



Financial impact of labour shortages in Quebec

Estimated revenue losses
incurred by small businesses
in the last year

AUGUST 2022



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Introduction

Labour shortages are currently the second biggest issue facing small business (SME) owners in Quebec (86%), just after rising costs for things like energy, inputs and insurance (87%) and before government-imposed costs (81%).¹ To shed light on the consequences of this situation, CFIB has decided to estimate the total losses incurred by Quebec SMEs in the last year² due to turned down or delayed contracts caused by labour shortages. This study complements a report on the impact of labour shortages on small businesses in Quebec³ released last April.

How labour shortages affect SMEs

In this section, we will go over the various impacts and consequences of labour shortages on small business owners in Quebec. These impacts can take many shapes and can add up. In particular, labour shortages can affect the hours worked by owners and employees, slow down service and production, or cause sales or contracts to be turned down. As such, Figure 1 shows that a majority of business owners (63%) had to work more hours to make up for the shortages, while 45% said that their employees had to work more hours. The third biggest impact was businesses having to turn down sales or contracts (39%), and the fourth biggest was contract delays (12%).

In the next section, we will attempt to measure the losses resulting from disrupted sales and contracts. It is important to note that the losses stemming from turned down sales and contracts can sometimes be hard to estimate (particularly in sectors where small sales or contracts are turned down more often).

¹ CFIB, Your Voice - April 2022 Survey, n = 440.

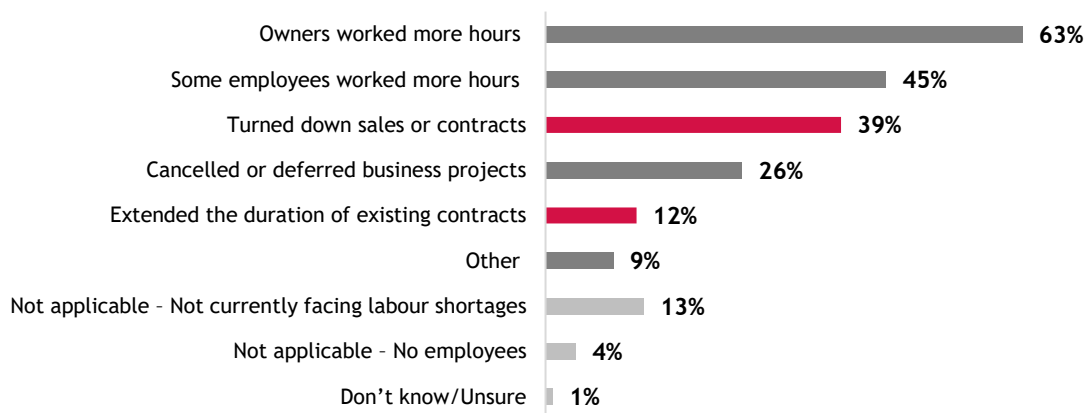
² The analysis only considers SMEs with an income range of \$30,000 to \$5M.

³ [Rapport de sondage de la FCEI : Impact de la pénurie de main-d'œuvre pour les PME du Québec](#), CFIB, 2022 (only available in French).

Financial impact of labour shortages in Quebec - Estimated revenue losses incurred by small businesses in the last year

Figure 1

Impact of labour shortages on SMEs



Source: CFIB, Quebec Omnibus Survey – March 2022, n = 1,328.

Note: Respondents were allowed to select more than one answer choice. Percentages will not add to 100%.

Question: What impact, if any, do labour shortages currently have on your business? (Select all that apply)

Table 1

Impact of labour shortages on SMEs

“I’ve been looking for an assistant and hairdresser with a minimum of experience for over two years now. I’ve been advertising wherever I can afford it. [...] I already have a salaried hairdresser working for me. I desperately need another hairdresser and an assistant to be able to run my salon at full capacity like I did before the pandemic. [...]”

(Personal, Misc. Services, 0-4 employees)

“We’ve been hard hit by labour shortages for some years now. We are unable to adequately serve our customers, which means:

- (1) our customers can’t access certain essential health services*
- (2) we are unable to grow the business*
- (3) we are unable to develop affordable services or prevention services for the population*
- (4) the business owner must invest a lot of time and energy (which limits the services offered)*

We’ve been adapting by letting go. It’s the only thing we can do at the moment. We are trying to recruit foreign workers, but the immigration costs and processing times are absolutely catastrophic. [...]”

