



Labour And Skills Shortage

By: Johanne Paquet - HVS Global Hospitality Services - Canada

Introduction

*The problem of attracting and retaining qualified workers, once an issue only in an isolated number of markets, is increasingly becoming a global challenge. Demography, wage levels, failure to adequately address worker satisfaction and a reputation for long hours and low pay are all cited as contributing factors. Creative hospitality professionals have begun to develop innovative strategies for capturing and keeping high quality workers.*¹

Canada's current skilled labour shortage is affecting Canadian hoteliers in two basic but distinct ways: the shortage is driving up the wages of hotel staff, impacting the bottom line of hotel operations, and it is increasing the cost of building new hotels, which is creating new challenges for hotel developers. These challenges are for the most part negatively affecting hotel values, although in some markets high construction costs are having the opposite effect, increasing the value of existing hotels by putting a hold on new supply. Hoteliers must act strategically to succeed in this stringent labour market.

Labour

Canada's low unemployment rate is pushing wages higher as companies face tougher competition for employees. The shortage of hotel workers is driving up wage costs and expenses in all departments, which negatively impacts the

bottom line and in turn could cause hotel values to decline. At the same time, events such as 911 and SARS and the poor performance of the US dollar have all impacted sustainable RevPAR growth, compounding the impact of the labour shortage. Over the past five years, wage costs for Canadian first-class hotels have outpaced RevPAR growth by two to one. Wages in different hotel sectors, especially first class hotels, many of which have unionized staff, grow by 2% to 4% per year, regardless of world events. The increasing cost of labour is a serious issue the industry is facing.

Concern about staffing shortages is high across the country, but it is most dire in Western Canada. British Columbia (BC) Premier Gordon Campbell has announced that his province expects to be short 84,000 workers by 2010, the year of the Winter Olympics. In 2006, 42% of businesses reported one or more vacancies of at least four months in Alberta, followed by BC at 34%. In the same year, the long-term job vacancy rate was 6.3% in Alberta, followed by 5.7% in Saskatchewan, 4.3% in BC, and 4.2% in Manitoba. Bringing skilled foreign workers to Canada is one solution to this shortage. According to Canada's Immigration Minister, the federal government may increase Canada's immigration by up to 40% over the next five years. While increased immigration is part of the solution, it is not as simple as it sounds and it will not necessarily alleviate labour shortages. Unfortunately, negative consequences may occur; some companies

in Alberta that have turned to foreign workers have run into problems weaving their new employees into the workforce.²

Likewise, labour shortages are mostly affecting the hospitality industry in BC and Alberta. A new Wal-Mart raided 11 to 15 front desk staff from a hotel in Fort McMurray, offering them \$4 more per hour. Some hotel owners in Western Canada are making beds and cleaning dishes to keep their doors open.³ This is rare but representative of the labour crisis the industry is facing.

Offering competitive salaries is only one component of a strategy designed to retain and attract good workers. In 50 Best Employers in Canada, Hewitt Associates analyzed employee data and determined that other factors have a higher impact on employee engagement than wage: managerial support, recognition, work processes, and opportunities for learning and development; this was the case even in Alberta. High-engaged employees also translate into better financial results. The study shows that net sales for the top 20 best employers grew at an average annual compounded rate of 12.9% over the last five years. This is in marked contrast to the 20 lowest-ranked publicly traded companies that participated in the study: net sales for these companies grew at an average annual compounded rate of only 4.9% over the same period.⁴ [Note: Hotel companies are among the top 50 employers in Canada: Marriott Lodging Canada (ranked #21), Delta Hotels (ranked

Labour And Skills Shortage (Cont'd)

HVS GLOBAL HOSPITALITY SERVICES - CANADA

#26), and Starwood Hotels & Resorts (ranked #37)].

Construction

Labour shortages in the construction sector drive up the cost of new construction and hold off new supply, which causes the value of existing hotels to increase. This effect is especially evident in Alberta and BC, where the labour shortage is most concentrated.

As noted in the table below, cities in Western Canada recorded substantially higher increases in construction costs (commercial, industrial, and institutional buildings) than cities in Nova Scotia,

to construct a proposed hotel instead of investing in an existing building. Development companies cannot afford this financial uncertainty. Faced with this tension, a hotel company in Montreal was prepared to move its own construction crew from Quebec to Alberta to construct its new hotel in Calgary.

