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Analysis in Brief

Analysis on labour challenges in Canada, second quarter of 2022

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Signs of a tightening labour market in Canada have been growing amid elevated labour demand. This has been characterized by record low unemployment rates and record high labour force participation among those in the core working ages of 25 to 54. Job vacancies rose to record levels in March 2022, with employers actively seeking to fill over one million (1,012,900) vacant positions across Canada.¹ Meanwhile, the unemployment rate remains at a record low, edging down by 0.1% to 5.1% in May. At the same time, the participation rate was a record high among core-aged workers.² On a year-over-year basis, average weekly earnings increased 4.3% in March, while the Consumer Price Index increased 6.7% during the same period.³

Within this context, and based on the results from the Canadian Survey of Business Conditions, this article provides insights on labour related challenges faced by businesses across Canada and how these businesses plan to move forward in light of these challenges.

From the beginning of April to early May 2022, Statistics Canada conducted the Canadian Survey on Business Conditions to better understand the current environment that businesses in Canada are operating in and their expectations moving forward.

Based on the results of the survey, shortage of labour force, recruiting skilled employees, and retaining skilled employees are leading obstacles businesses expect to face in the short term. In response to these challenges, many businesses plan to have management and current employees to work more hours to address these labour obstacles.

Shortage of labour remains the leading obstacle expected by businesses across Canada

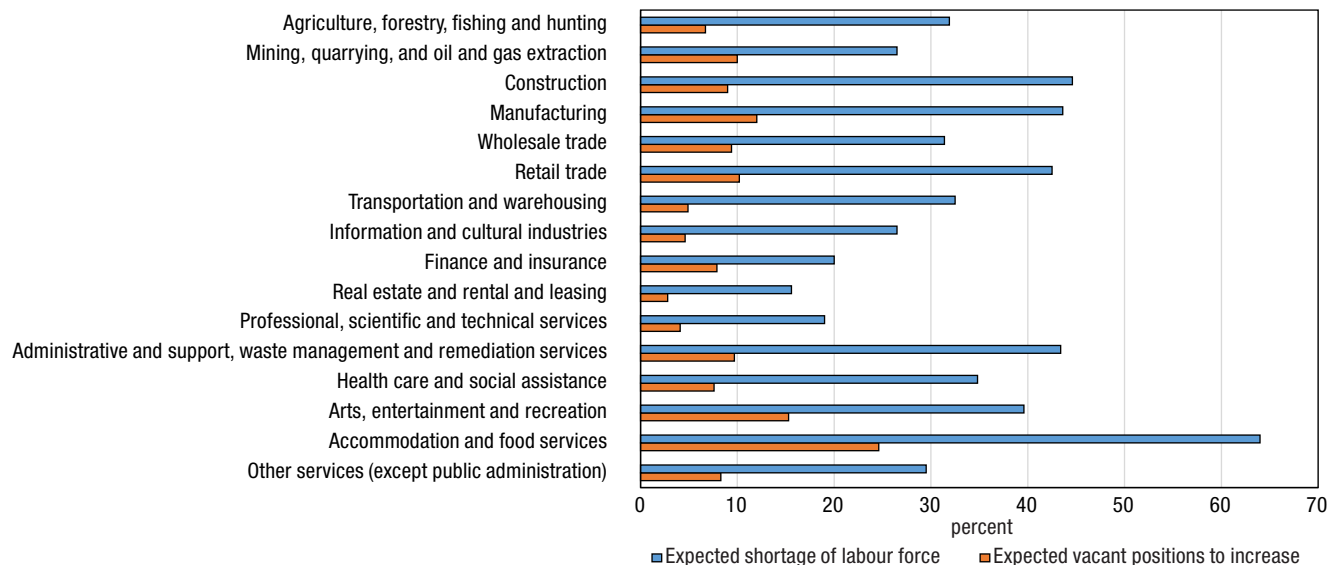
Since the first quarter of 2021 the proportion of businesses expecting shortage of labour to be an obstacle over the next three months grew steadily until the first quarter of 2022 (19.5% to 37.0%). In March, employers in Canada were faced with a record high number of job vacancies with over one million unfilled positions across the country.⁴ In the second quarter of 2022, businesses expected that shortage of labour will remain a leading obstacle, although the percentage of those reporting it fell slightly from the first quarter of 2022, from 37.0% to 35.0%.