(Social Services, 0-4 employees)

“The labour shortage and instability, and the consequent struggle to retain employees, have been causing such stress that we are considering being bought out by a larger organization or simply closing shop. Supervisors are overloaded and struggle to ensure adequate turnover. The business has plenty of work, but we struggle to recruit and retain our talent. We are also forced to constantly raise our wages without being able to raise our sales prices accordingly. [...]”

(Natural Resources, 5-19 employees)

Sources: 1) CFIB, Your Voice - June 2022 Survey.

2) CFIB, Your Business Outlook Survey, March 2022.

Losses suffered by Quebec SMEs

Based on survey results concerning disrupted sales and contracts, CFIB was able to calculate part of the losses suffered by Quebec small business owners due to labour shortages (see appendix for details about our methodology). As is shown in Table 2, total financial losses over the last year amount to well over \$10.7 billion. Notably, both the construction and professional and business services sectors suffered losses in excess of \$2 billion. These amounts can be explained by: 1) the size (number of SMEs) of these sectors, 2) the high proportion of businesses having had to turn down sales or contracts in the last year, and 3) the higher proportion of losses compared to revenue. Detailed results regarding these second and third factors are displayed by sector in Table A1 of the appendix.

Table 2

Financial losses suffered by Quebec SMEs by sector (in \$ million)

	Losses by sector (in \$ million)
Construction	2,219.7
Professional and Business Services	2,078.0
Wholesale and Transportation	1,204.2
Hospitality	1,024.4
Retail	971.8
Personal, Misc. Services	893.9
Manufacturing	702.8
Agriculture and Natural Resources*	256.5
Other services*, **	1,417.8
Total	10,769.2

Source: CFIB, Quebec Omnibus Survey – March 2022, n = 397.

Notes: 1) *Small sample, use with caution (<30).

2) **Other services include the social services and arts, recreation & information sectors.

While the estimated impact of labour shortages on the loss of sales and contracts is significant for small business owners, it is important to note that it does not necessarily result in the same net loss for the Quebec economy. The amounts that were not invested in these contracts or sales may have been injected into different projects or allocated to other expenses for SMEs, and the lost customers may have spent their money elsewhere in Quebec in other ways.

Nevertheless, over \$10.7B could have been a major boon for businesses, allowing them to compensate for staffing shortages by investing in automation or raising wages. This loss also comes at a bad time for Quebec SMEs, as 62%⁴ of businesses must now repay their COVID debt (\$108,000 on average),⁵ and only 46% of which are back to normal revenues. They are also faced with other challenges as 87% struggle with rising costs (energy, inputs) and 81% struggle with government-imposed costs.⁶

⁴ <https://initiative.cfib-fcei.ca/dashboard/>

⁵ [Two Years of COVID-19 for Canada's Small Businesses](#), CFIB, 2022.

⁶ CFIB, Your Voice - April 2022 Survey, n = 440.

Conclusion

Labour shortages have impacted Quebec SMEs in many ways, including by forcing them to turn down sales and contracts. These losses have consequences that should not go unaddressed. If our approach to the labour market remains the same, the current situation could worsen in years to come.⁷

SMEs are the lifeblood of Quebec's economy. The challenges and losses they face due to labour shortages are effectively slowing their post-pandemic recovery and hampering their success.

⁷ Bomal, Laure-Anna, [Labour shortages are back with a vengeance](#), CFIB, 2021.

Appendix: Methodology

Share of SMEs that have suffered losses

The share of SMEs that suffered sales or contract disruptions due to labour shortages was estimated with the help of an online Quebec Omnibus survey completed by 1,332 CFIB members in Quebec between March 14 and April 7, 2022. Since this was a non-probability survey, it has no error margin. The first question was:

What impact, if any, do labour shortages currently have on your business? (Select all that apply)

- Not applicable - We are not currently facing labour shortages*
- Not applicable - We do not have any employees*
- Cancelled or deferred business projects*
- Turned down sales or contracts*
- Extended the duration of existing contracts*
- Owners worked more hours to make up for the shortage*
- Employee(s) worked more hours to make up for the shortage*
- Other (Please specify)*
- Don't know/Unsure*

Members who selected “Turned down sales or contracts” or “Extended the duration of existing contracts” were asked a follow-up question:

In the past year, what percentage of your business revenues were lost as a result of sales or contracts that were postponed or turned down due to labour shortages? (Enter an approximate percentage)

Extreme values for percentage of lost revenues due to turned down or extended contracts were handled by excluding percentages of 90% or more from the sample. Three answers were removed after this adjustment was made.