In BC, the massive construction projects required for the 2010 Winter Olympic Games are intensifying the labour shortage. The construction industry has three main ways to deal with the worker shortfall, but they all have drawbacks: find more qualified people within BC or in other provinces; train more apprentices in

impediments to importing skilled labour from outside the country. Consequently, building a new property is not as easy as it used to be, and hoteliers are faced with higher operating costs. The higher cost of constructing a hotel inflates the market value of existing properties. At the same time, however, the bottom line is not where it should be for existing hotels owing to lower RevPAR and higher wages, and this puts downward pressure on the market value of existing hotels. The net effect of these forces, one of which is inflating the market value and the other that is driving values down is difficult to estimate because of the different factors (external and internal) that affect each situation.

Hoteliers must respond strategically to the challenges engendered in the labour shortage. As salaries and wages keep growing at a steady pace, pushing occupancy or average daily rate or both becomes an even more important priority. Hoteliers must strive to lower turnover within the industry and invest in training and development to encourage qualified and trained employees to stay within the industry. It will also become important to attract and support under-represented groups such as qualified immigrants, aboriginals, and recent retirees to fill the estimated 250,000 new jobs that the Canadian tourism industry is expected to create by the year 2015.⁵

(Source references are on last page.)



Quebec, and Ontario. Categories of costs include material, labour, equipment, taxes, overhead, and profit.

The shortage of construction workers has increased construction costs across Western Canada. This inevitably affects the value of existing hotels positively, as inaccessible materials and labour shortfalls cause construction projects to stall. This is not always a boon to existing hotels: a hotel in Three Hills, Alberta, waited one full year before a new pool could be completed. Development companies are being forced to ensure that they can afford

BC, which takes at least five years; or bring in qualified foreign workers on short-term visas or sponsor them as landed immigrants. Increasingly, employers are seeking qualified foreign workers, but they face many obstacles and need more help from the relevant government departments to bring workers into BC quickly.

Conclusion

A domestic solution to the shortage of skilled labour is unlikely for the near term, given the lengthy training time required, and employers face bureaucratic

NON-RESIDENTIAL BUILDING CONSTRUCTION PRICE INDEXES

	4th Qtr. 2006 (1997=100)	4th Qtr. 2005 To 4th Qtr. 2006 % Change	3rd Qtr. To 4th Qtr. 2006 % Change
Composite	149.4	9.3	2.4
Halifax	129.7	4.9	0.8
Montreal	134.9	3.2	0.4
Ottawa-Gatineau, Ontario	144.0	6.4	1.3
Toronto	151.6	6.8	1.1
Calgary	166.3	18.8	5.9
Edmonton	160.5	16.6	5.5
Vancouver	147.5	12.9	4.0

