

The Conference
Board of Canada

Productivity and the Tourism Sector

Tourism HR Labour Market Forum Panel Session

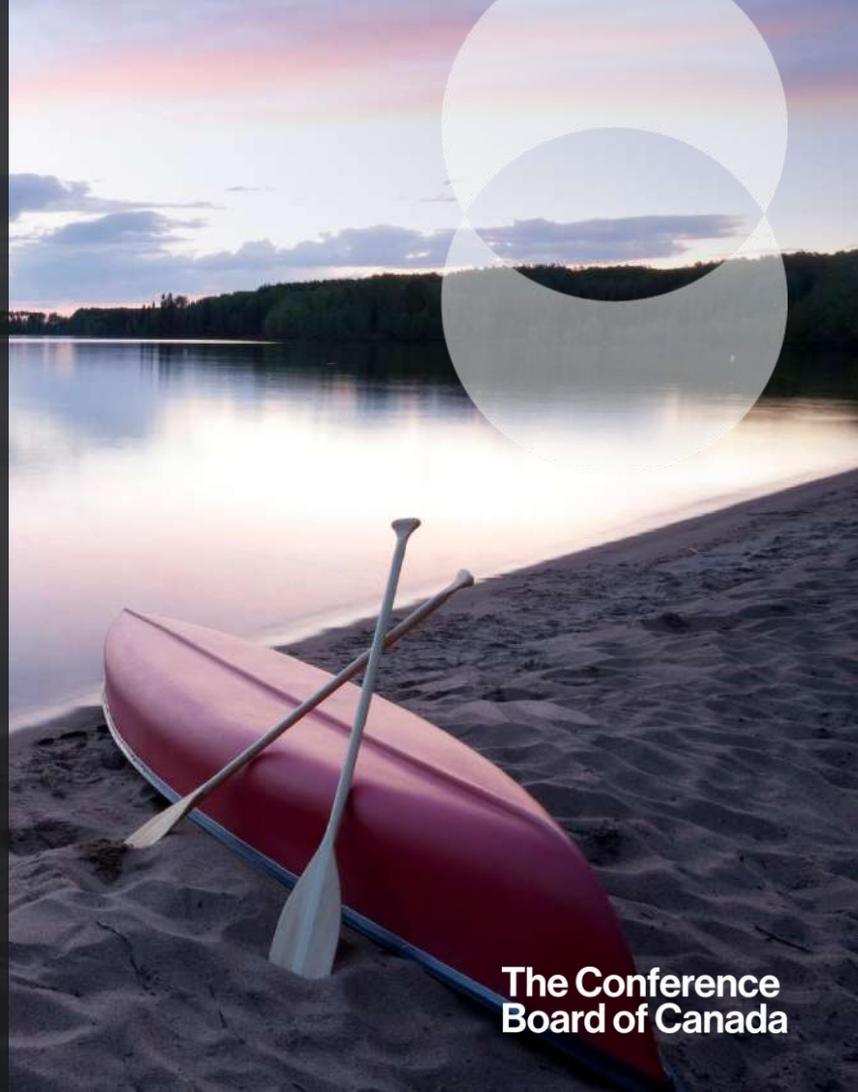
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Understanding Productivity



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Defining Productivity

- Productivity is a “return on investment” concept measuring the economic value of goods and services relative to inputs required to produce them.
- Productivity is driven by several factors including:
 - Technological change
 - Economies of scale
 - Skills and abilities of workers
- Two main measures of productivity:
 1. **Labour productivity**: GDP per hour worked
 2. **Multifactor productivity (MFP) or Total factor productivity (TFP)**: GDP per unit of a combined bundle of capital and labour
- MFP is conceptually superior but much harder to measure empirically.

