



# Sectoral Profile

## Accommodation and Food Services

Ontario

2016-2018



Sectoral Profiles provide an overview of recent labour market developments and outlooks for some of the key industries in various regions of the country.

### ACCOMMODATION AND FOOD SERVICES: A ROBUST INDUSTRY

- Industry employment growth has been strong over the past decade, however hourly wages were below Ontario's average for all industries
- Operating costs, consumer income, and tourism all impact industry growth
- Given the gradual global economic recovery and the lower value of the CAD/USD exchange rate, the industry employment outlook is fairly positive, with moderate growth expected over the 2016 to 2018 time period. However, high operating costs may slightly dampen employment growth

Accommodation and food services (AFS) is a large industry in Ontario, employing about 444,300 people,<sup>1</sup> and accounting for 1.93% of Ontario's gross domestic product (GDP) in 2015.<sup>2</sup> The following two subsectors make up the AFS industry: i) accommodation services, which is comprised of traveller accommodation, including casinos, RV parks and recreational camps, and rooming and boarding houses, and ii) food services and drinking places, which includes full-service restaurants, limited-service eating places, alcoholic beverage drinking places and special food services (including caterers). Food services and drinking places is the larger of the two subsectors, representing nearly 90% of employment in the overall AFS industry.<sup>3</sup>

<sup>1</sup> Statistics Canada, Labour Force Survey

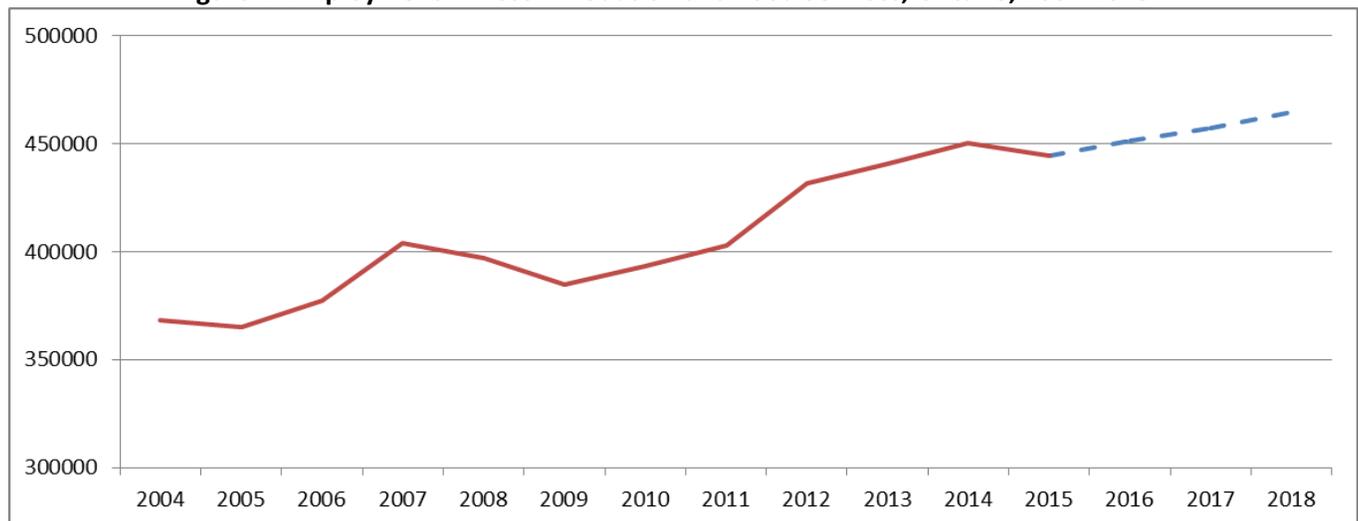
<sup>2</sup> Statistics Canada, CANSIM Tables 379-0028

<sup>3</sup> Statistics Canada, Labour Force Survey

## Employment growth in accommodation and food services was strong over the past decade

The AFS industry recorded strong employment growth in Ontario over the past decade, increasing by 12.1% between 2007 and 2016;<sup>4</sup> in comparison, total employment for all industries increased by 6.8% during the same time frame. The pace of growth in the AFS sector was surpassed by professional, scientific, and technical services, health care and social assistance, and construction. Despite the drop in employment during the 2008-2009 recession, the AFS industry has shown to be fairly robust in Ontario (see Figure 1).<sup>5</sup> In particular, the food and drinking subsector experienced stronger growth over the past decade with employment increasing by 18.7% over the 2007 to 2016 period. However, employment in the accommodation services subsector declined by 23.0% over the same time. Unemployment in the AFS industry dropped from 7.0% to 6.5% over the past decade. In comparison, the total unemployment rate across industries was 6.4% in 2007 and 6.9% in 2016.<sup>6</sup>

