



Training in the midst of a labour shortage

Understanding what small businesses need in order to better equip them



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

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About the Canadian Federation of Independent Business

The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small- and medium-sized businesses with 95,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

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Introduction

Small businesses in all sectors are deeply affected by the labour shortage, and survey data collected by the Canadian Federation of Independent Business (CFIB) in the last few months shows that things are only getting worse. In Quebec, job vacancies have once again hit a peak: 245,470 in Q1 2022, up 81,125 (+49%) from Q1 2021, and 4,275 (+2%) from the previous quarter.¹ Moreover, the Ministère du Travail, de l'Emploi et de la Solidarité sociale (MTESS) has acknowledged that the labour shortage adversely affects citizens, jeopardizes investments and stalls projects that are crucial to Quebec's prosperity.²

There are many ways to help businesses face the labour shortage, including reducing their tax burden, increasing immigration thresholds, facilitating hiring and retention, encouraging automation and supporting training and retraining. This Research Snapshot provides a breakdown of entrepreneurs' thoughts on training and current programs and support to mitigate the labour shortage.

¹ Direction de l'analyse et de l'information sur le marché du travail, *Bulletin des postes vacants au Québec*, Q1 2022. [Online] https://www.emploi.quebec.gouv.qc.ca/fileadmin/fichiers/pdf/Publications/00_imt_Postes-vacants-2022-T1.pdf

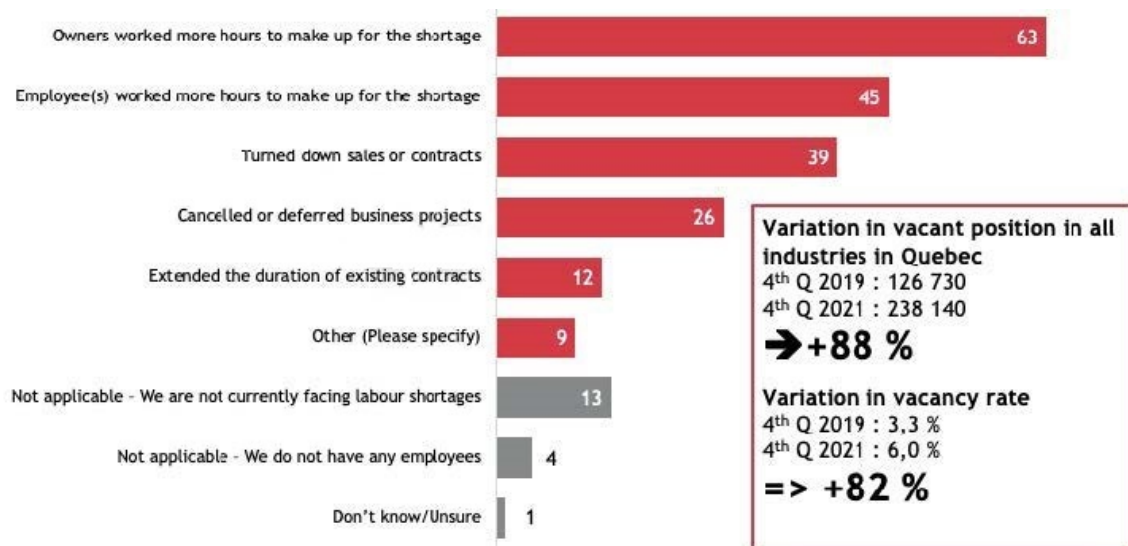
² Ministère du Travail, de l'Emploi et de la Solidarité sociale, *Opération main-d'œuvre* (2022). [Online] <https://www.quebec.ca/gouvernement/ministere/travail-emploi-solidarite-sociale/publications/operation-mainoeuvre>

Small businesses and the labour shortage

Quebec is the province most affected by the labour shortage.³ A recent CFIB survey report documents the labour shortage's adverse effects on small businesses and the hardest hit sectors. It shows that business owners are affected just as much as employees, with 63% of owners and 45% of employees having to work more hours to make up for the shortage. This issue is especially prevalent in the hospitality sector, where it affects 79% of owners and 70% of employees, in the construction sector, where it affects 65% of owners and 50% of employees, and the manufacturing sector, where it affects 58% of owners and 48% of employees.