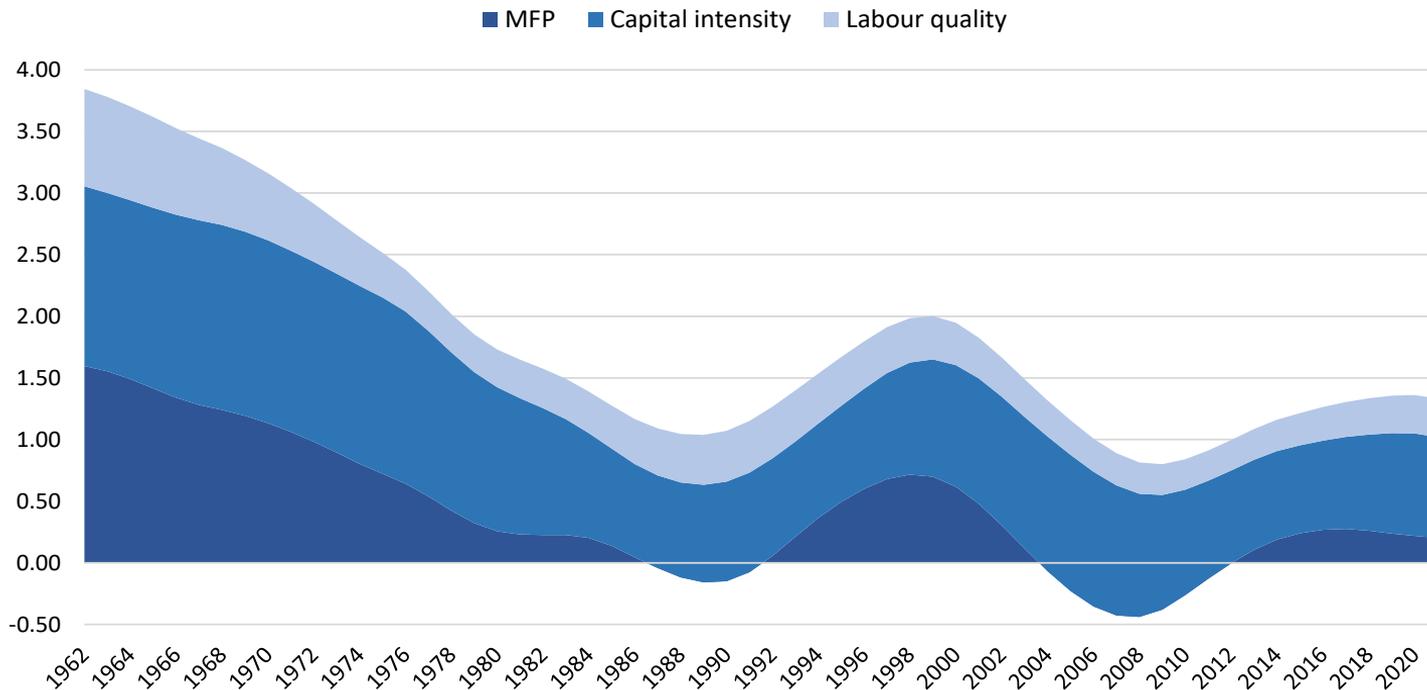
Productivity's importance

- Higher productivity means the economy is producing more value for the same amount of work.
 - Drives improvements in standard of living.
 - Companies are more profitable and can absorb higher costs, including higher wages without having to raise their prices.
 - More productive companies can withstand economic disruptions caused by events like geopolitical conflict and natural disasters.
- High productivity benefits businesses, workers, and consumers, driving economic growth and strengthening the overall economy.



