

2024

FEDERAL PRE-BUDGET SUBMISSION

February 8, 2024

SUMMARY OF RECOMMENDATIONS



RECOMMENDATION #1

Maintain Cap on Alcohol Excise Tax Increases until Inflation Stabilizes



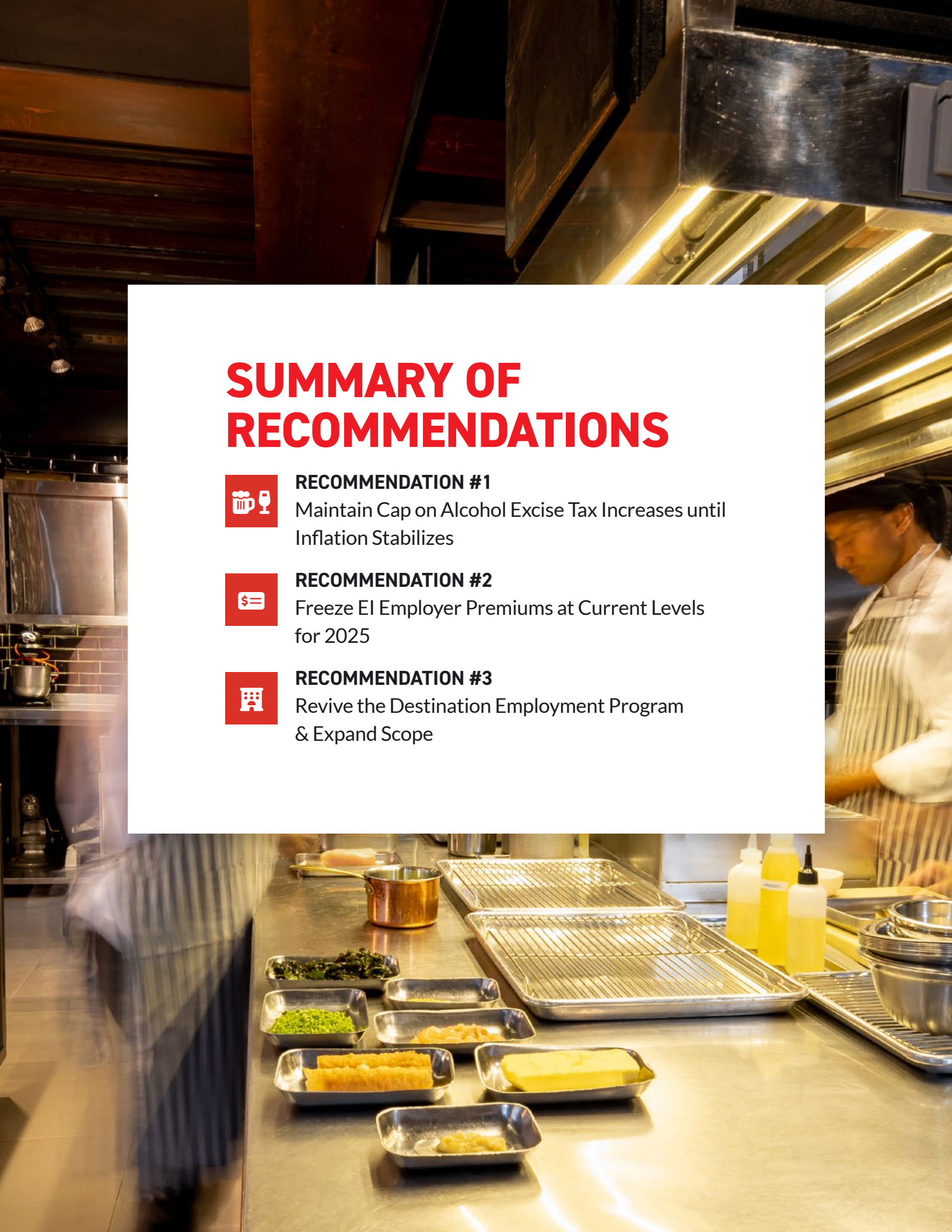
RECOMMENDATION #2

Freeze EI Employer Premiums at Current Levels for 2025



RECOMMENDATION #3

Revive the Destination Employment Program & Expand Scope





ABOUT RESTAURANTS CANADA

MISSION:

We are a non-profit, member-based association advancing the potential of Canada’s diverse and dynamic foodservice industry through programs, research and advocacy.

SECTOR AT A GLANCE :

The 97,500 small and medium-sized businesses that make up the Canadian foodservice sector are pillars of our culture, economy and workforce. As Canada’s fourth-largest private employer, the restaurant industry serves over 22 million Canadians every day and contributes \$100 billion annually to the economy.



