



Pre-Budget Submission

August 4, 2023



Recommendation #1: Invest in a Domestic Workforce Strategy including awareness campaigns and reliable funding to Tourism HR Canada (\$3.5M/year for 5 years).

Recommendation #2: Revive IRCC's Destination Employment Program previously used for Syrians to successfully enable those arriving as refugees to begin hospitality and hotel sector careers.

Recommendation #3: Prioritize Tourism NOCs similar to seasonal agriculture programs

Recommendation #4: Issue multiple-entry visas and work permits and extend LMIA's to retain the same, well-integrated workers multiple years in a row.

Recommendation #5: Combine the LMIA and Work Permit process under a single department

Recommendation #6: Make recent changes to the TFWP permanent (see below)

Recommendation #7: Make recent changes to International Student work rules permanent, including capping student work hours at 40 per week

Recommendation #8: Automatically grant a 3-year work permit to all international students who can demonstrate completion of an eligible Canadian post-secondary program.

Recommendation #9: Make recent changes to the IEC program permanent, including the 20% expansion of IEC program volumes.

Recommendation #10: Continue to expand eligibility and add streams to different nations' labour mobility agreements, as was done with the Canada-UK youth mobility agreement.

Recommendation #11: Make permanent, the new EMPP low-skilled pilot project

Recommendation #12: Create a dedicated pathway to Permanent Residency through Express Entry designed for TEERs 4 and 5 occupations with an ability to prioritize hard-hit sectors like tourism and hospitality.

Recommendation #13: Increase Provincial Nominee Program immigration levels for provinces with In-Demand Skills streams that include tourism and hospitality.

Recommendation #14: Automatically issue bridging, open work permits for all temporary foreign workers in good standing who have applied for Permanent Residency and are awaiting a decision from IRCC.

Recommendation #15: Prioritize an affordable housing strategy, including specific incentives for hotels to build mixed-use facilities and staff accommodation.

Recommendation #16: Provide a significant boost to Destination Canada's budget to support additional leisure and events marketing, data collection and destination development

Recommendation #17: Additional investments in visitor visa processing for leisure travellers and IRCC's Special Events Program to streamline access for international business event travellers.

Context

With its peaceful reputation, beautiful scenery and welcoming people, Canada can become a top-rated destination globally¹. Increased tourism benefits Canadians in every region of the country with hotels employing a disproportionate number of under-represented groups like women, youth and new Canadians.

However, there are significant barriers to unlocking Canada's potential including: critical workforce and housing shortages, a lack of investment, and diminishing international competitiveness.

Lasting Impact of COVID

The tourism sector lost more than one million workers during the first wave of COVID and the hotel industry weathered revenue losses between 70%-90%². This deeply impacted the mostly small and medium-sized local and family-owned businesses operating hotels, including those under international branding.

Thankfully, the federal Government recognized the economic importance of the tourism and hotel sectors and provided emergency survival support. The recently announced Federal Tourism Growth Strategy and its investments in regional tourism products and business events are also a welcome sign of the Government's commitment to the sector's future.

But the hotel sector is not fully back yet. Before COVID, tourism demand was growing 3% year-over-year. Today, hoteliers are not only working to regain their 2019 position, they have also forgone years of healthy growth and are carrying more debt. Hotel room rates have increased below inflation, while input costs have skyrocketed.

Travel Resurgence and Canada's Slipping Competitive Position

Despite the steep road to recovery, the sector is moving in the right direction and there is tremendous potential in the industry—if some critical challenges are addressed.

Domestic travel in Canada is strong and has already surpassed 2019 levels; a reflection of post-COVID pent up demand. Unfortunately, this growth is not sustainable as Canadians will naturally return to their pre-pandemic international destinations as travel patterns continue to stabilize.

At the same time, the two other drivers of tourism - international leisure and business events – lag. As of May 2023, international visitation was just 81% of its 2019 levels, and business events like conventions are at just 77% of their 2019 pace. This is particularly troubling as business events drives international leisure visits, and international leisure travellers spend the most per capita.

Canada's slow recovery in international and business travel markets bucks global trends. Americans, Canada's largest market, are planning to boost their travel

¹ Destination Canada's research shows Canada is a top destination for travellers from France, Germany and the UK. DC Net Promoter Score.

budgets by 13% - despite inflation and economic uncertainty.³ Internationally, business travel flight bookings in 2023 are up 42% from 2022.⁴

Tourists want to travel but they are not choosing Canada as often. In addition to international leisure and business travel, Canada missed out on major international events, fell behind in creating new hotel capacity and dropped from 5th to 13th in global competitiveness rankings. At the same time, our biggest competitors like France, Australia, Spain and the US are significantly outspending us on marketing and product investment.⁵

Meeting Canada's potential for tourism will require action to get the right workforce and investment.

Barrier to Growth #1: Workforce

When the tourism sector was shut down for two years, it lost its most precious asset – its people. Even three years later, half our hotels are keeping rooms off the market because they cannot staff them and 8 out of 10 are reporting revenue losses of up to 20%. This has a real impact: a 100-room hotel that is short just nine employees loses over \$700,000 a year in revenue.

Since COVID, tourism businesses attracted back 1.1 million workers by offering higher wages, increased flexibility and enhanced benefits. But increased demand means the sector is experiencing a labour shortage of 360,000 workers for summer 2023. The solution to a labour shortage of this scale must include both domestic and international workers.