**Figure 1: Employment in Accommodation and Food Services, Ontario, 2004-2018F**



Source: Statistics Canada, CANSIM 282-0008

## Average hourly wages in AFS remain low relative to other industries

Although unemployment was low in the AFS industry, indicating high demand, wages were low compared to other industries. As of 2016, the average hourly wage for the AFS industry was \$13.87, compared with \$26.15 for all industries in Ontario.<sup>7</sup> The lower wage can be attributed to the lower skill level requirements for the main occupations in the AFS industry.<sup>8</sup> The following occupations make up over 70% of the workforce in the AFS industry:

- Food counter attendants, kitchen helpers and related occupations (NOC 6711)
- Food and beverage servers (NOC 6513)
- Cooks (NOC 6322)

<sup>4</sup> Statistics Canada, Labour Force Survey, CANSIM Table 282-0088

<sup>5</sup> Statistics Canada, Labour Force Survey, CANSIM Table 282-0088

<sup>6</sup> Statistics Canada, Labour Force Survey, custom table

<sup>7</sup> Statistics Canada, Labour Force Survey, CANSIM Table 282-0072

<sup>8</sup> Most occupations in the AFS industry require no formal education and tend to require only on-the-job training.

- Restaurant and food service managers (NOC 0631)
- Cashiers (NOC 6611)
- Maîtres d'hôtel and hosts/hostesses (NOC 6511)
- Food service supervisors (NOC 0631)<sup>9</sup>

Due to the lower educational and skill requirements relative to other industries, the AFS industry is highly accessible to younger workers; in 2016, 41.9% of people employed in the AFS industry were between the ages of 15 to 24, versus about 13.6% for all industries.<sup>10</sup> The younger workforce is likely attracted to the non-traditional hours and the seasonality of many jobs, allowing youth to work outside of typical school hours. In fact, 45.6% of those employed in AFS are in part-time roles, versus 19.5% of all industries in Ontario. About 68.2% of those working part-time in the AFS industry are between the ages of 15-24, versus 34.9% for all industries.<sup>11</sup> As a result of the younger profile of this industry, most of these occupations are characterised by high employee turnover, generating steady demand for workers in the industry.<sup>12</sup>

## Operating costs, consumer income, and tourism all drive industry growth

### Operating Costs

Although the average real wage in the AFS industry is lower compared to all industries, it grew at a faster rate. Between 2006 and 2015, the average real<sup>13</sup> hourly wage in the AFS industry increased by 9.6%, versus 7.3% for all industries.<sup>14</sup> Since the AFS industry has a higher proportion of minimum-wage earners compared to other industries,<sup>15</sup> its wage growth can mainly be attributed to increases in the real minimum wage, which rose by 25.4% between 2006 and 2015.<sup>16</sup> Wages and benefits made up 29.0%<sup>17</sup> of total expenses within the AFS industry in 2014.<sup>18</sup>

Purchases, materials and sub-contracts made up 35.5% of total expenses in the AFS industry in 2014.<sup>19</sup> In Q1 of 2016, over three-quarters of restaurant operators in Canada reported high food prices to be of primary concern in terms of impact to business.<sup>20</sup> Between 2011 and 2015, food price inflation was higher than CPI inflation, meaning that input prices of food were rising faster than overall prices.<sup>21</sup> This was a global trend,

<sup>9</sup> Statistics Canada, custom table

<sup>10</sup> Statistics Canada, Labour Force Survey

<sup>11</sup> Ibid

<sup>12</sup> Statistics Canada, Labour Force Survey

<sup>13</sup> Real wages refers to wages that have been adjusted for inflation. In this case, wages were adjusted using the Consumer Price Index (CPI)

<sup>14</sup> Statistics Canada, Labour Force Survey, CANSIM Tables 282-0072 and 326-0021

<sup>15</sup> Ibid

<sup>16</sup> Government of Ontario, *Ministry of Labour*. (2014, January 27). 2014 Minimum Wage Advisory Panel. Retrieved from: <http://www.labour.gov.on.ca/english/es/pubs/mwap/>