Source: Statistics Canada, 2007-02-12

CANADIAN LODGING OUTLOOK
HVS GLOBAL HOSPITALITY SERVICES - CANADA

February 2007	Number of Rooms	Occupancy Rate (%)		Average Room Rates (in \$CAD)		RevPAR (in \$CAD)		Room Supply % chg	Room Demand % chg
		2007	2006	2007	2006	2007	2006		
Nova Scotia Area	1,198	46.3%	44.4%	\$89.63	\$87.64	\$41.50	\$38.91	0.0%	4.4%
Halifax, NS	3,162	59.9%	56.7%	\$112.00	\$105.24	\$67.09	\$59.67	-2.8%	2.7%
Montreal Downtown	9,668	56.3%	53.9%	\$135.50	\$136.79	\$76.29	\$73.73	2.5%	7.0%
Montreal Area	5,273	58.5%	61.0%	\$106.24	\$105.96	\$62.15	\$64.64	1.4%	-2.7%
Quebec City, QC	3,913	62.2%	66.4%	\$128.05	\$126.23	\$79.65	\$83.82	0.8%	-5.5%
Quebec Area	5,401	58.2%	58.6%	\$134.32	\$132.44	\$78.17	\$77.61	0.6%	-0.3%
Toronto Downtown	13,476	62.4%	58.6%	\$156.97	\$148.55	\$97.95	\$87.05	0.0%	6.4%
Toronto North/East	6,375	57.2%	55.8%	\$120.18	\$114.25	\$68.74	\$63.75	0.8%	3.5%
Toronto Airport/West	7,796	72.0%	71.3%	\$118.39	\$118.00	\$85.24	\$84.13	-0.7%	0.3%
Ottawa, ON	6,555	74.9%	69.1%	\$137.28	\$134.13	\$102.82	\$92.68	-0.3%	8.1%
Ontario East	4,051	46.7%	50.5%	\$101.35	\$94.68	\$47.33	\$47.81	0.9%	-6.7%
Windsor/ Ontario SW	3,037	45.1%	51.7%	\$95.60	\$132.79	\$43.12	\$68.65	0.0%	-12.7%
London/ Kitchener	5,935	54.2%	57.9%	\$102.46	\$99.30	\$55.53	\$57.49	0.9%	-5.5%
Ontario North/ Thunder Bay	1,912	62.0%	62.7%	\$89.39	\$81.79	\$55.42	\$51.28	0.0%	-1.0%
Ontario NC/ Sudbury	3,978	50.1%	54.5%	\$94.79	\$92.22	\$47.49	\$50.26	1.8%	-6.5%
Niagara Falls, ON	8,686	37.1%	39.3%	\$121.74	\$112.23	\$45.17	\$44.11	3.3%	-2.4%
Ontario Central	3,254	52.7%	55.6%	\$118.21	\$106.04	\$62.30	\$58.96	4.2%	-1.2%
Mississauga, ON	5,620	54.4%	52.4%	\$111.18	\$106.39	\$60.48	\$55.75	2.7%	6.6%
Winnipeg, MB	3,792	64.8%	62.4%	\$99.79	\$93.66	\$64.66	\$58.44	-0.2%	3.6%
Regina/Saskatoon, SK	4,423	66.7%	62.8%	\$103.02	\$94.98	\$68.71	\$59.65	0.0%	6.2%
Calgary, AB	7,775	71.7%	66.0%	\$134.66	\$119.25	\$96.55	\$78.71	3.7%	12.6%
Edmonton, AB	7,207	71.4%	72.1%	\$117.23	\$103.89	\$83.70	\$74.90	0.0%	-1.0%
Alberta North Area	3,133	76.9%	79.8%	\$134.72	\$115.25	\$103.60	\$91.97	1.5%	-2.2%
Alberta South Area	6,343	60.0%	59.9%	\$132.73	\$122.06	\$79.64	\$73.11	1.7%	1.8%
Vancouver Downtown	7,716	65.2%	61.4%	\$137.04	\$126.95	\$89.35	\$77.95	-2.7%	3.3%
Vancouver/ Burnaby Area	2,289	64.4%	56.7%	\$100.47	\$94.96	\$64.70	\$53.84	0.0%	13.6%
Richmond-Surrey/ East Area	5,847	65.0%	64.0%	\$102.80	\$93.65	\$66.82	\$59.94	1.0%	2.6%
British Columbia Area	5,128	66.2%	64.5%	\$213.41	\$187.58	\$141.28	\$120.99	0.5%	3.1%
Kamloops/ Kelowna Area	4,559	44.8%	43.7%	\$89.37	\$82.49	\$40.04	\$36.05	1.9%	4.4%
Vancouver Island	3,972	55.6%	57.7%	\$97.46	\$89.63	\$54.19	\$51.72	0.8%	-2.9%
Provinces									
Alberta	24,458	66.6%	68.5%	\$120.75	\$104.37	\$80.42	\$71.49	1.7%	-1.1%
British Columbia	29,334	55.1%	54.0%	\$111.02	\$101.06	\$61.17	\$54.57	0.4%	2.6%
Manitoba	4,624	59.3%	57.6%	\$90.96	\$75.26	\$53.94	\$43.35	-0.1%	2.9%
New Brunswick	3,455	44.7%	42.8%	\$97.89	\$84.57	\$43.76	\$36.20	0.9%	5.3%
Newfoundland	1,760	50.4%	45.3%	\$101.18	\$94.14	\$50.99	\$42.65	1.1%	12.5%
Nova Scotia	4,360	40.6%	42.8%	\$97.74	\$86.42	\$39.68	\$36.99	-1.1%	-6.2%
Northwest Territories	124	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	70,675	53.7%	53.7%	\$113.90	\$107.62	\$61.16	\$57.79	1.2%	1.2%
Prince Edward Island	951	39.4%	55.9%	\$61.51	\$57.49	\$24.23	\$32.14	0.0%	-29.6%
Quebec	24,255	50.7%	48.7%	\$110.47	\$111.31	\$56.01	\$54.21	1.1%	5.1%
Saskatchewan	5,928	53.0%	46.5%	\$94.20	\$81.81	\$49.93	\$38.04	0.3%	14.2%
Yukon Territory	53	INS	INS	INS	INS	INS	INS	INS	IN
Canada	169,977	53.8%	53.6%	\$111.11	\$102.20	\$59.78	\$54.78	0.9%	1.2%

