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Help Wanted

Long-term vacancies grow for Canada's entrepreneurs

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As Canada's skills and labour shortage gathers increasing attention, the problem of long-term vacancies at small and medium-sized enterprises (SMEs) continues to grow. The 2006 long-term vacancy rate in the SME sector has surpassed the 2004 and 2005 rates, triggering a rise in the number of unfilled positions across Canada.

To avoid concentrating on positions that are temporarily unfilled due to employee transition, CFIB is focused on the long-term vacancy rate, which considers only vacancies that persist for four months or longer. The long-term vacancy rate indicates the number of vacancies as a share of the total number of positions.

Beginning in 2004, CFIB has asked its members in its quarterly survey *Your Business Outlook* to indicate the number of positions in their firm that have remained unfilled for four months or longer. The survey collects over 9,000 responses from businesses each year. The methodology used to calculate the 2006 vacancy rate has been the same as in the two previous years. In the spring of 2001 and 2002, CFIB conducted a similar analysis that included a measure of both short and longer-term vacancies. These reports¹ were based on a different survey, which does not permit comparisons to the current data.

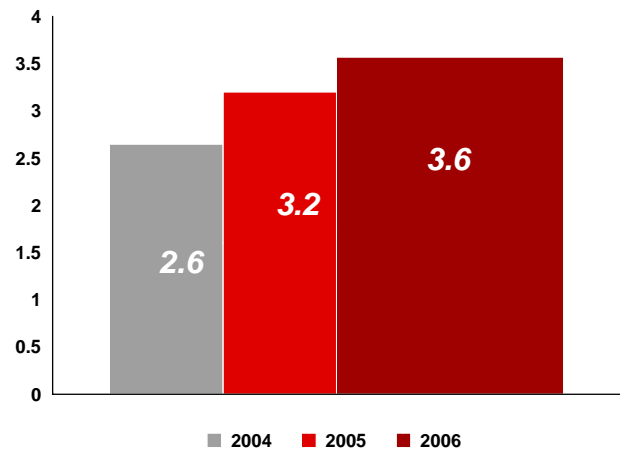
¹ See CFIB, *Help Wanted* (February 2001) and *Help Wanted: Update* (April 2002)

Long-term vacancies in the SME sector

Labour shortages continue to negatively affect SMEs, as indicated by the growing long-term vacancy rate. In 2006, 3.6 per cent of job positions in the SME sector remained unfilled for four months or more (see Figure 1). This percentage is up from the already sizeable 2.6 per cent and 3.2 per cent long-term vacancy rates observed in 2004 and 2005 respectively.

By definition, these figures are a measure of persistent job vacancies, not a reflection of transitory circumstances. Hence, they provide a robust assessment of the challenges faced by business owners when trying to find workers.

Figure 1:
Long-term Vacancy Rate (%)



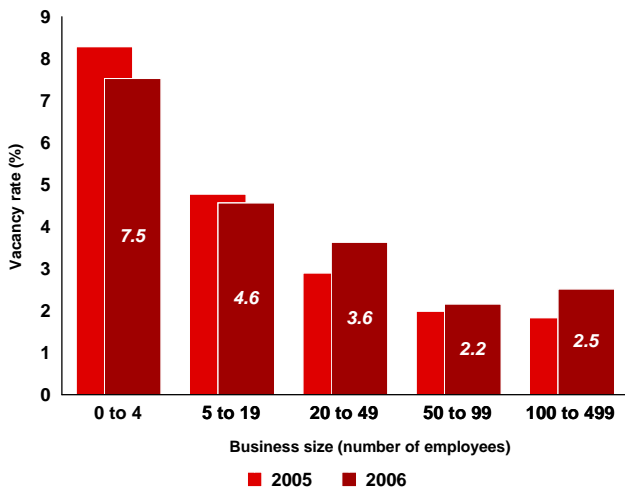
Source: Canadian Federation of Independent Business (CFIB), *Your Business Outlook Survey, 2004-2006*

The incidence of high vacancy is widespread among SMEs. In 2006, as in previous years, one-in-four respondents had at least one vacancy open for more than four months.