Domestic Workforce

HAC has researched the perception of the industry, how to attract more domestic workers, and how to better accommodate newcomers. HAC works closely with Tourism HR Canada to attract domestic workers among these populations but a more robust investment is needed.

Recommendation #1: Invest in a Domestic Workforce Strategy including awareness campaigns and reliable funding to Tourism HR Canada (\$3.5M/year for 5 years).

Recommendation #2: Revive IRCC's Destination Employment Program previously used for Syrians to successfully enable those arriving as refugees to begin hospitality and hotel sector careers.

International Workforce

Canada simply does not have enough workers for hotels' most in-demand positions, most of which are considered low-skilled (See Appendix A for full list). For context, last year there were 500,000 vacant positions in Canada requiring high school or less

³ Destination Analysis, Destination Canada

⁴ MasterCard Study

⁵ France 2 B EUR (3 years); Australia 1.2 B AUD; Spain 1.56 B EUR; US \$750 M

but only 360,000 Canadians that matched the skill level. With one of the world's lowest birthrates and record retirements, additional support must come from permanent and temporary immigration.

Seasonal Need

Much like agriculture, Canada's tourism sector is seasonal with summer demand for labour swelling to 16% above the regular season. Despite maximizing the domestic seasonal workforce via summer students and others, the sector relies on temporary international talent to meet this need. The government's own analysis backs this up: in 2022, positive LMIA's for the hotel sector increased by six-fold.⁶

Recommended Changes to the Temporary Foreign Worker Program:

- Recommendation #3: Prioritize Tourism NOCs similar to seasonal agriculture programs
- Recommendation #4: Issue multiple-entry visas and work permits and extend LMIAs to retain the same, well-integrated workers multiple years in a row.
- Recommendation #5: Combine the LMIA and Work Permit process under a single department
- Recommendation #6: Make recent changes to the TFWP permanent, including:
 - Spousal TFW Work Permits (in place until 2025), and
 - TFW Workforce Solutions Road Map measures (in place until October 30, 2023), such as:
 - LMIA extension to 18 months
 - Accommodations cap increase (30% as opposed to 10% for most other industries)
 - Removal of automatic refusal for accommodations positions in areas with 6% unemployment

International Students and Youth

- Recommendation #7: Make recent changes to International Student work rules permanent, including increasing student work hours to 40 per week
- Recommendation #8: Automatically grant a 3-year work permit to all international students who can demonstrate completion of an eligible Canadian post-secondary program.

International Experience Canada

- Recommendation #9: Make recent changes to the IEC program permanent, including the 20% expansion of program volumes.
- Recommendation #10: Continue to expand eligibility and add streams to different nations' labour mobility agreements, as was done with the Canada-UK youth mobility agreement.

⁶ 2021 550 approved LMIAs; 2022 3,264 positive LMIAs.

Permanent Need

Most hotels host conferences, meetings and events year-round, and have specific skill shortages that cannot be met with domestic employment alone. Canada's immigration system must be reformed to better value applicants who are willing to fill these in-demand roles.

Permanent Immigration

- Recommendation #11: Make permanent, the new EMPP low-skilled pilot project
- Recommendation #12: Create a dedicated pathway to Permanent Residency through Express Entry designed for TEERs 4 and 5 occupations with an ability to prioritize hard-hit sectors like tourism and hospitality.
- Recommendation #13: Increase Provincial Nominee Program immigration levels for provinces with in-demand Skills streams that include tourism and hospitality.
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Housing

Hotels from urban cores to remote resorts identify affordable housing as one of their biggest challenges in attracting and retaining staff. Many resorts in remote destinations are investing in staff quarters to compensate for the lack of affordable housing in their communities, but rising input costs are prohibiting increased investment. Hotels in urban cores also cite land availability as a major barrier to develop more staff housing.

With government support, hotels are ready and able to be a viable partner in tackling the country's housing crisis.

Recommendation #15: Prioritize an affordable housing strategy, including specific incentives for hotels to build mixed-use facilities and staff accommodation.

Barrier to Growth #2: Investment and Capital Support

Investment Context

While there is high awareness for Canada as a travel destination, competition is fierce and we are being outspent on marketing and investment. Investments in infrastructure, processing and marketing are needed to retain and grow our market share. With these investments, Canada could turn into a 12-month-a-year destination, drastically growing revenue, jobs and the economy along with international prestige and influence.

The decline in business events diminishes both the influence of Canadian corporations internationally and limits year-round employment and revenue for hotels. Today's business travellers also often become tomorrow's leisure travellers, further enhancing tourism as Canada's largest export service.

- Recommendation #16: Significant boost to Destination Canada's budget to support additional leisure and events marketing, data collection and destination development
- Recommendation #17: Additional investments in visitor visa processing for leisure travellers and IRCC's Special Events Program to streamline access for international business event travellers.

APPENDIX A

The most in-demand positions required by the hotel industry:

- **6731** - Light duty cleaners (TEER 5, 65310)
- **6312** - Executive housekeepers (TEER 2, 62021)
- **6525** - Hotel front desk clerks (TEER 4, 64314)
- **6721** - Support occupations in accommodation, travel and facilities set-up services (TEER 5, 65210)
- **6322** – Cooks (TEER 3, 63200)