



STANDING COMMITTEE ON FINANCE

August 2nd, 2024

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1 Lower EI (Employment Insurance) Premium rate to 1.58%

RECOMMENDATION 2 Expand the Canada Entrepreneur Incentive to all sectors

RECOMMENDATION 3 Matching and Training program for Newcomers

RECOMMENDATION 4 Rejoin UN Tourism and attract the World Forum on Food Tourism

RECOMMENDATION 5 Promote jobs in the tourism sector



ABOUT RESTAURANTS CANADA

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



WE ARE:



Canada's fourth-largest employer; creating more than 1.2 million jobs and \$287,000 indirect jobs annually.



A multiplier. For every dollar of output, we generate \$1.80 in the broader economy. All other industries contribute \$1.56.



The largest source of first-time jobs for youth, with over 520,000 youth employees.



An economic driver – generating \$114 billion in sales and \$26 billion in taxes annually.



Inclusive - 58% of the foodservice workforce are women. And diverse: 39% visible minorities and 56% of restaurant owners are immigrants.



The largest employer of immigrants and newcomers to Canada.

ECONOMIC CONTEXT

Major systemic and post-pandemic challenges continue to affect the restaurant industry in 2024. Sales have sharply moderated, due to the strain on consumers' discretionary budgets and their lack of confidence in the economic future.

Rising operating costs, including labor, food, and utilities, have further exacerbated the difficult business environment. The ongoing labor shortage remains unaddressed, forcing restaurants to operate below capacity.

Consequently, bankruptcies have sharply increased, with twice as many in the first half of 2024 compared to 2023.

Considering these challenges, Restaurants Canada urges the government to take reasonable and meaningful actions to alleviate the strain on small businesses in the industry and drive economic growth across all communities in Canada.

Recommendation #1: Lower EI Premium Rate to 1.58%

In the first half of 2024, 47% of restaurants were operating at a loss or barely breaking even. This statistic is particularly significant: the foodservice industry is a vital job powerhouse in Canada's economy as the fourth-largest private-sector employer with over 1.2 million employees.

Due to its labor-intensive nature, the industry is disproportionately impacted by changes to payroll taxes, even the most incremental ones. As such, reasonable measures to reduce payroll taxes help maintain and create new jobs across the country.

The Employment Insurance (EI) premium rate has increased from 1.58% to 1.66% over the past two years, critically affecting an industry still reeling from the pandemic's aftershocks. A reduction in the EI premium rate would significantly benefit an industry with exceptionally low profit margins and high risks of insolvency and failure for entrepreneurs.

Furthermore, reduced premiums would benefit the many young people employed in accommodation and food service. More than 520,000 youth work in the restaurant industry, representing one in five youth jobs in Canada.

Given the current bankruptcies and affordability challenges, a reduction in EI premiums would offer relief for restaurants and taxpayers across Canada, without impacting Canada's consolidated fund. Restaurants Canada therefore urge you to work with your colleagues to reduce the EI premium rate from the current 1.66% back to 1.58%.

Recommendation #2: Expand the Canada Entrepreneur Incentive to all sectors

Equitable taxation encourages investments to flow towards the most productive sectors rather than the ones with the most favorable tax treatment. This can enhance overall economic productivity and growth. It also encourages innovation to flourish in different industries rather than focusing on a few sectors.

Qualifying entrepreneurs for the Canada Entrepreneurs' Incentive (CEI) will pay income taxes on 33.3% of their capital gains, a net reduction from the newly imposed 66.7%

inclusion rate. However, many business sectors do not qualify, including restaurants, hotels, arts, entertainment, recreation, personal services, finance, insurance, real estate firms and professional corporations.

This creates an uneven playing field for our industry to attract the necessary investments at a time when many owners are looking to make investments in automation and other technologies to increase productivity and sustainability.

Therefore, Restaurants Canada urges the federal government to make ALL businesses eligible to the Canadian Entrepreneur Incentive.