This data shows that labour shortages have had a negative impact on small businesses in Quebec. Currently, 2 out of 5 small businesses are forced to turn down sales or contracts, and 26% are having to cancel or defer projects. Sales were turned down by 45% of small businesses in manufacturing and 67% in the construction sector. The hospitality sector was not spared and exceeds the Quebec average, with 48% of businesses having to turn down sales, likely due to reduced business hours.

Figure 1
Consequences of labor shortages on SMEs



Source: CFIB, Quebec Omnibus Survey conducted March 14 to April 7, 2022 final results, 1,332 responses, margin of error +2.7%, 19 times out of 20.

Small businesses continue to prefer informal training

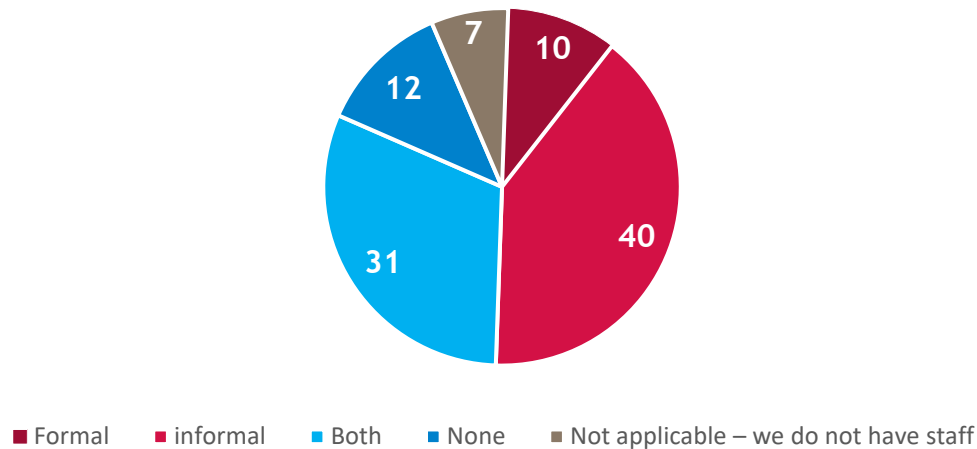
Small businesses clearly care about employee training, with 81% of them offering it to their workers. Their different approaches tell us a lot about the realities they face. Currently, 40% of small businesses

³ CFIB, *Labour Shortages Are Back With a Vengeance*, Research Report, p. 2, 2021. [Online]
https://cdn1.hubspot.net/hubfs/20336445/research/reports/labour-shortages-are-back-with-a-vengeance_1.pdf

train their employees “informally,” while 10% provide “formal” training (e.g. seminars, workshops, theory courses by professional instructors), and 31% offer a combination of both.

Figure 2

What type of training does your business provide to its staff?



Source: CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses = 455, margin of error + 4.6%, 19 times out of 20.

It is clear that a majority of small businesses favour informal training, partly because owners often have to train employees themselves, which takes time and money. They also have to contend with an intangible but no less consequential factor: the risk of an employee quitting before training costs can be recouped. A 2014 CFIB survey⁴ revealed that 48% of Quebec small businesses were afraid their employees would leave after their training to seek advancement opportunities elsewhere. With fewer resources for recruiting and training new hires, small businesses struggle to attract and retain candidates the way big companies and government bodies can. According to the survey, 9% don't provide formal training out of fear employees will leave once training is over.

Small businesses' thoughts on training in the midst of a labour shortage

CFIB wanted to see how significant of an investment small business owners with employees consider training to be and how they rate its impact on the business's productivity. Results show that an overwhelming majority (83%) believe training is a significant investment, but that 84% also think training has a positive impact on productivity. Training is evidently key for most small businesses and features prominently in their strategies.

⁴ CFIB, *Formation dans votre entreprise* survey, 856 respondents in Quebec, September-October, 2014.