Meanwhile, nearly two-thirds (64.0%) of businesses in accommodation and food services expected shortage of labour to be an obstacle over the next three months, the largest proportion across all sectors. Businesses in this sector were also most likely (24.6%) to expect their number of vacant positions to increase over the next three months, nearly triple the proportion of all businesses (8.8%) that expected the same. The number of vacancies in the accommodation and food services sector rose 37.2% (+42,900) in March 2022 for a total of 158,100 vacant positions across Canada. The job vacancy rate in this sector was 12.8% in March 2022, the highest rate across all sectors for the 11th consecutive month.⁵ Following accommodation and food services, over two-fifths of businesses in construction (44.6%); manufacturing (43.6%); administrative and support, waste management and remediation services (43.4%); and retail trade (42.5%) expected shortage of labour to be an obstacle.

1. Statistics Canada. [Payroll employment, earnings and hours, and job vacancies, March 2022](#).
2. Statistics Canada. [Labour Force Survey, April 2022](#).
3. Statistics Canada. [Payroll employment, earnings and hours, and job vacancies, March 2022](#).
4. Statistics Canada. [Payroll employment, earnings and hours, and job vacancies, March 2022](#).
5. Statistics Canada. [Payroll employment, earnings and hours, and job vacancies, March 2022](#).

Chart 1

Businesses expecting shortage of labour force to be an obstacle and vacant positions to increase over the next three months, by industry



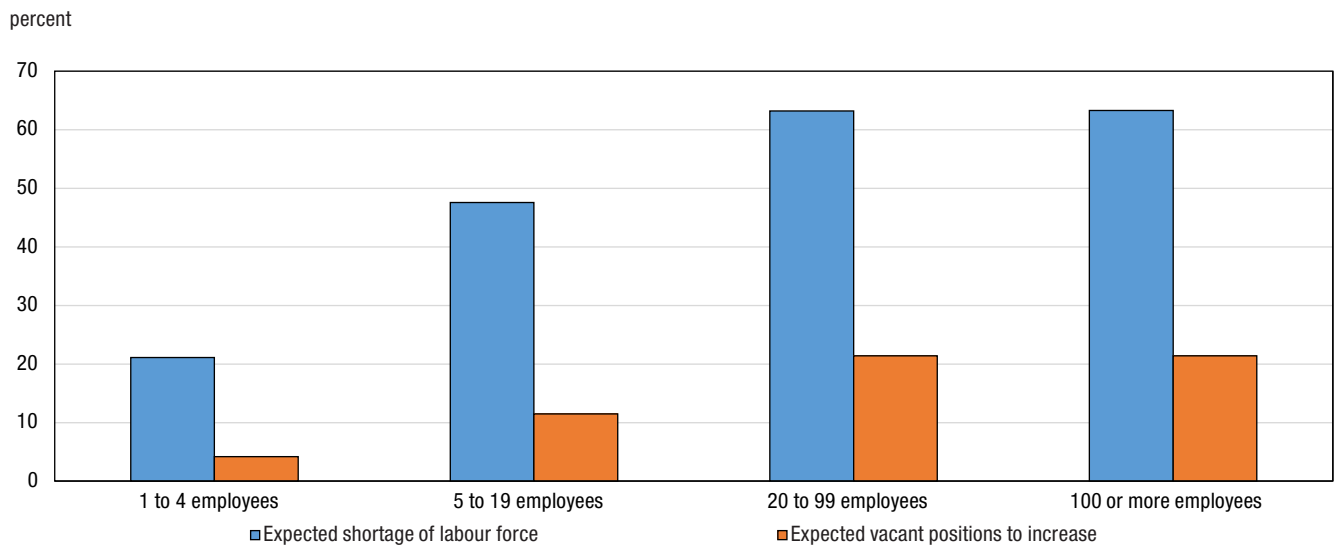
Note: Respondents were asked from April 1 to May 6, 2022 their expectations on various obstacles over the next three months. Therefore, the three month period could range from April 1 to August 6, 2022 depending on when the business responded.