Decomposition of productivity growth

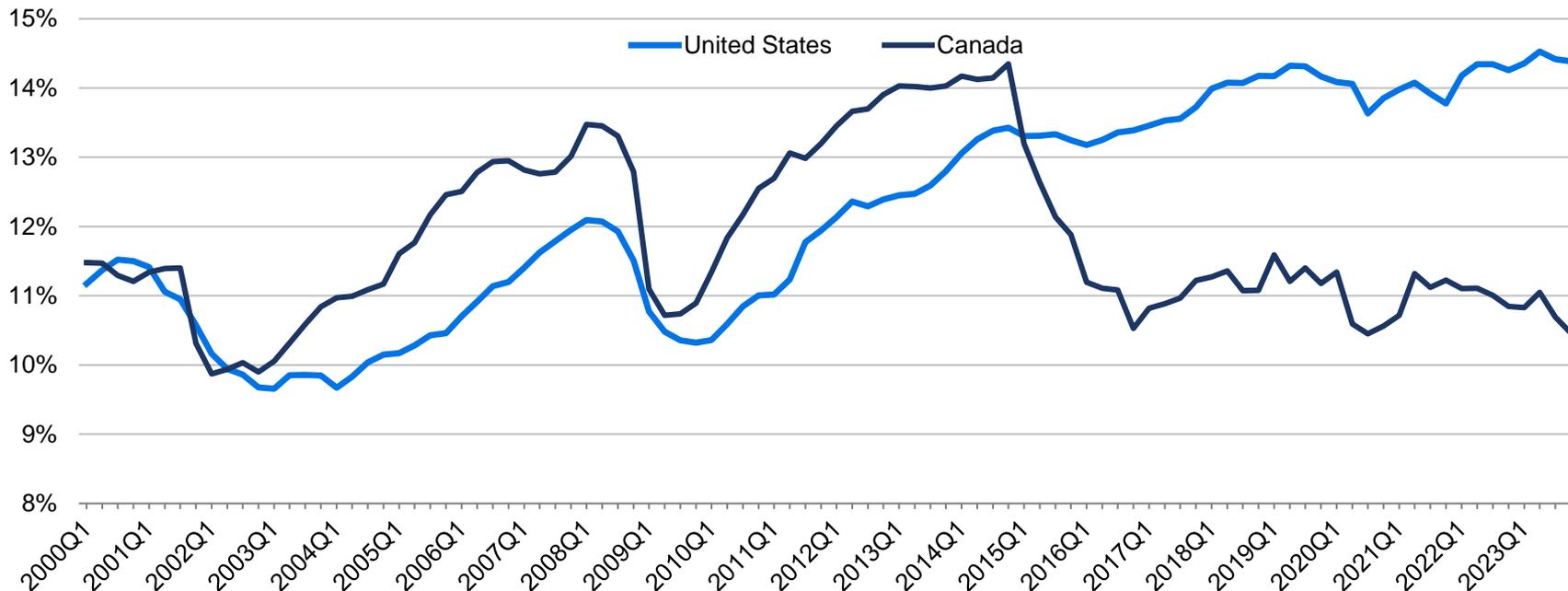
(Trend business sector labour productivity, annual percentage change; contribution to growth)



Sources: Statistics Canada Table 36-10-0208-01; Trends generated by The Conference Board of Canada.

Canada's investment in the doldrums

(real business investment as a share of GDP; per cent)



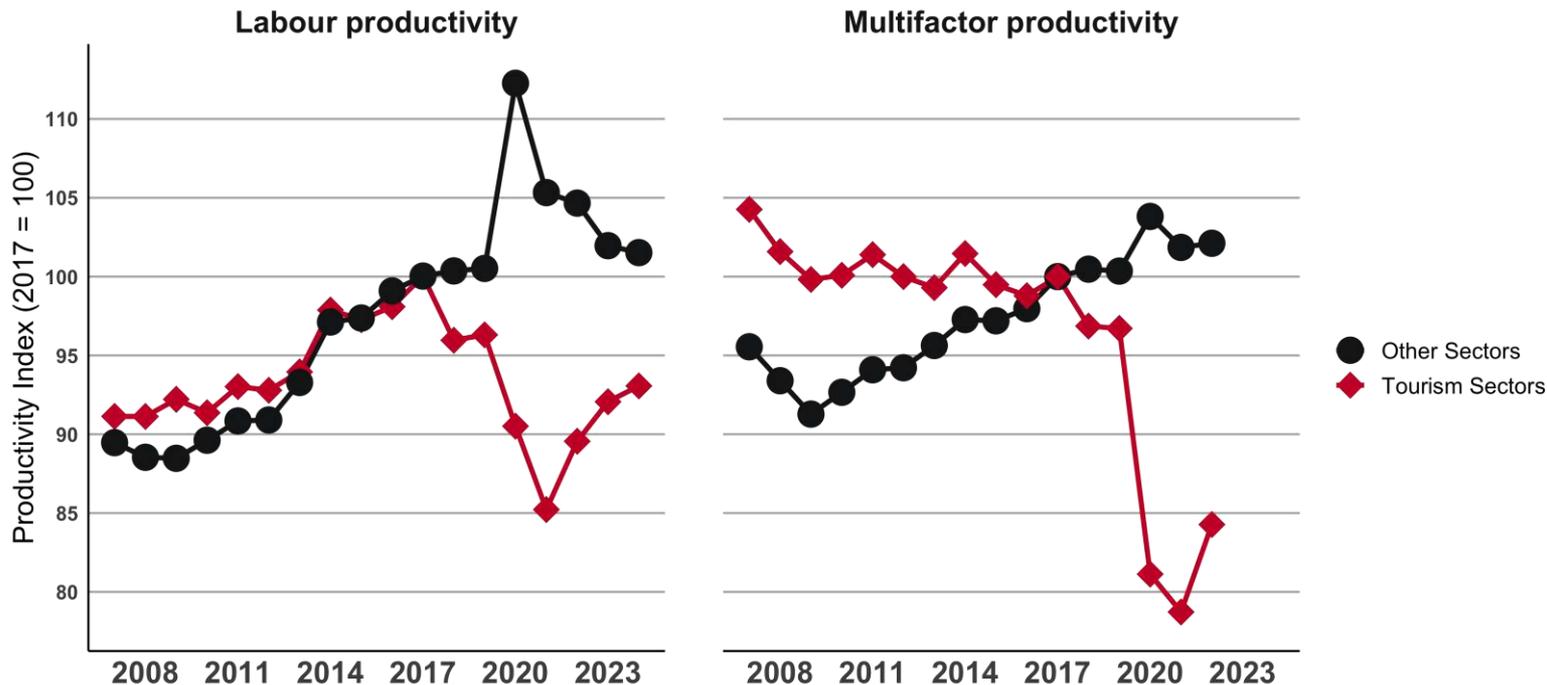
Sources: Statistics Canada; Bureau of Economic Analysis; The Conference Board of Canada.