WE ARE:



Canada’s fourth-largest employer; over 1.1 million employees from coast to coast



Diverse - 31% of restaurant owners belong to visible minority groups



The largest employer of immigrants and newcomers to Canada



The largest employer of immigrants and newcomers to Canada



Inclusive - 58% of the foodservice workforce are women



An economic driver – contributing \$3 billion annually to tourism



IMPROVING BUSINESS CONDITIONS FOR FOODSERVICE BUSINESSES

Canada's food-service sector is struggling. Industry-wide, the severity of current challenges rival those encountered at the height of the pandemic.

51% of food service companies reported operating at a loss or just breaking even in 2023, compared to only 12% in 2019. These are not just lingering impacts of COVID-19: four-in-ten Restaurants Canada members expected lower profit margins in 2023 than 2022.

With food and labor costs confounded by pre-existing pressures, rising operational expenses have eroded narrow profit margins and led a record number of restaurants to close their doors. In the first 11 months of 2023 the sector saw an increase of 44% in the number of bankruptcies compared to the same period in 2022. *This is the fastest this number has been reached in over a decade.* Notably, these statistics do not cover time period in which the Canada Emergency Business Account had entered repayment.

The pressures facing our industry - from food and transportation costs to debt and labor shortages - are severe and will only worsen without increased support. Budget 2025 is a critical opportunity to help our industry move from survival to revival: continuing to employ 1.2 million Canadians, driving the economy, and keeping businesses alive.



RECOMMENDATION #1: MAINTAIN ALCOHOL EXCISE TAX INCREASE CAP

Alcohol excise duties in Canada automatically increase by inflation in each new fiscal year. This would have equated to an increase of 6.3% in 2023 due to unprecedented inflationary pressures, at a cost of \$750 million to the sector. However, the 2023 federal budget recognized this challenging inflationary context and made the welcome decision to cap annual excise tax increases at 2% for 2023-24.

This measure was lauded across the industry, but is set to expire in April 2024, at which time the tax would increase by 4.7%. This would be the largest increase to the tax in 40 years, at a time when the sector is vulnerable to already-high and unpredictable costs.

We recommend that government maintain the current cap on annual alcohol excise tax increases until inflation returns to the Bank of Canada's 2% target.



RECOMMENDATION #2: FREEZE EI EMPLOYER PREMIUMS AT CURRENT LEVELS FOR 2025

As a labour-intensive industry, expenses such as payroll taxes have a large financial impact on the restaurant sector. These impacts are disproportionately felt by small businesses with more limited capital; as highlighted, over half of Canadian food service businesses were operating at a loss or breaking even in 2023.

Despite these challenges, employer EI premiums increased from \$2.28 to \$2.32 per \$100 of insurable earnings in 2024, placing further strain on narrow profit margins amid unprecedented inflationary challenges. The restaurants who have weathered the past several years are among the most resilient, but a further increase to premiums in 2025 will only exacerbate these pressures at a time of high volatility in the sector.

We recommend pausing the projected increase in EI premiums for 2025, promoting sustainability and predictability amid dire financial pressures.

ADDRESSING LABOUR SHORTAGES AND STREAMLINING PATHWAYS TO EMPLOYMENT

Restaurants continue to face severe labour shortages; 1 in every 6 job vacancies in 2023 was in the food & accommodation sector. This is despite efforts to make the sector more attractive, including the largest year-over-year wage growth of any major industry. These shortages have limited capacity and shortened operational hours, driving many businesses further into debt as they struggle to recoup their bottom line.

Our industry is the largest employer of immigrants and newcomers to Canada. As such, we are uniquely positioned to support Canada in achieving sustainable growth targets while helping small businesses from coast to coast keep their lights on. However, many immigration programs do not consider the unique features, challenges, and opportunities within the food service and hospitality sector.



RECOMMENDATION #3: REVIVE DESTINATION EMPLOYMENT PROGRAM & EXPAND SCOPE

Newcomers to Canada make critical economic and cultural contributions yet face challenges in accessing the professional development opportunities necessary to obtain employment in their chosen field. By expanding opportunities to connect with the workforce in collaboration with local networks, the government can aid in further strengthening the labour market and increase the likelihood of retention in the long term.

In 2018, Immigration, Refugees and Citizenship Canada launched the Destination Employment program, facilitating the workforce integration of newcomers working in hospitality fields. This was described as a “win-win” for employers and newcomers, helping businesses fill vacancies while providing an opportunity for newcomers (including refugees) to obtain their first Canadian workforce experience.

Although the program saw initial success, it was temporarily suspended due to the onset of the pandemic and has yet to be reinstated. However, the infrastructure required for the program’s administration remains in place within IRCC

We recommend that IRCC revive the Destination Employment program and expand its scope to reflect the Tourism Growth Strategy, including a broader range of hospitality positions and increasing opportunities for newcomers to build a career in food service.



**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

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