Vacancy rates by business size

Smaller SMEs have been coping with higher long-term vacancy rates compared to larger SMEs (see Figure 2). In 2006, businesses with fewer than five employees had a long-term vacancy rate of 7.5 per cent, while firms with 100 to 499 employees experienced a much lower vacancy rate of 2.5 per cent. While the long-term rates have decreased slightly for firms with fewer than five employees, and also for firms with 5 to 19 employees, the long-term vacancy rates have increased for firms with 20 or more employees (see Appendix A).

Figure 2:
Long-term Vacancy Rates (%) by Size of Business



Source: CFIB, *Your Business Outlook Survey*, 2005-2006

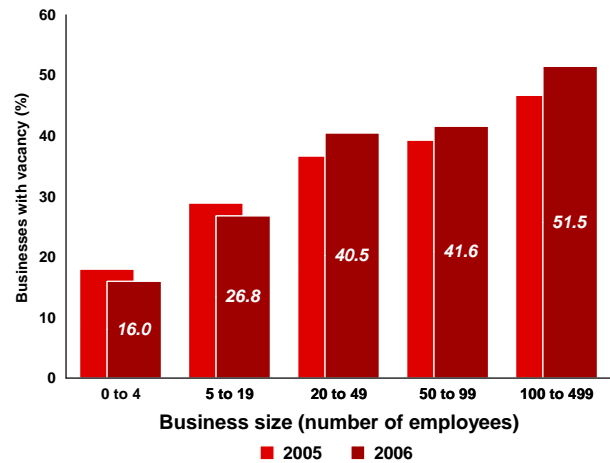
A smaller business is more intensely affected by each vacancy, since each job opening comprises a larger percentage of its workforce. For example, one vacancy in a four-person operation means the firm is short 25 per cent of its workforce.

While smaller firms experience higher vacancy rates, larger firms are more likely to have at least one long-term vacancy. About one-in-seven firms with fewer than five employees had a long-term vacancy, compared to one-in-two firms with 100 to 499 employees (see Figure 3). With more jobs to fill, larger firms have a higher chance of having at least one job sitting open for more than four months.

Businesses with more than 20 employees experienced higher odds of having vacancies in 2006, while firms with fewer than 20 employees saw their likelihood of

vacancies decrease slightly compared to 2005 levels. In 2006, there were more medium-sized firms with vacancies, and these businesses had on average more vacancies than in the previous year. Combined with higher employment levels in the labour market, these factors have pushed the 2006 vacancy rate upwards.

Figure 3:
Percentage of Firms with at Least One Long-term Vacancy by Size of Business (%)



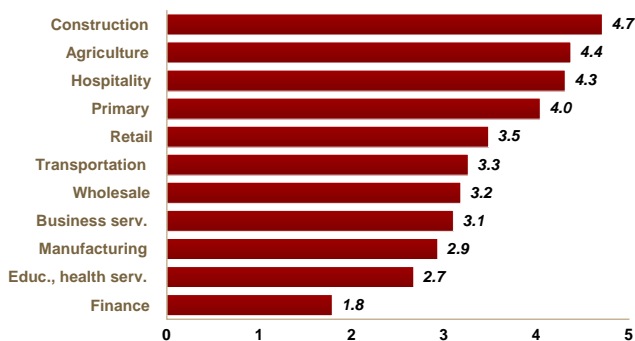
Source: CFIB, *Your Business Outlook Survey*, 2005-2006

Vacancy rates by sector

Long-term vacancies were common to businesses in all sectors (see Figure 4). Particularly affected by higher than average vacancy rates were SMEs operating in the construction (4.7 per cent), agriculture (4.4 per cent), hospitality (4.3 per cent) and primary resource sectors (4.0 per cent). Conversely, firms in the finance sector report a vacancy rate well below average at 1.8 per cent.

In 2006, SMEs in all sectors except retail, transportation, and wholesale, experienced higher vacancy rates compared to the previous year. Firms operating in the hospitality sector registered the highest jump in the vacancy rate, going from 2.7 per cent in 2005 to 4.3 per cent in 2006. The primary resource sector also experienced a significant jump in the vacancy rate, increasing from 3.4 per cent to 4.0 per cent.