<sup>17</sup> Firms with annual revenues of \$30,000 - \$5,000,000

<sup>18</sup> Government of Canada. (2016, April 11). Report for: NAICS 72 - Accommodation and Food Services - Financial Performance Data. Retrieved from <https://www.ic.gc.ca/app/sme-pme/bnchmrkngtl/rprt-flw.pub?execution=e1s2>

<sup>19</sup> Government of Canada. (2016, April 11). Report for: NAICS 72 - Accommodation and Food Services - Financial Performance Data. Retrieved from <https://www.ic.gc.ca/app/sme-pme/bnchmrkngtl/rprt-flw.pub?execution=e1s2>

<sup>20</sup> Elliott, C. (2016, April 27). Restaurant outlook survey – first quarter 2016. *Restaurants Canada*. Retrieved from: <https://www.restaurantscanada.org/Portals/0/Documents/ROS%20Q1-topline.pdf>

<sup>21</sup> Rollin, A. (2013, June 27). The increase in food prices between 2007 and 2012. *Government of Canada, Statistics Canada*. Retrieved from: <http://www.statcan.gc.ca/pub/11-626-x/11-626-x2013027-eng.htm>

driven by a number of factors, including an increase in global demand, low supply and reserves of grains, high energy and fertilizer prices, and poor weather conditions.<sup>22</sup> Imports of fresh fruit and vegetables have also increased due to the weakening Canadian dollar.<sup>23</sup> Continued high food prices may result in challenges to industry growth and place downward pressure on labour demand over the 2016 to 2018 period.

### *Consumer Income*

Employment growth in the AFS industry is also dependent on the strength of the economy and disposable income levels. As the economy slows or disposable income drops, Canadians are less likely to conduct leisure activities such as eating and sleeping outside of the home. In Canada, the household debt-to-disposable income ratio is at all-time highs, and has topped 165%,<sup>24,25</sup> indicating that consumers have high levels of debt relative to their income. During 2017 and 2018, household spending may be curbed to replenish savings and reduce debt. This could reduce leisure-related spending and constrain employment growth in the industry.

### *Tourism*

The value of the CAD/USD exchange rate and the strength of the economies of other nations - particularly the U.S. due to its proximity to Ontario - drive much of the growth in tourism in Ontario. A strong correlation exists between the CAD/USD exchange rate and the number of U.S. tourists visiting Ontario, as seen in Figure 2.<sup>26</sup> A lower CAD/USD exchange rate provides an incentive for visits to Canada. It also encourages Canadians to take domestic trips rather than travel abroad. Tourism spending on accommodation and food and beverage services in Ontario has improved as of late; however the number of U.S. visitors to Ontario is still well below levels seen in the early 2000s. Given the recent depreciation of the Canadian dollar and the strengthening US economy, we expect an increase in tourism over 2017 and 2018, which will positively affect Ontario's AFS industry.

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<sup>22</sup> Ibid.

<sup>23</sup> Elliott, C. (2016, April 27). Restaurant outlook survey – first quarter 2016. *Restaurants Canada*. Retrieved from <https://www.restaurantscanada.org/Portals/0/Documents/ROS%20Q1-topline.pdf>

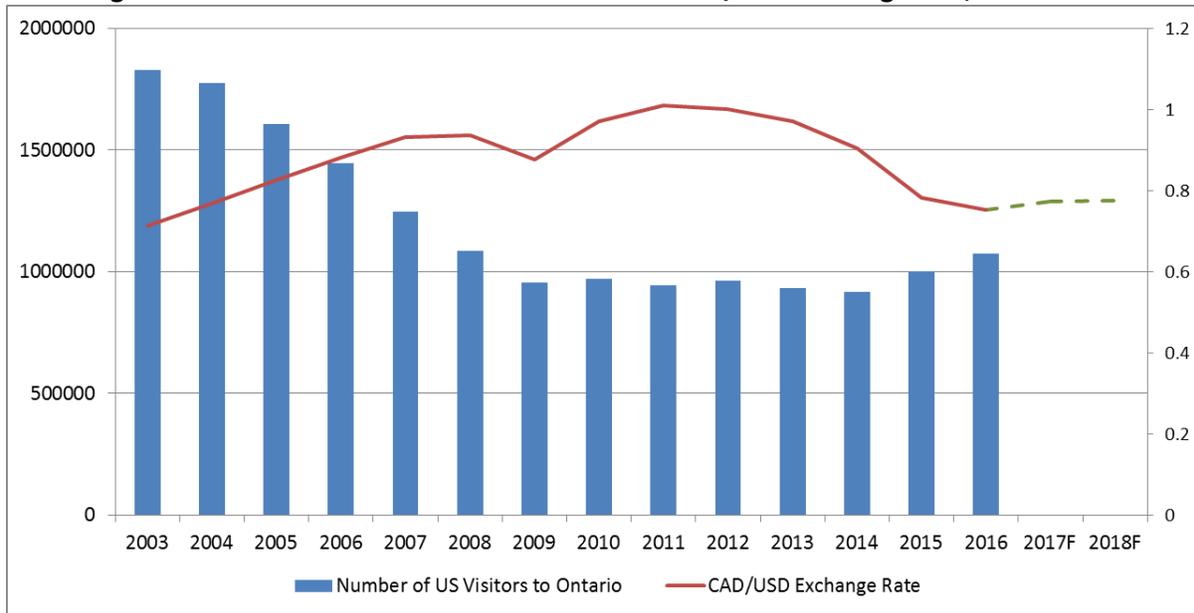
<sup>24</sup> Statistics Canada, CANSIM Table 378-0122