Figure 3

The training of our staff is a significant investment for our business

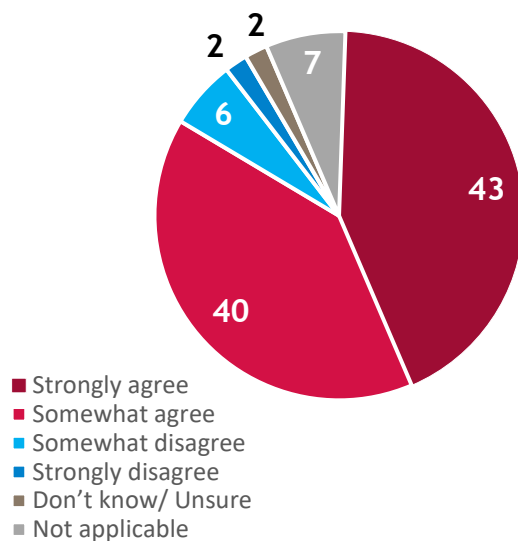
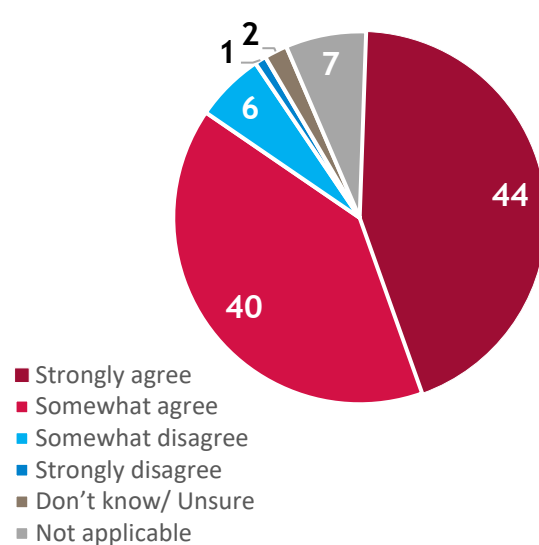


Figure 4

Workforce training has a positive impact on our business's productivity



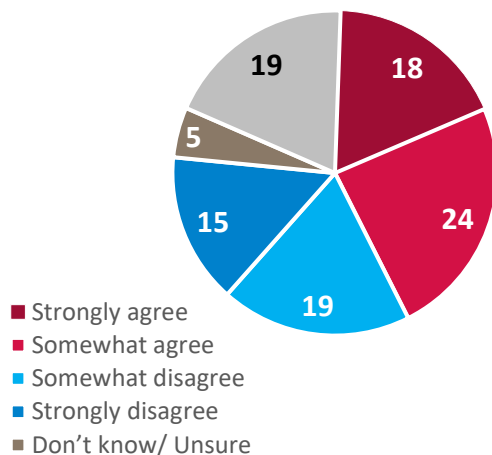
Source : CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses, n= 406

Small business owners invest time and money in employee training. In CFIB's 2014 survey, 78% of small business owners said they were responsible for training new hires.

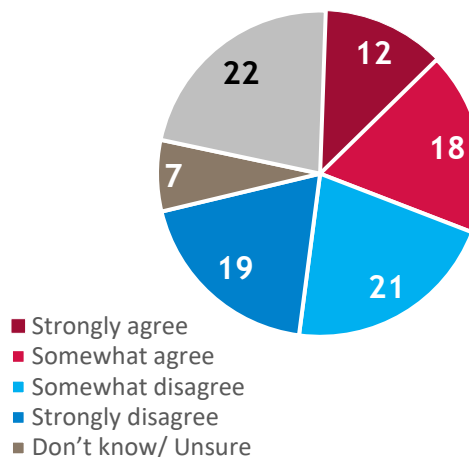
Figure 5

Labour shortages led our business to increase spending on training

Informal training



Formal training



Source: CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses, n = 396

However, severe labour shortages have driven small businesses to ramp up these expenses. Though results are split, 30% say they are investing more in formal training and 42% in informal training in a bid to make up for the labour shortage through increased productivity.

This shows how important training is to small business owners, since the labour shortage could reduce training opportunities. In a context where the labour shortage has forced employers to work more and turn down contracts, the fact that they are choosing to absorb temporary drops in productivity while they train employees shows how strongly they believe in training.

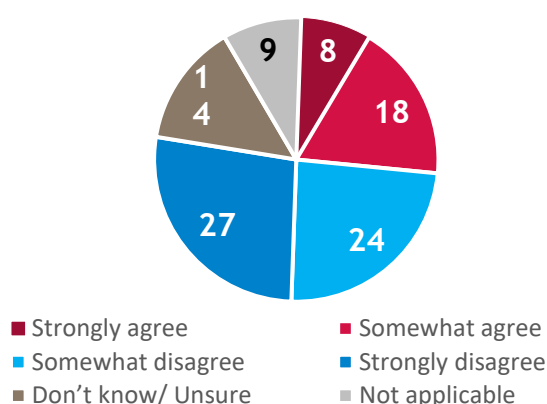
Government programs

Though there are many government programs designed to help small businesses grow, there needs to be more emphasis on promoting them to small business owners, who are often too busy with a wide range of managerial tasks (e.g. HR, regulatory compliance, accounting) to familiarize themselves with these resources. Let us recall that 63%⁵ of small business owners say they work more hours to make up for the lack of personnel, and 52% of entrepreneurs⁶ do so to make up for rising costs (including labour costs), which affect 85%⁷ of small businesses in Quebec.