A person wearing a teal long-sleeved shirt is sitting at a wooden desk, writing in a notebook with a pen. The desk is cluttered with various items: a laptop is partially visible on the left, a smartphone lies in the foreground, and several sheets of paper, including a large binder with a metal ring, are spread out. The background is softly blurred, showing office shelves and a plant. A dark semi-transparent vertical bar covers the left side of the image, containing the title text. In the top right corner, there are two overlapping light blue circles. The overall lighting is warm and professional.

Labour dynamics and productivity in tourism

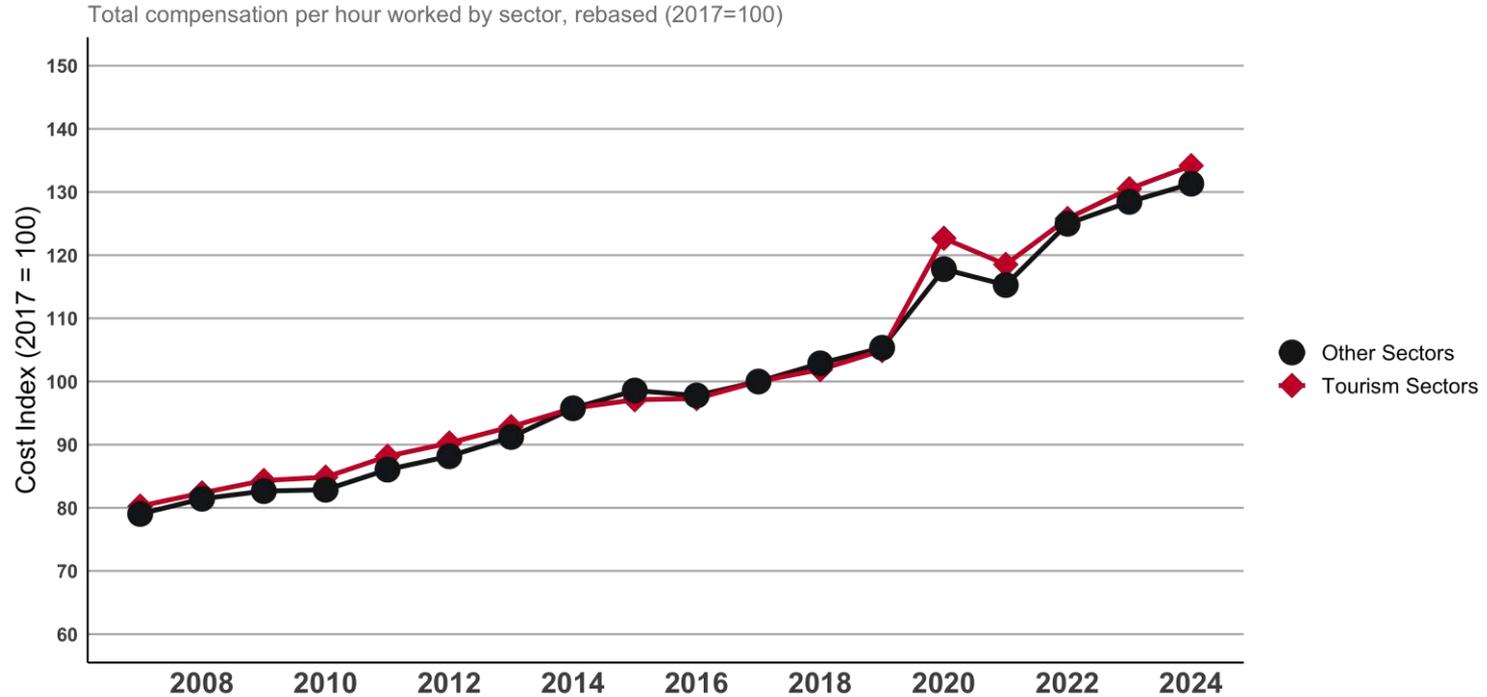
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Tourism productivity slowed before COVID-19 and is struggling to recover