Figure 4:
Long-term Vacancy Rates (%) by Sector



Source: CFIB, *Your Business Outlook Survey*, 2006

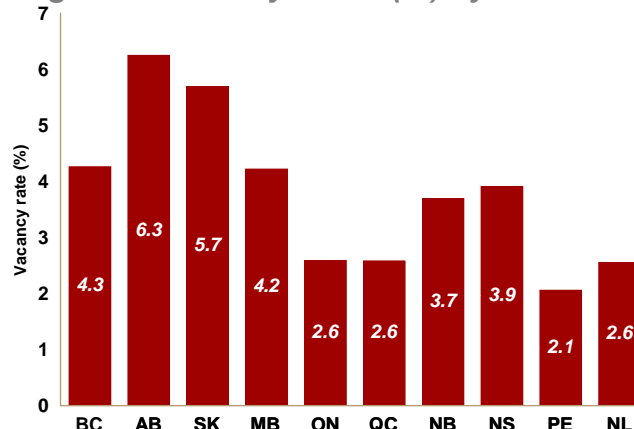
The probability of having at least one vacancy fluctuated considerably by sector (see Appendix C). The entrepreneurs most likely to report at least one vacancy were operating in the construction and primary sectors, where 34 per cent of firms reported at least one vacancy. Firms in the transportation sector followed with 29 per cent of businesses reporting vacancies. The entrepreneurs least likely to experience vacancies were those operating in the finance sector, where only 14 per cent of businesses reported vacancies in 2006.

Vacancy rates by province

Long-term vacancies challenged entrepreneurs in all provinces (see Figure 5). In all Western provinces, the vacancy rate was above the national average. Firms in Alberta reported the highest long-term vacancy rate of all provinces at 6.3 per cent. In second place were firms from Saskatchewan (5.7 per cent), followed by British Columbia businesses (4.3 per cent) and Manitoba SMEs (4.2 per cent).

Most provinces observed an increase in long-term vacancy rates between 2005 and 2006 (see Appendix A). The most significant increase occurred in Saskatchewan where the rate climbed from 4.3 per cent to 5.7 per cent.

Figure 5:
Long-term Vacancy Rates (%) by Province



Source: CFIB, *Your Business Outlook Survey*, 2006

Not only is the long-term vacancy rate higher in Western Canada, but also is the likelihood of having a vacancy (see Appendix B). In Alberta, 42 per cent of SMEs reported one or more vacancies of at least four months. British Columbia was the second most likely province in which firms reported vacancies, with 34 per cent of business owners reporting that they were short-staffed for at least four months. On the contrary, businesses least likely to be understaffed were those located in Prince Edward Island and Newfoundland and Labrador, with 17 per cent of businesses reporting vacancies.

Type of skill shortages by province and sector

To complete the description of labour shortages, CFIB conducted a major survey² on skills and labour shortages in the summer of 2006. As part of the survey, members were asked to provide the one type of job that they were in most need of. Responses were then categorized according to the National Occupational Classification (NOC). The skill type reflects the type of work performed, where jobs are placed into ten categories that tend to reflect industrial differences. The skill level for a particular position is based on the type and amount of training normally required for the job (see Appendix E).

² *Survey on Labour Shortages and Immigration*, CFIB, July 4th to August 25th, 2006, 11,964 responses received by mail and email