Source: Canadian Survey on Business Conditions, second quarter of 2022 (Tables 33-10-0503-01 and 33-10-0504-01).

Businesses with more employees are more likely to expect a shortage of labour to be an obstacle over the next three months

The proportion of businesses that expected a shortage of labour differed greatly depending on the number of employees the business had. Nearly two-thirds of businesses with either 100 or more employees (63.3%) and 20 to 99 employees (63.2%), and nearly half of businesses with 5 to 19 employees (47.6%) foresee shortage of labour to be an obstacle over the next three months. In comparison this was true for one-fifth (21.1%) of businesses with 1 to 4 employees. Larger businesses with 100 or more employees (21.4%) and 20 to 99 employees (21.4%) were also more likely than smaller businesses with 5 to 19 employees (11.5%) and 1 to 4 employees (4.2%) to expect their number of vacant positions to increase over the next three months.

Chart 2
Businesses expecting shortage of labour force to be an obstacle and vacant positions to increase over the next three months, by employment size



Note: Respondents were asked from April 1 to May 6, 2022 their expectations on various obstacles over the next three months. Therefore, the three month period could range from April 1 to August 6, 2022 depending on when the business responded.

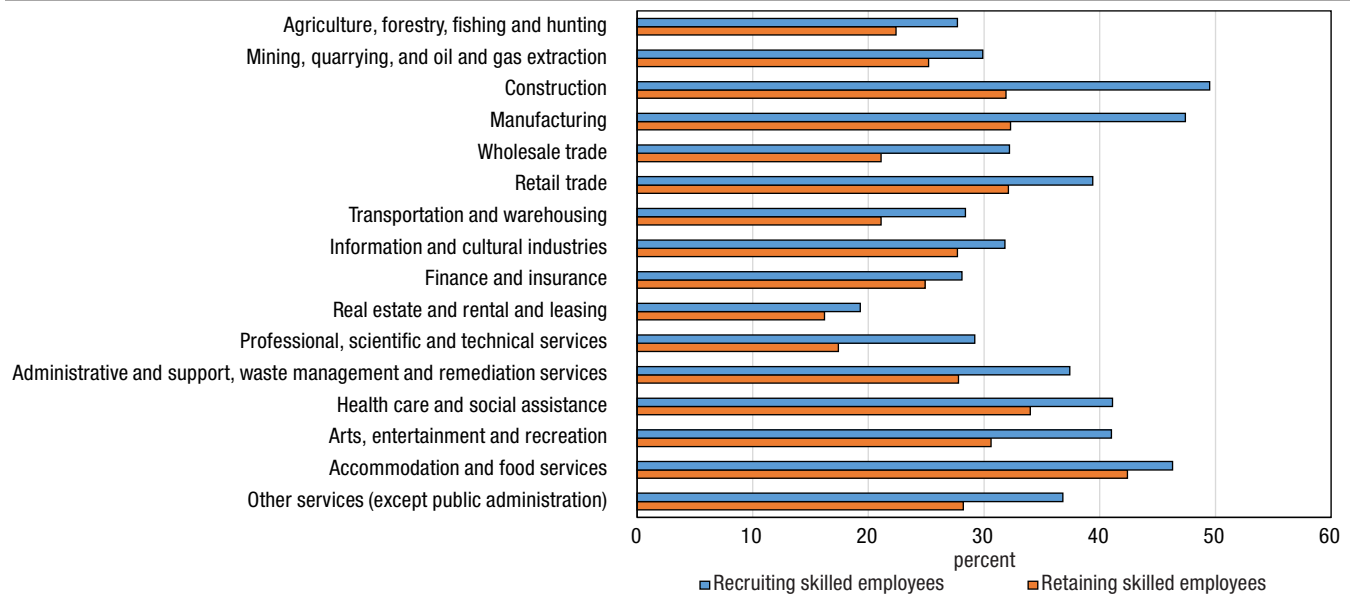
Source: Canadian Survey on Business Conditions, second quarter of 2022 (Tables 33-10-0503-01 and 33-10-0504-01).