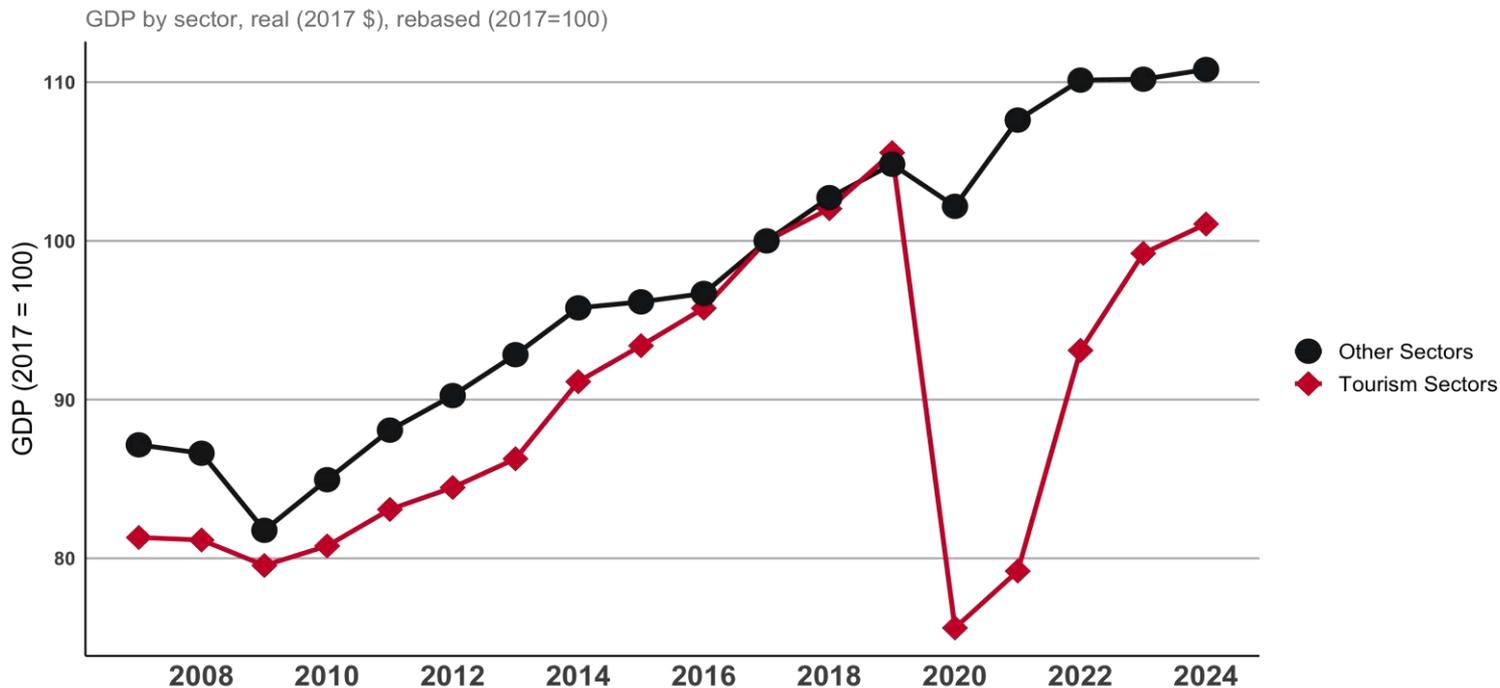
Note: Tourism sector includes Accommodation and food services; Arts, entertainment and recreation, and Transportation and warehousing.
Data for 2024 includes Q1 & Q2 only. MFP data available only up to 2022.
Sources: The Conference Board of Canada; Statistics Canada.