Awareness of programs designed to help small businesses face the labour shortage remains low. Only 26% of small businesses said they were aware of Quebec government programs and initiatives to help them find and train staff. Entrepreneurs do massive amounts of extra work just to keep their businesses running and have little time left over to seek information or research government programs.

Figure 6

We are aware of the Quebec government's programs and initiatives to help businesses find staff and train them



Source : CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses, n = 396

⁵ Source: CFIB, Quebec Omnibus Survey conducted March 14 to April 7, 2022, final results, n = 1,332 responses, margin of error +2.7%

⁶ Source: CFIB, Your Voice - February 2022 survey conducted February 9 to 25, 2022, final results, n = 671 responses, margin of error +/-3.8%

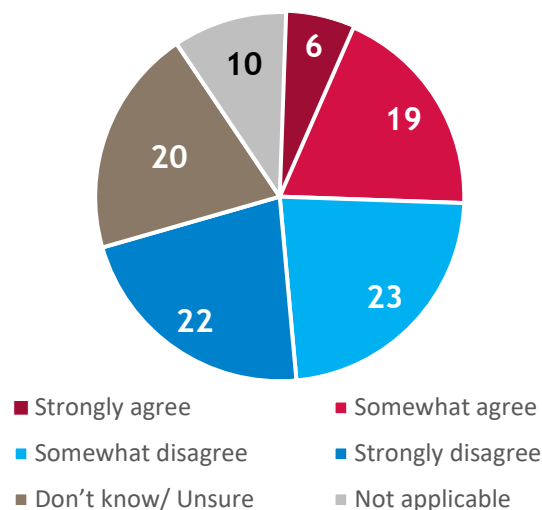
⁷ Ibid.

Regardless of how these programs are structured, they can only be effective if small businesses actually know about them. Their success hinges on how well they are promoted to their target clientele, which may be more easily achieved by gathering them under a dedicated government body. That is why CFIB has been pushing for the creation of a department of small business and campaigning for regulatory relief.

CFIB also wanted to know whether existing measures encourage small businesses to invest in training, to which 25% answered yes. Some businesses reported that they leverage Quebec government measures in order to invest more in training. Though as yet unquantified, the scope of this phenomenon bears further analysis.

Figure 7

The Quebec government's measures (such as training tax credit, tax relief, programs, etc.) encourage our business to invest in the training, reskilling, and upskilling of our staff



Source: CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses, n = 401, margin of error + 5,1% 19 times out 20.

The “1% law” and the search for leeway

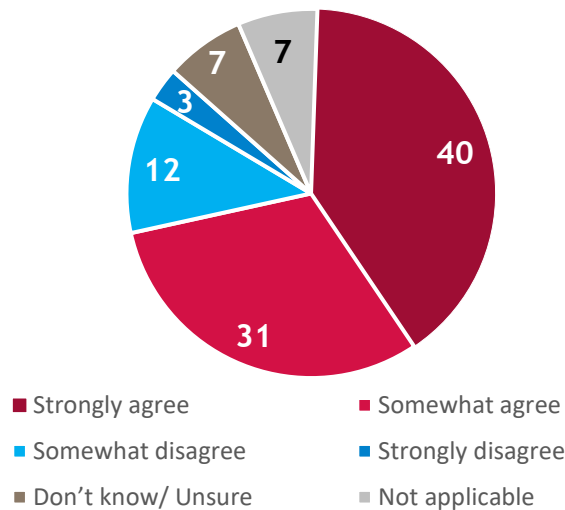
Small business owners understand the benefits of employee training and want to incorporate it in their strategies to mitigate the labour shortage and new challenges discussed above, but this is easier said than done.