Recruiting and retaining skilled labour expected to continue to be challenges

In addition to the challenges represented by shortage of labour, almost two-fifths (36.9%) of businesses expected recruiting skilled labour as an obstacle, slightly lower than the proportion of businesses that expected the same last quarter (38.5%). At the same time, over one-quarter (27.6%) of businesses expect challenges retaining skilled labour, also down slightly from the previous quarter (30.4%). Businesses in construction (49.5%) and manufacturing (47.4%) were most likely to expect difficulty in recruiting skilled labour over the next three months while businesses in accommodation and food services (42.4%) were the most likely to expect retaining skilled employees to be a challenge, followed by health care and social assistance (34.0%).

Chart 3

Businesses expecting recruiting and retaining skilled employees to be an obstacle over the next three months, by industry



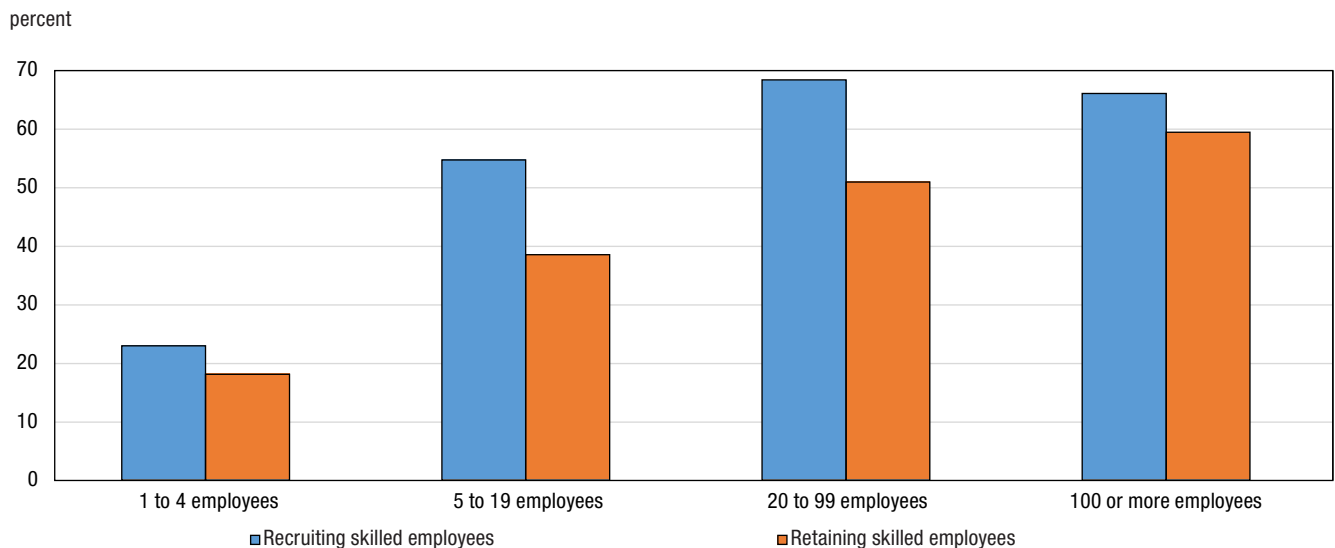
Note: Respondents were asked from April 1 to May 6, 2022 their expectations on various obstacles over the next three months. Therefore, the three month period could range from April 1 to August 6, 2022 depending on when the business responded.