<sup>25</sup> Government of Canada, Statistics Canada. (2016, June 14). National balance sheet and financial flow accounts, first quarter 2016.

Retrieved from <http://www.statcan.gc.ca/daily-quotidien/160614/dq160614a-eng.htm?HPA>

<sup>26</sup> Statistics Canada, CANSIM Table 427-0005

**Figure 2: Number of U.S. visitors to Ontario and CAD/USD exchange rate, 2003-2018F**



Source: Number of Visitors – Statistics Canada CANSIM 427-0005 (2016 data is an Jan-July average)  
 CAD/USD Exchange (Forward) Rate – Statistics Canada CANSIM 176-0064

**Automation**

The increased adoption of technology in the AFS industry may start to impact industry employment in the forecast period. To attract more customers to their restaurants, McDonald’s Canada is offering food customization options via self-serve kiosks.<sup>27</sup> While McDonald’s does not anticipate any layoffs due to these kiosks, there may be significant changes to this industry if other restaurants begin to implement this technology.

**Sector Outlook**

Increasing operating costs, slow growth in consumer spending, and the anticipated increase in U.S. tourism will all impact the growth of the AFS industry in Ontario. As a result, we maintain a fairly positive employment outlook for this industry in 2017 and 2018 as growth continues at a steady rate.

**Local trends in the AFS industry**

Average firm size in the AFS industry varies depending on the subsector. Within the food services and drinking places subsector, employment is more highly concentrated in smaller organizations. This subsector is characterized by high turnover, with many franchises and small enterprises opening and closing across all economic regions. In contrast, the accommodation services subsector is characterized by larger organizations and low business turnover.

<sup>27</sup> Strauss, M. (2015, September 30). McDonald’s rolls out upscale options. *The Globe and Mail*. Retrieved from <http://www.theglobeandmail.com/report-on-business/mcdonalds-rolls-out-table-service-customized-burgers-in-upscale-shift/article26601464/>

In Ontario, nearly 65% of the largest AFS businesses (500+ employees) were located in the **Toronto** economic region. Toronto hosts many restaurants, drinking places, accommodations, and the headquarters of companies in the AFS industry. It is also a popular destination for conferences and tourists. This region showed the strongest AFS employment growth over the past decade relative to the other economic regions, and is expected to be a leader in growth over the next few years.

The **Hamilton-Niagara Peninsula** economic region is a popular tourist destination, with many restaurants, drinking establishments, and lodging options, particularly in the Niagara region. Due to the proximity to the U.S., the share of U.S. visitors to the region is high. As a result, tourism is particularly susceptible to changes in the CAD/USD exchange rate and the strength of the U.S. economy. The weakening of the Canadian dollar and the continued strengthening of the U.S. economy is likely to increase tourism to the region over the next few years.

The economic region of **Ottawa** is home to tourist attractions such as the parliament building, national museums, and outdoor activities. It is also a popular conference destination. Based on recent hotel occupancy rates, the Ottawa-Gatineau Hotel Association predicted that tourism numbers will remain relatively flat until 2017, when the nation's capital celebrates the country's 150<sup>th</sup> birthday and local tourism should receive a boost.<sup>28</sup> In addition, gradual employment growth in the federal public sector could lead to some leisure spending in the region.