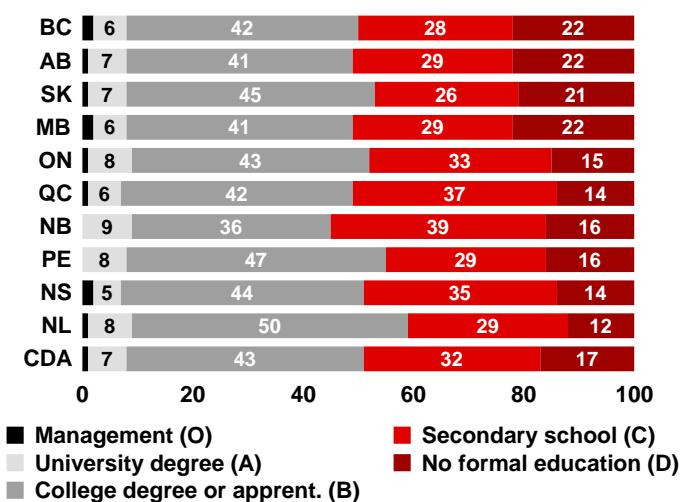
All management-level occupations fall within a separate category (skill level O), and a mere one per cent of SMEs were short-staffed at this level. Only seven per cent of respondents were in greatest need of employees to occupy positions that require a university degree at the bachelor's, the master's, or the doctoral level (skill level A). On average, about four-in-ten SME owners are in greatest need of employees to fill positions that tend to require a college-level education (skill level B). This can involve a degree from a community college or CEGEP, although in many cases the educational requirement can be achieved through two to five years of apprenticeship training. About one-third of employers need the most employees with secondary school or specialized occupation specific training (skill level C). Another 17 per cent of entrepreneurs most need workers to fill positions requiring no formal education (skill level D), representing many entry-level jobs in the economy. Table 1 lists some common occupations for each of the four skill levels.

Table 1:
Sample Occupations within each NOC Skill Level

SKILL LEVEL O: all management level occupations
SKILL LEVEL A: require a university degree at the bachelor's, master's or doctoral level
Accountant Engineer Teacher Lawyer
SKILL LEVEL B: require college level education or apprenticeship training
Carpenter Chef/cook Mechanic Plumber
SKILL LEVEL C: secondary school or specialized occupation-specific training
Salesperson Driver Clerk Childcare worker Machine operator
SKILL LEVEL D: require no formal education
Cashier Security guard Cleaner Labourer Kitchen help

While the general pattern of the most in-demand workers is similar across the country, some provinces have a more acute need at certain skill levels (see Figure 6). Businesses in Western Canada are in the greatest need of general workers and labourers (skill level D). Relative demand for intermediate and clerical positions (skill level C) is highest in New Brunswick and Quebec. Newfoundland and Labrador registered the highest need for workers in the skilled and technical areas (skill level B). Occupations facing the least demand are those requiring the highest education, that is professional (skill level A) and management (skill level O). In no province does the proportion of firms in greatest need of these workers exceed 10 per cent.

Figure 6:
Labour Shortages by Skill Level, by Province (% response)

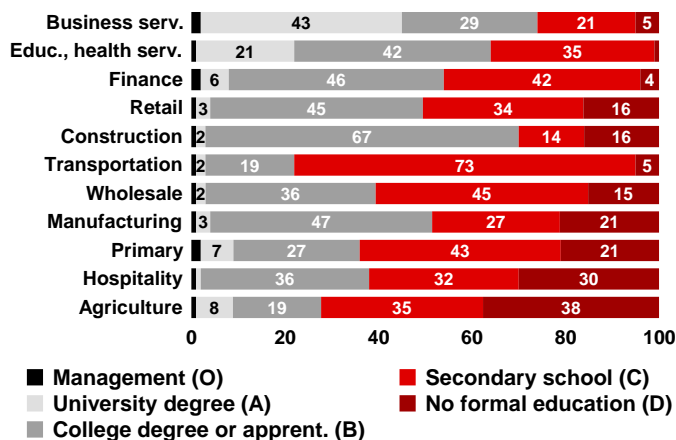


Source: CFIB, *Survey on Labour Shortages and Immigration*, 11,964 responses, July-August 2006

A breakdown of the skill shortages by industry reveals much more variation (see Figure 7). Not surprisingly, the need for highly educated employees is greatest in sectors such as business services, where 43 per cent of SMEs are in greatest need of workers with skill level A. In total, 74 per cent of firms in the business services sector are in need of workers with some post-secondary education. A majority of business owners operating in education and health, financial services, construction, and manufacturing indicate that their highest labour shortages are in the skill level A and B categories.

Three-in-four entrepreneurs operating in the transportation sector are looking for skill level C employees – those requiring secondary school education or occupation-specific training. Workers with skill level D training are in greatest demand in the hospitality and agricultural sectors.