Total labour costs keeping pace with other sectors



Note: Tourism sector includes Accommodation and food services; Arts, entertainment and recreation, and Transportation and warehousing
Data for 2024 includes Q1 & Q2 only.
Sources: The Conference Board of Canada; Statistics Canada.

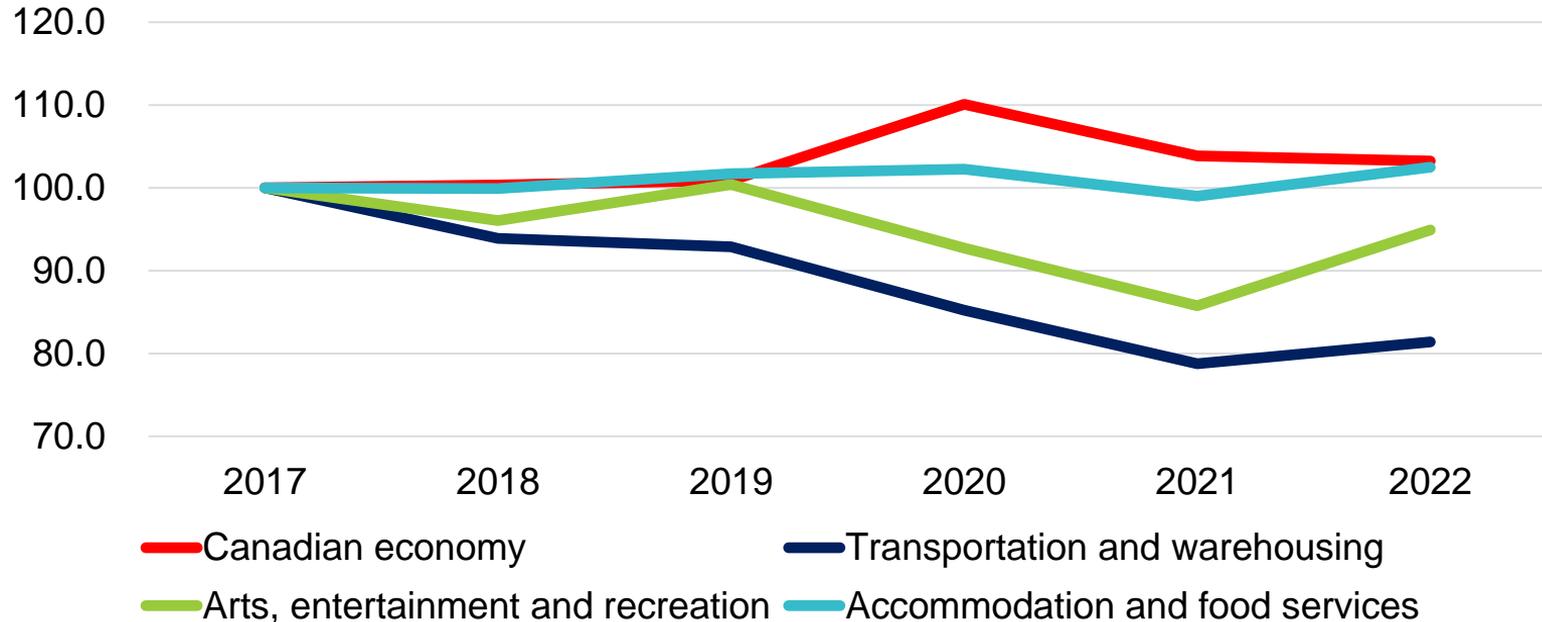
Net value-add in the sector remains subdued



Note: Tourism sector includes Accommodation and food services; Arts, entertainment and recreation, and Transportation and warehousing
Data for 2024 includes Q1 & Q2 only.
Sources: The Conference Board of Canada; Statistics Canada.