Source: Canadian Survey on Business Conditions, second quarter of 2022 (Table 33-10-0504-01).

Different size of businesses, based on number of employees, had differing expectations pertaining to recruiting and retaining skilled employees. Nearly three-fifths (56.5%) of businesses with 100 or more employees and almost half (48.4%) of businesses with 20 to 99 employees expected retaining skilled employees to be an obstacle. At the same time, over one-third (36.6%) of businesses with 5 to 19 employees and under one-fifth (17.2%) of businesses with 1 to 4 employees expected the same. In terms of recruiting skilled employees, nearly two-thirds of businesses with 20 to 99 employees (65.0%) and 100 or more employees (62.8%) and over half (52.0%) of businesses with 5 to 19 employees expected this to be an obstacle over the next three months.

Chart 4

Businesses expecting recruiting and retaining skilled employees to be an obstacle over the next three months, by employment size



Note: Respondents were asked from April 1 to May 6, 2022 their expectations on various obstacles over the next three months. Therefore, the three month period could range from April 1 to August 6, 2022 depending on when the business responded.

Source: Canadian Survey on Business Conditions, second quarter of 2022 (Table 33-10-0504-01).

Majority of businesses expecting labour challenges also find recruiting and retaining staff more challenging than 12 months ago

Among businesses that expected shortage of labour or recruiting and retaining skilled labour to be an obstacle, nearly three-fifths (58.7%) reported recruiting and retaining staff was more challenging now than 12 months ago. Businesses in health care and social assistance (71.5%), real estate and rental and leasing (65.3%), and accommodation and food services (64.6%) were the most likely to report recruiting and retaining staff as more challenging now than 12 months ago. In contrast, businesses in administrative and support, waste management and remediation services (49.8%) were the least likely to report the same. Few businesses (2.3%) reported recruiting and retaining staff was less challenging than 12 months ago.

Management and existing staff anticipated to work more hours by businesses with expected labour challenges

When considering businesses that expected a shortage of labour or difficulty recruiting or retaining skilled employees, nearly three-fifths (54.6%) reported that in light of these challenges, management would have to work more hours, and close to half (47.3%) stated that current staff would have to work more hours to compensate. Larger businesses with 100 or more employees (61.4%) and 20 to 99 employees (59.3%) were more likely than smaller businesses with 5 to 19 employees (47.1%) and 1 to 4 employees (40.5%) to anticipate existing staff to work increased hours as a result of expected labour challenges. Businesses in professional, scientific and technical services were most likely to expect management (68.2%) and existing staff (63.5%) to work increased hours as a result of expected labour challenges.

Additionally, nearly two-fifths expected that these labour obstacles would limit the business' growth (39.4%) or cause the business to hire less suitable candidates (37.4%). Over one-quarter (28.5%) anticipated that labour challenges would cause delays in providing orders to customers.

Many businesses expect inflation to be a bigger issue when discussing wage increases