CANADIAN LODGING OUTLOOK
HVS GLOBAL HOSPITALITY SERVICES - CANADA

February 2007 Year-To-Date	Number of Rooms	Occupancy Rate (%)		Average Room Rates (in \$CAD)		RevPAR (in \$CAD)		Room Supply % chg	Room Demand % chg
		2007	2006	2007	2006	2007	2006		
Nova Scotia Area	1,198	43.6%	40.8%	\$89.43	\$85.35	\$38.99	\$34.82	0.0%	6.8%
Halifax, NS	3,162	53.6%	50.4%	\$111.70	\$103.97	\$59.87	\$52.40	-2.8%	3.4%
Montreal Downtown	9,668	49.1%	47.3%	\$133.40	\$134.99	\$65.50	\$63.85	2.6%	6.4%
Montreal Area	5,273	54.5%	56.6%	\$105.49	\$105.08	\$57.49	\$59.48	1.4%	-2.4%
Quebec City, QC	3,913	50.6%	54.9%	\$120.41	\$118.01	\$60.93	\$64.79	0.8%	-7.0%
Quebec Area	5,401	51.4%	51.9%	\$131.11	\$126.20	\$67.39	\$65.50	0.6%	-0.3%
Toronto Downtown	13,476	59.0%	54.5%	\$153.23	\$145.12	\$90.41	\$79.09	0.0%	8.2%
Toronto North/East	6,375	53.4%	52.3%	\$118.35	\$113.76	\$63.20	\$59.50	0.8%	2.9%
Toronto Airport/West	7,796	68.6%	68.2%	\$118.26	\$117.23	\$81.13	\$79.95	0.3%	0.8%
Ottawa, ON	6,555	61.9%	60.5%	\$133.04	\$130.07	\$82.35	\$78.69	-0.1%	2.2%
Ontario East	4,051	43.6%	45.9%	\$98.99	\$93.26	\$43.16	\$42.81	0.9%	-4.2%
Windsor/ Ontario SW	3,037	44.5%	49.7%	\$96.81	\$115.24	\$43.08	\$57.27	0.0%	-10.4%
London/ Kitchener	5,935	50.7%	53.2%	\$101.53	\$97.75	\$51.48	\$52.00	0.9%	-3.8%
Ontario North/ Thunder Bay	1,912	55.6%	56.6%	\$87.00	\$80.80	\$48.37	\$45.73	0.0%	-1.7%
Ontario NC/ Sudbury	3,978	45.2%	48.1%	\$93.25	\$90.73	\$42.15	\$43.64	2.2%	-4.0%
Niagara Falls, ON	8,686	35.0%	35.6%	\$118.84	\$108.35	\$41.59	\$38.57	3.3%	1.4%
Ontario Central	3,254	46.1%	51.8%	\$112.98	\$106.45	\$52.08	\$55.14	4.2%	-7.3%
Mississauga, ON	5,620	51.1%	48.5%	\$110.47	\$105.61	\$56.45	\$51.22	4.0%	9.6%
Winnipeg, MB	3,792	58.3%	55.5%	\$98.01	\$91.86	\$57.14	\$50.98	-0.2%	4.8%
Regina/Saskatoon, SK	4,423	63.9%	58.7%	\$100.77	\$94.39	\$64.39	\$55.41	0.0%	8.8%
Calgary, AB	7,775	64.9%	61.1%	\$131.29	\$116.54	\$85.21	\$71.21	3.7%	10.2%
Edmonton, AB	7,207	66.2%	64.7%	\$115.43	\$102.66	\$76.41	\$66.42	0.4%	2.8%
Alberta North Area	3,133	72.4%	77.2%	\$133.58	\$113.86	\$96.71	\$87.90	1.8%	-4.6%
Alberta South Area	6,343	55.1%	54.2%	\$126.62	\$117.14	\$69.77	\$63.49	1.7%	3.4%
Vancouver Downtown	7,716	59.5%	57.0%	\$134.55	\$125.86	\$80.06	\$71.74	-2.7%	1.6%
Vancouver/ Burnaby Area	2,289	59.8%	53.5%	\$98.81	\$93.31	\$59.09	\$49.92	0.0%	11.8%
Richmond-Surrey/ East Area	5,847	60.4%	59.5%	\$102.26	\$93.45	\$61.77	\$55.60	1.0%	2.6%
British Columbia Area	5,128	62.4%	59.1%	\$207.30	\$185.38	\$129.36	\$109.56	0.5%	6.0%
Kamloops/ Kelowna Area	4,559	40.6%	38.7%	\$87.58	\$81.67	\$35.56	\$31.61	1.9%	6.9%
Vancouver Island	3,972	48.9%	48.6%	\$94.53	\$87.87	\$46.23	\$42.70	0.8%	1.6%
Provinces									
Alberta	24,458	62.2%	63.2%	\$117.60	\$102.43	\$73.15	\$64.74	1.8%	0.1%
British Columbia	29,334	50.6%	49.4%	\$109.69	\$100.38	\$55.50	\$49.59	0.4%	2.9%
Manitoba	4,624	55.3%	52.9%	\$85.62	\$74.44	\$47.35	\$39.38	-0.1%	4.3%
New Brunswick	3,455	39.0%	38.7%	\$93.58	\$84.57	\$36.50	\$32.73	0.9%	1.7%
Newfoundland	1,760	46.4%	38.0%	\$100.08	\$94.25	\$46.44	\$35.82	1.1%	23.4%
Nova Scotia	4,360	37.3%	37.8%	\$96.80	\$84.93	\$36.11	\$32.10	-1.1%	-2.4%
Northwest Territories	124	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	70,675	49.2%	49.6%	\$111.19	\$105.40	\$54.71	\$52.28	1.4%	0.6%
Prince Edward Island	951	35.6%	48.3%	\$57.72	\$51.61	\$20.55	\$24.93	0.0%	-26.3%
Quebec	24,255	44.7%	43.8%	\$107.43	\$108.21	\$48.02	\$47.40	1.1%	3.1%
Saskatchewan	5,928	50.7%	45.8%	\$89.21	\$80.20	\$45.23	\$36.73	0.3%	11.0%
Yukon Territory	53	INS	INS	INS	INS	INS	INS	INS	INS
Canada	169,977	49.0%	48.9%	\$108.57	\$100.22	\$53.20	\$49.01	1.0%	1.1%