Most small businesses (71%) said reducing business costs (e.g. taxes, premiums) is the best way to help them invest in formal and informal training. When asked in a recent survey how they would distribute

the savings generated by a reduced tax burden, 2 out of 5 (47%) said they would invest them in employee training.⁸

Figure 8

Reducing business costs (such as taxes, premiums, etc.) is the best way to help us invest in the formal/informal training of our staff



Source: CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses, n = 376, margin of error + 5,1% 19 times out of 20.

Overall, small businesses want more breathing room, not programs. Some of this room could be made by reforming the [Act to promote workforce skills development and recognition](#), commonly known as the *Job Skills Act* or *1% Law*, to reduce the tax burden of small businesses with an annual payroll of more than \$2 million that are subject to it.

Let us recall that other Canadian provinces support training through tax credits or incentive grants. The Quebec government ought to analyze and draw inspiration from our neighbours' approaches and shift away from compliance and uniformity towards incentive-based models that take small businesses' realities into consideration. Businesses that are subject to the *1% Law* must invest the equivalent of at least 1% of their total payroll in a given calendar year in training activities to develop their staff's skills,⁹ regardless of their actual needs. They also have to deal with extra red tape in connection with regulatory compliance. This one-size-fits-all policy fails to consider businesses' financial situation or actual training needs.

CFIB asked our members whether they would like the *1% Law* to be maintained or abolished, with an unequivocal 67% of respondents in favour of abolishing it. Among small businesses with more than 20 employees (which are more likely to have over \$2 million in payroll and be subject to this law), 76% wanted the law to be abolished.¹⁰

⁸ CFIB, *Your Voice - November 2021* survey conducted November 4 to 23, 2021, final results, n = 634 responses, margin of error +/-3.9%.

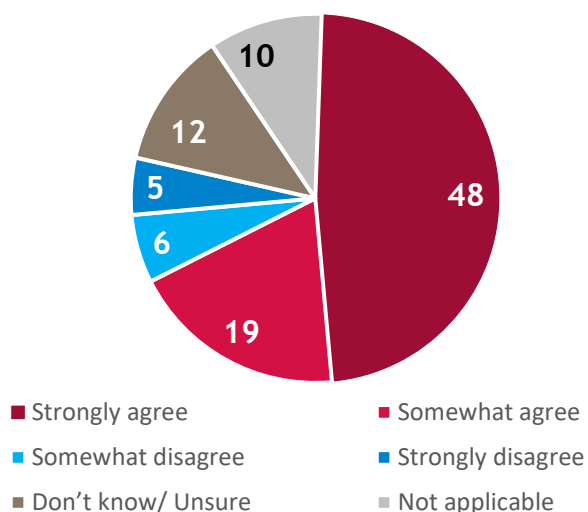
⁹ Emploi Québec, *Loi sur les compétences*, 2022, (online), <https://www.emploi.quebec.gouv.qc.ca/entreprises/sinformer-sur-ses-responsabilites-legales/loi-sur-les-competences/>

¹⁰ CFIB, *Quebec Omnibus Survey* conducted March 14 to April 7, 2022, final results, n = 175 responses, margin of error +7.4%, 19 times out of 20.

These results send the government a clear message that reform is needed.

Figure 9

We support abolishing the 1% contribution to the Quebec government's Workforce Skills Development and Recognition Fund



Source: CFIB, Quebec Omnibus Survey, conducted March 14 to April 7, 2022, final results, 1,137 responses, margin of error +2.9%, 19 times out of 20

Conclusion

The results presented in this Snapshot show that, unlike what we are often led to believe, small businesses value training and invest large sums into it. The misperception that they don't care about training likely stems from the fact that small-business owners put a lot of emphasis on informal training, which often and unjustly receives less recognition than formal training even though it better meets many business owners' actual needs. With inflation and labour shortages driving up labour and training costs, what small business owners need more than anything is financial breathing room in order to invest in formal or informal training according to their own needs.

Several possible solutions could be implemented by the government:

- Improve visibility of existing programs to entrepreneurs and provide them with personalized support in accessing the programs.

- Equip businesses to help them attract employees and make the shift to automation by enhancing the tax credits available (e.g., career extension, retention of experienced workers, training of a worker employed by a small business, digital transformation projects, etc.).
- Improve the tax credits available for training, in particular by covering the costs of informal training, which is widely used by small businesses.
- Dial down the uniform and compulsory approach to training by reducing the 1% contribution to the Workforce Skills Development and Recognition Fund and the red tape that goes along with it.
- Appoint a cabinet minister for small business and regulatory relief.



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