Figure 7:
Labour Shortages by Skill Level, by Sector
(% response)



Source: CFIB, *Survey on Labour Shortages and Immigration*, 11,964 responses, July-August 2006

Number of open jobs

The vacancy rate estimated by CFIB suggests that a considerable number of positions in small and medium-sized businesses are left unfilled for a significant period of time. To understand the extent of this problem for the economy, CFIB applied the long-term vacancy rate to the total number of existing and potential jobs in the small and medium-sized business sector and estimated that a total of 251,000 full- and part-time jobs were left vacant for four months or longer in 2006 (see Table 2).

This number is higher than the estimated 233,000 unfilled positions in 2005, partially due to an increase in the total number of jobs in the SME sector, but mainly due to the increase in vacancy rates.

Table 2:
Estimated Number of Long-term Vacancies in SMEs, by Province, 2006

Province	Estimated Total Job Vacancies
British Columbia	30,000
Alberta	62,000
Saskatchewan	15,000
Manitoba	11,000
Ontario	70,000
Quebec	32,000
New Brunswick	11,000
Nova Scotia	14,000
Prince Edward Island	3,000
Newfoundland and Labrador	3,000
Canada	251,000

Source: CFIB, estimates based on results of *Your Business Outlook Survey* (2006) and data from Statistics Canada's, *Survey of Employment, Payrolls and Hours* (2005) and *Labour Force Survey* (2006)

Conclusions

Over the past year, the concern among small and medium-sized business owners over the shortage of labour has grown significantly. While the level of concern has been at alarming levels for the past few years, in 2006 it reached an all-time high in many provinces. More than half of small business owners across the country rank the shortage of labour as a priority issue. In Western Canada, there are as many entrepreneurs worrying over how much tax they pay as there are worrying over finding and retaining employees. At the other end of country, operators in Atlantic Canada registered the highest increase in their levels of concern with shortage of qualified labour.

Recent CFIB research³ reveals that most entrepreneurs experience a shortage of specific skills, while others go through a concurrent shortage of skills and of general labour. Our data confirms that it is harder to hire now than it was in 2002 when CFIB conducted an extensive study on labour availability and training in the workplace.

Entrepreneurs in all sectors and all jurisdictions compete to attract and retain good workers. Those in Western Canada have to deal with mounting pressures from a very strong economy, and a high

³ *Immigration and Small Business*, CFIB, December 2006

demand for all types of labour. Business owners in Eastern Canada face demographic changes, out-migration of workers and lower levels of immigration. While the problem of a labour shortage is the same, the causes are different.

CFIB estimates that there are 251,000 positions in the small- and medium-sized business sector that have been left unfilled for at least four months in 2006. This is a considerable increase of over 15,000 jobs in one year. While larger firms are more likely to have at least one vacancy, the vacancy rate is far higher for smaller businesses. Once again, Alberta has registered the highest long-term vacancy rate. However, the rate has increased at a slower pace than in other provinces because a significant number of business owners in Alberta are being forced to ignore new business opportunities, a direct result of the acute labour shortage in the province.

There is no single solution for solving the problem of the shortage of labour. Governments, educational institutions, and the business community need to work together in order to find long-term solutions. Tapping into traditionally under-represented groups in the labour market such as new immigrants, seniors, people with disabilities, and aboriginals is part of the solution. Better matching of the skills demanded in the labour market with the skills shaped by the educational institutions is also key to preventing future labour shortages. CFIB is actively working to help understand the potential solutions and craft policies that would improve the workings of the long-term labour market. A recent report published in December 2006 discussed extensively the experiences of SMEs in hiring new immigrants. CFIB is exploring other ways to provide advice to policy makers and entrepreneurs to address this ongoing challenge.

Concern Over the Shortage of Qualified Labour

Over the years, CFIB has asked its members to identify the most important issues for their businesses. The shortage of qualified labour has consistently emerged as one of the top issues for SMEs. The latest results indicate that concern over availability of staff has surpassed historical levels. By the end of 2006, one in two Canadian small business owners (56 per cent) mentioned employee shortages as an issue of concern for their business.