**CANADIAN LODGING OUTLOOK
HVS GLOBAL HOSPITALITY SERVICES - CANADA**

Source Reference:

- ¹ <http://www.colliershotels.com/innvestment> (Article: The Top Ten Issues for 2007 by Charles Suddaby, Fort Quarter 2006 edition)
- ² http://www.dcnonl.com/cgi-bin/dcnhome.pl?rm=print_story&story=20051005200
- ³ <http://www.canada.com/vancouver/news/business/story.html?id=af722133-9b2c-4955-9fc4-87656e1c0872&k=50584>
- ⁴ The Globe and Mail Report on Business Magazine, 50 Best Employers in Canada 2007, January 3, 2007
- ⁵ <http://www.cthrc.ca/eng/page.aspx>

DEFINITIONS

Occupancy:	Rooms sold divided by rooms available.
Room Revenue:	Total room revenue generated from the sale or rental of rooms.
Average Daily Rate (ADR):	Room revenue divided by rooms sold.
Room Revenue Per Available Room (RevPAR):	Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR).

*If you have any questions regarding this publication please send a message to bmacdonald@hvs.com
Web Site: <http://www.hvs.com>*

The Canadian Lodging Outlook is a joint publication of Smith Travel Research and HVS Global Hospitality Services, Vancouver and Toronto, Canada. If you wish to reprint any of the articles presented through HVS's website, prior permission from HVS Global Hospitality Services and the respective article's author must be granted. For further information please contact info@hvs.com. Hospitality Valuation Services, HVS and HVS logo are registered service marks.



Vancouver Office
Suite 400 - 145 West 17th Street
North Vancouver, BC
Canada BC V7M 3G4
(604) 988-9743
(604) 988-4625 fax

Toronto Office
6 Victoria Street
Toronto, ON
Canada M5E 1L4
(416) 686-2260
(416) 686-2264 fax

HVS is the leading consulting and appraisal firm specializing solely in the hospitality industry. *HVS* personnel have university degrees in Hotel Administration, or actual hotel work experience, and are taking further courses of study to obtain recognized real estate designations. *HVS* has consulted for over 10,000 hotels in 55 countries. For a complete list of consulting and valuation offices [click here](#).



SMITH TRAVEL RESEARCH

STR provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on STR data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled. STR has developed a variety of products and services to meet the needs of industry leaders.

OFFICE:
735 E. Main St.,
Hendersonville, TN 37075
(615) 824-8664



HOTEL ASSOCIATION OF CANADA INC.

The Hotel Association of Canada is a federation of provincial and territorial associations, hotel chains and suppliers with a mandate to represent members nationally and internationally and to provide cost-effective services that stimulate and encourage a free market accommodation industry.

OFFICE:
Anthony Pollard,
1206-130 Albert Street,
Ottawa, Ontario K1P 5G4
(613) 237-7149

If you wish to reprint any of the articles presented through HVS's website, prior permission from HVS Global Hospitality Services and the respective article's author must be granted. For further information please contact info@hvs.com. Hospitality Valuation Services, HVS and HVS logo are registered service marks.