The **Muskoka-Kawarthas** and **Stratford-Bruce Peninsula** economic regions are rural areas, and home to a high concentration of cottages, cabins, and RV and campgrounds. The regions attract many tourists interested in outdoor activities and sports.<sup>29</sup> Consequently, tourism thrives in the summer months and falls off significantly thereafter.<sup>30</sup> Some businesses and resorts in the areas have indicated challenges in finding local workers to fill positions, as these regions are often remote, less populated, and have an ageing workforce. The new casino in the City of Peterborough and a Marriott Hotel Town Place Suites in Kincardine will likely to contribute towards employment growth in AFS in this region.<sup>31,32</sup>

The **Windsor-Sarnia** economic region borders the U.S., and therefore has a large share of U.S. visitors, particularly from Michigan. Due to the proximity to the U.S., same-day visits are more common than overnight.<sup>33</sup> As the Canadian dollar becomes cheaper relative to the U.S. greenback, day travel in the region should see more activity. However, in recent years, AFS employment has declined in the Windsor—Sarnia economic region, likely as a result of fewer U.S. visitors due to the recession and slow subsequent recovery. In the **Northwest and Northeast** economic regions, the largest share of tourists originate from Ontario, although US visitors make up a substantial portion as well. The main attractions are related to boating, fishing and hunting. These two northern regions are home to a very large share of the province's RV parks and recreational

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<sup>28</sup> Scholey, L. (2016, May 31). Tourism summit plans Ottawa's post-2017 'hangover'. *Ottawa Business Journal*. Retrieved from <http://www.obj.ca/Local/Tourism/2016-05-31/article-4545031/Tourism-summit-plans-Ottawas-post-2017-hangover/1>

<sup>29</sup> Government of Ontario, Ministry of Tourism, Culture and Sport. (2016, January 19). Regional Tourism Profiles. Retrieved from <http://www.mtc.gov.on.ca/en/research/rtp/rtp.shtml>

<sup>30</sup> Muskoka assessment project. (2015, November 11). *Muskoka Tourism Marketing Agency*. Retrieved from [http://www.mtc.gov.on.ca/en/publications/PR\\_Muskoka.pdf](http://www.mtc.gov.on.ca/en/publications/PR_Muskoka.pdf)

<sup>31</sup> Bernard, K. (2016, April 20). New Kincardine hotel set to open. *Bayshore Broadcasting*. Retrieved from [http://www.bayshorebroadcasting.ca/news\\_item.php?NewsID=83929](http://www.bayshorebroadcasting.ca/news_item.php?NewsID=83929)

<sup>32</sup> Kvoach, J. (2016, April 13). Casino confirmed for city of Peterborough. *The Peterborough Examiner*. Retrieved from <http://www.thepeterboroughexaminer.com/2016/04/12/casino-confirmed-for-city-of-peterborough>

<sup>33</sup> Government of Ontario, Ministry of Tourism, Culture and Sport. (2016, January 19). Regional tourism profiles. Retrieved from <http://www.mtc.gov.on.ca/en/research/rtp/rtp.shtml>

camp. Northern Ontario is seeking to boost tourism from visitors outside the region and increase overnight stays, which could lead to higher demand in the AFS industry.<sup>34</sup>

The **Kitchener-Waterloo-Barrie** economic region has shown strong employment growth over the past decade, a trend that is expected to continue, albeit at a more moderate pace. This area has a growing population, along with major educational institutions and businesses. A number of hotel openings have recently contributed to employment growth in the AFS industry, including the Fairfield Inn and Suites by Marriott International Inc.<sup>35</sup>

The economic regions of **Kingston-Pembroke**, and **London** are home to large universities, which help to support demand and supply of workers in food services and drinking places. Employment conditions in the **London** region are expected to improve slowly over 2017 and 2018, with weak employment growth expected in the AFS industry. The **Kingston-Pembroke** area has experienced slower population growth and higher unemployment recently, which may negatively affect employment growth in the AFS industry for the forecast period. However, the casino in Belleville opening in 2017 should bode well for the local AFS industry.<sup>36</sup>

***Note:** In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.*

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<sup>34</sup> 2015 Overview of Tourism Opportunities for Northern Ontario (RTO13). (2015, August). *Research Resolutions & Consulting Ltd.*

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<sup>35</sup> Fairfield Inn opens in Barrie. (2016, April 6). *Barrie Advance*. Retrieved from <http://www.simcoe.com/news-story/6441161-fairfield-inn-opens-in-barrie/>

<sup>36</sup> Miller, T. (2016, April 27). Casino Breaks Ground. *The Peterborough Examiner*. Retrieved from <http://www.thepeterboroughexaminer.com/2016/04/27/casino-breaks-ground>