tourism industry.

TIAO propels the powerful and innovative Ontario tourism industry by connecting tourism leaders, innovators, government, and educators through events and conferences. We are proud to host the largest gathering of tourism leaders, educators, businesses, and government officials in Canada, at our annual Ontario Tourism Summit.



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