For each sector, the proportion of Affected SMEs (Table A1) corresponds to the number of businesses that reported a percentage of lost revenues due to turned down or extended contracts compared to the total number of businesses with employees in the sample. Even though contract extensions can be considered positive, in the context of this survey, we deem this impact to be negative for SMEs. Based on this understanding, affected members were included in the estimate.

Members who reported being affected but did not enter a percentage are not included in this proportion. This is an additional margin of prudence in this estimate.

Table A1

Lost sales or contracts of Quebec SMEs due to labour shortages, percentage of SMEs and revenues, by sector

	Affected SMEs (in % of total)	Average losses (in % of revenue)
Construction	47%	23%
Professional and Business Services	46%	26%
Hospitality	38%	24%
Wholesale and Transportation	37%	19%
Manufacturing	36%	16%
Personal, Misc. Services	29%	29%
Retail	17%	19%
Agriculture and Natural Resources*	18%	15%
Other services*, **	26%	25%
Quebec	31%	21%

Source: CFIB, Quebec Omnibus Survey – March 2022, n = 397.

Notes: 1) *Small sample, use with caution (<30).

2) **Other services include the social services and arts, recreation & information sectors.

Average revenue by sector

Our data on the average total revenue of Quebec SMEs by sector stems from reports on financial performance data prepared by Statistics Canada for 2020.⁸ This data is available in a customized format based on certain criteria, such as province, sector, income range and incorporation status. Since data for SMEs with revenues between \$5M and \$20M cannot be accessed by province, only SMEs with an income range of \$30,000 to \$5M are considered in our analysis.

This limits our cost estimate since Quebec SMEs with revenues below \$30,000 or above \$5M are not included. This is also why we have preferred to use average revenue rather than median revenue. Additionally, median revenue was not used as it could include self-employed workers, while we wanted to focus on the revenues of businesses with employees.

We focused on incorporated SMEs, which excludes certain sectors where financial performance data is not available for confidentiality reasons. In such cases, we considered all businesses in the sector, regardless of incorporation status. We did this for the mining, quarrying, and oil and gas extraction, information and cultural industries, educational services and arts, entertainment and recreation sectors.

The finance and insurance sector was excluded as the required data was not available.

⁸ Statistics Canada - Small business profiles, 2020.

SMEs included in the calculations

Statistics Canada table 33-10-0304-01⁹ shows the number of businesses based on number of employees per sector in December 2020, organized by province. Businesses with more than 500 employees, as well as unclassified businesses and those in the following sectors were removed from the total: public administration, utilities, finance and insurance, and real estate, rental and leasing. CFIB made certain custom calculations to adjust various components in some sectors.

Loss calculation

The share of SMEs that suffered losses is multiplied by the adjusted number of small businesses in Quebec calculated previously for each sector. This allows us to estimate the number of small businesses affected by labour shortages, by sector.

In parallel, thanks to CFIB members' self-assessment of their losses expressed as a percentage of their revenue in the last year, we can estimate the losses suffered by affected businesses, by sector. That is why the total revenue extracted from financial performance data is multiplied by this percentage, by sector.

Finally, the product of the losses by affected businesses multiplied by the number of affected businesses gives us an estimate of the contract losses Quebec SMEs suffered due to labour shortages, by sector.

The following formula is a basic illustration of the methodology used:

$$\sum_s [SSMEs \times SMETOTs] \times [Ls \times Rs]$$

Where:

SSMEs - Share of SMEs in sector "s" that suffered losses

SMETOTs = Adjusted number of SMEs in sector "s" in Quebec

Ls = Average loss in % of revenue for an SME in sector "s"

Rs = Average revenue of an SME in sector "s" in Quebec

⁹ Statistics Canada. Table 33-10-0304-01 Canadian Business Counts, with employees, December 2020.

About CFIB

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.

About the author



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Laure-Anna Bomal is a Research Analyst in Montreal for the Canadian Federation of Independent Business (CFIB). Since joining CFIB in 2021, she has worked on a range of surveys and research reports on issues affecting small businesses, including business logistics and labour shortages.

She holds a Master of Arts in Economics from the University of Ottawa and a Bachelor of Science in Mathematics and Economics from the Université de Montréal.



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