Recommendation #3: Matching and Training program for Newcomers

Canada currently has one million open work-permitted newcomers, including asylum seekers, refugees, and international students. Unfortunately, these newcomers often face significant barriers to securing full-time employment, resulting in high unemployment rates and a slower and more painful integration in communities across the country.

Meanwhile, the restaurant industry has 78,000 current job vacancies across the country and a strong record of accomplishment of supporting newcomers. As such, investing in a program to help match and train newcomers for open job vacancies represents a win-win-win for the government, newcomers, and the restaurant industry.

Over the years, many matching and training programs have been tried. Amongst them, the Destination Employment Program (2019-2021) delivered incredibly positive results as a pilot project targeting the hospitality and tourism industry: The Destination Employment Pilot facilitated newcomers into the hospitality/ tourism industry by matching them with suitable jobs and providing training and skill development to enhance their employability and meet industry standards. On the job language training was a key component and benefit, resulting in more cost-effective English/ French language education. A third-party evaluation of the pilot extolled its successes and recommended scaling up the program.

Based on the importance to facilitate the full integration of newcomers in our communities and Canada's economy, the systemic labour shortage faced by our industry, and the preliminary success of the program, Restaurants Canada advocates for the deployment of a matching and training program like the Destination Employment Program.

Recommendation #4: Rejoining UN Tourism and Attracting the World Forum on Food Tourism

Rejoining UN Tourism and attracting the World Forum on Food Tourism present significant opportunities for Canada: it would drive economic growth, promote cultural exchange, support sustainable tourism, and enhance Canada's global leadership position. By embracing these opportunities, the Canadian government can position the country as a leading destination for tourism and culinary experiences, celebrating its diverse heritage and contributing to a more sustainable and inclusive global tourism industry. It can also help position Canadian foodservice businesses internationally, allowing them a window of opportunity to grow and make Canada proud on the world stage.

Tourism is a significant driver of economic growth and diversification. By rejoining UN Tourism, Canada can tap into a vast network of resources, knowledge, and partnerships that can bolster

its tourism sector. The organization provides access to global best practices, research, and data, enabling countries to enhance their tourism strategies. For Canada, this means leveraging its diverse landscapes, vibrant cities, and rich cultural heritage to attract a broader spectrum of international tourists.

Hosting the World Forum on Food Tourism would further amplify Canada's cultural narrative. Food is an intrinsic part of cultural identity, and Canadian cuisine reflects the country's history and diversity. From Indigenous culinary traditions to the flavors brought by immigrants, Canada's food story is a tapestry of cultural influences. Displaying this at an international forum would celebrate Canada's cultural mosaic and strengthen its national identity. Restaurants Canada is a strategically positioned ally to the government to ensure the success of the World Forum on Food Tourism.

As such, Restaurants Canada recommends that Canada rejoins UN Tourism and advocates to host the next World Forum on Food Tourism.

Recommendation #5: Promote jobs in the tourism sector

Canada's tourism industry is experiencing an increased demand for employees in this post-pandemic era; while the industry was able to recover over 1 million employees, it is still falling short to the demand caused by rising travel trends and an expanding range of services within this globally competitive industry.

Government support is crucial for Canada to thrive in this competitive market. By addressing the workforce needs of the tourism sector, the Canadian government can drive economic growth, create job opportunities, and ensure sustainable development in the industry.

The industry would benefit from a marketing campaign to promote careers in the tourism industry to Canadians aged 18-24. The campaign would seek to enhance awareness, interest, and engagement among young Canadians, improving the perception of the tourism sector as a rewarding and viable career choice.

To ensure all industries within the tourism sector are featured, the campaign would be run as a partnership between Tourism Industry Association of Canada, Hotel Association of Canada, Restaurants Canada, Tourism HR Canada, and Indigenous Tourism Association of Canada.

We request support from the government to fund this marketing campaign to promote careers in the tourism industry.



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