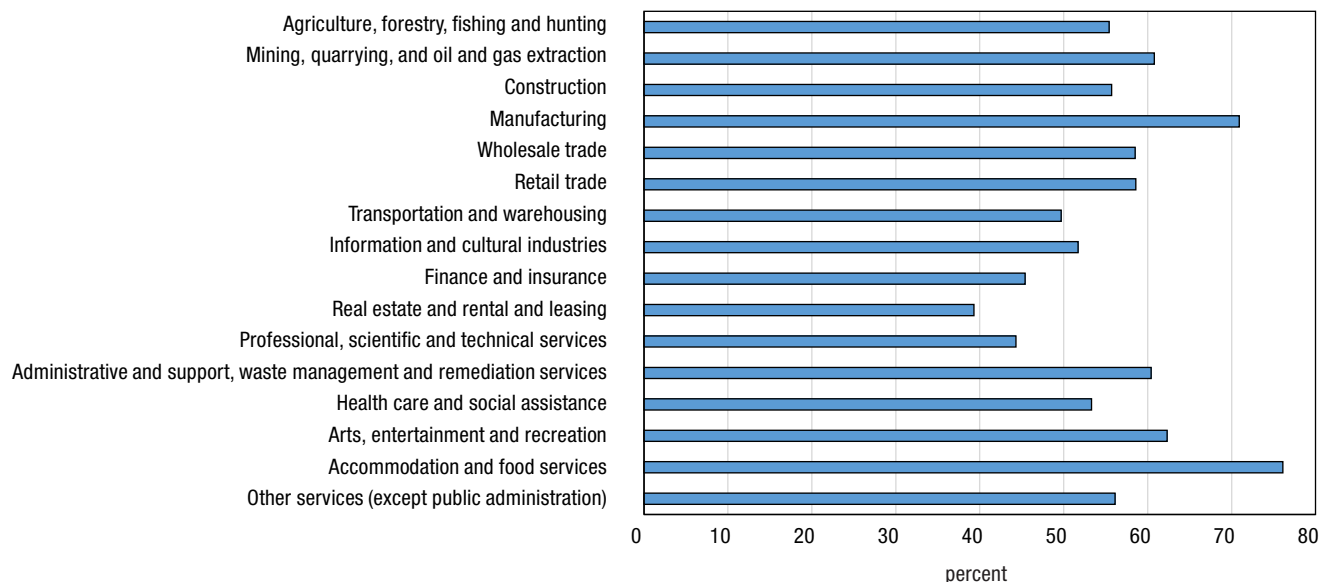
To help attract and retain staff, businesses are also adjusting their wage plans. Average hourly wages for employees rose 3.3% (+\$0.99) on a year-over-year basis in April, similar to the growth observed on a year-over-year basis in March (+3.4%).⁶ Meanwhile, the Consumer Price Index was up 6.8% on a year-over-year basis in April.⁷ In the first quarter of 2022, almost half (45.0%) of businesses stated that they planned to raise wages for existing employees over the coming year.

More than half (55.2%) of businesses expect inflation to be a bigger issue when discussing wage increases with employees. This issue was most prevalent in businesses in accommodation and food services (76.1%); manufacturing (70.9%); and arts, entertainment and recreation (62.3%).

6. Statistics Canada. [Labour Force Survey, April 2022](#).

7. Statistics Canada. [Consumer Price Index, April 2022](#).

Chart 5
Businesses expecting inflation to be a bigger issue when negotiating wage increases, by industry



Note: Respondents were asked from April 1 to May 6, 2022 their expectations on various obstacles over the next three months. Therefore, the three month period could range from April 1 to August 6, 2022 depending on when the business responded.

Source: Canadian Survey on Business Conditions, second quarter of 2022 (Table 33-10-0504-01).

Seven in ten businesses with 100 or more employees (67.1%), 20 to 99 employees (71.3%), and 5 to 19 employees (68.1%) expect inflation to be an issue when negotiating wages. In comparison, less than half (44.1%) of businesses with 1 to 4 employees expect the same.

Methodology

From April 1 to May 6, 2022, representatives from businesses across Canada were invited to take part in an online questionnaire on business conditions and business expectations moving forward. The Canadian Survey on Business Conditions uses a stratified random sample of business establishments with employees classified by geography, industry sector, and size. An estimation of proportions is done using calibrated weights to calculate the population totals in the domains of interest. The total sample size for this iteration of the survey is 35,775 and results are based on responses from a total of 16,678 businesses or organizations.

References

Statistics Canada. Canadian Survey on Business Conditions, second quarter of 2022.