Unemployment rate and Concern over Shortage of Labour



Source: CFIB, *Our Members' Opinions Surveys #24-59 (1989-2006)* and Statistics Canada

The lack of qualified workers affects business owners in all provinces (see Appendix D). However, entrepreneurs in some provinces have struggled more than others. In Alberta, the province most negatively impacted by the issue, 78 per cent of business owners are concerned with employee shortages. Other hard-hit SME owners operate in provinces such as British Columbia (70 per cent), Manitoba (65 per cent) and Saskatchewan (64 per cent), all of which reported above-average levels of concern over the shortage of qualified labour.

The concern over labour shortages is also common to all sectors but some of them face disproportionately bigger challenges to find workers with the right industry-specific skills. Most recently, the construction and transportation sectors have reported the highest levels of concern with lack of workers.

Appendix A:
 Long-term Vacancy Rates by Size of Business - Provincial Detail, 2004, 2005 and 2006

Number of employees	0 to 4	5 to 19	20 to 49	50 to 99	100 to 499	All sizes
British Columbia						
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
Alberta						
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
Saskatchewan						
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
Manitoba						
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
Ontario						
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
Quebec						
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
New Brunswick						
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
Nova Scotia*						
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
Prince Edward Island*						
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
Newfoundland and Labrador*						
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
Canada						
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

* data is not available due to sample issue.

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2004 to 2006).

Appendix B:
Percentage of Businesses Having at Least One Long-term Vacancy, Provincial Details, 2006

<i>Businesses with vacancies (%)</i>	
British Columbia	34.2
Alberta	42.1
Saskatchewan	32.1
Manitoba	30.3
Ontario	22.0
Quebec	20.5
New Brunswick	22.4
Nova Scotia	23.3
Prince Edward Island	16.5
Newfoundland and Labrador	17.2
Canada	25.5

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2006).

Appendix C:
Percentage of Businesses Having at Least One Long-term Vacancy and Long-term Vacancy Rates (%), Sector Details, 2006

	<i>Business with at least one long-term vacancy</i>	<i>Vacancy rates</i>
Agriculture	21.5	4.4
Primary	33.5	4.0
Manufacturing	27.2	2.9
Construction	34.2	4.7
Transportation	29.0	3.3
Wholesale	26.8	3.2
Retail	22.8	3.5
Finance, Ins., and Real Estate	13.9	1.8
Business Services	21.3	3.1
Education, health, social service	18.4	2.7
Hospitality service	28.5	4.3

Source: CFIB, results of *Your Business Outlook* survey (quarterly data, 2006).

Appendix D:
Business Concern Over Shortage of Qualified Labour, 2006

Province	Level of concern (%)	Sector	Level of concern (%)
British Columbia	69.5	Agriculture	51.8
Alberta	78.0	Primary	60.6
Saskatchewan	63.9	Manufacturing	58.1
Manitoba	64.7	Construction	68.5
Ontario	49.9	Transportation	62.3
Quebec	57.8	Wholesale	57.9
New Brunswick	46.3	Retail	53.5
Nova Scotia	35.2	Finance, Ins., and Real Estate	44.0
Prince Edward Island	51.7	Business services	52.7
Newfoundland and Labrador	50.8	Education, health and social service	48.7
		Hospitality	54.1
Canada	56.1	Canada	56.1

Source: CFIB, *Our Members' Opinions* #59, July – December 2006.

Appendix E:***Methodology for the section on type of workers needed most based on NOC***

CFIB conducted an extensive survey on labour shortages and immigration in the summer of 2006. As part of the survey, members were asked to provide the one type of job that they were in most need of. Responses were then categorized according to HRSDC's National Occupational Classification (NOC). The NOC is used by labour researchers across Canada and provides a standardized framework in which to analyze the complexities of the labour market. In the NOC, each job is assigned a four-digit code that reflects both the skill type and skill level normally required by that particular occupation. These two dimensions create a matrix covering the entire spectrum of work available. For more information, consult the NOC training tutorial, available online at: <http://www23.hrdc-drhc.gc.ca/2001/e/tutorial/contents.shtml> (accessed January 18, 2007).