Productivity in Transportation and the Arts are trailing the overall economy

Labour productivity index (2017=100), 2-digit NAICS industries



Note: Tourism sector includes accommodation and food services, arts, entertainment and recreation, and transportation and warehousing
Sources: The Conference Board of Canada; Statistics Canada.



Tourism productivity takeaways

- Tourism is, by nature, a labour-intensive sector – positive face-to-face interactions are a critical component of tourism’s value.
- The sector’s human-centric nature makes leveraging emerging technologies (e.g., GenAI) more challenging.
- High-level productivity data suggests that tourism workers are delivering less day-to-day services than in the past. More research is needed to understand what’s happening in tourism businesses.
- Opportunities to train staff, focusing on the unique personal features that tourism businesses offer, can help productivity return over the medium- and long-term.



Skills and productivity research

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Canada's productivity growth has trailed behind the U.S.

(Real output per hour worked, business sector, 16-quarter annualized growth, quarterly)

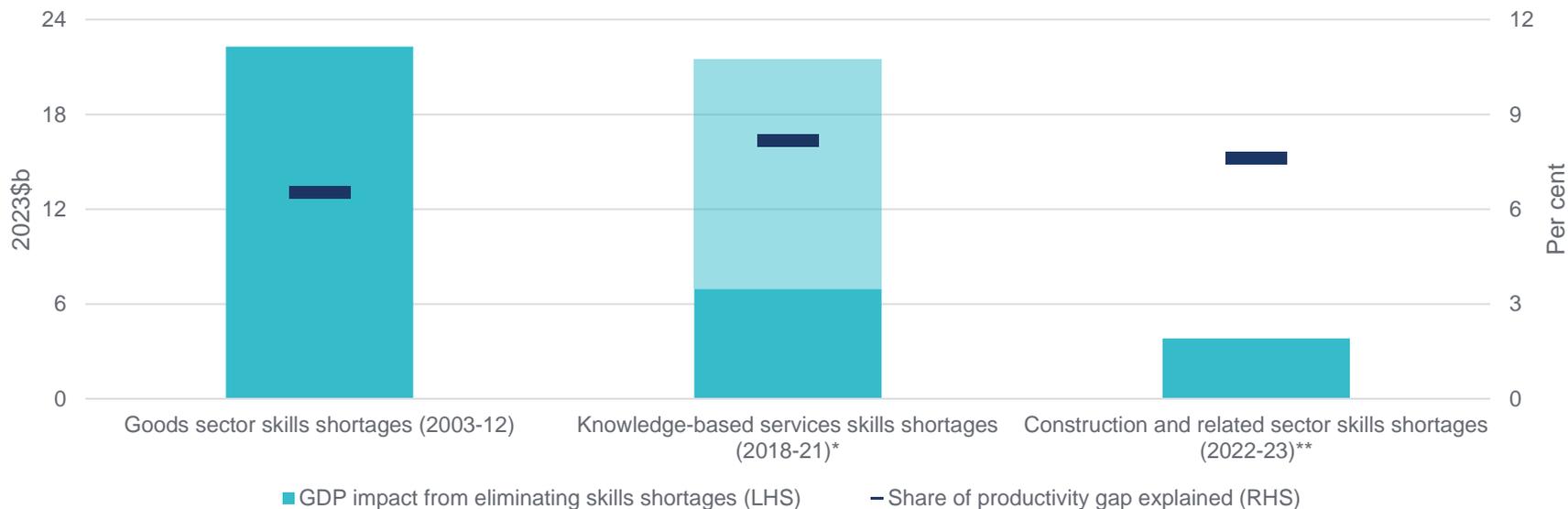


Skills shortages affect productivity

- Labour market tightness indicators are used to proxy skill needs, leveraging OECD methodology.
- Periods of skill shortages explain about **7 per cent** of our productivity gap with the United States.
- Canada's GDP could be **1.8 per cent (+\$49 billion)** greater today if skill shortages had been avoided over the past 20 years.

Skills shortages explain 7 per cent of the gap between the U.S. and Canadian productivity

(cumulative GDP effect (LHS); share of productivity gap explained (RHS))



* Dark blue bar represents the estimated effect of skills shortages in 2018 and 2019, lighter blue bar represents the estimated effect of skills shortages in 2020 and 2021 which may be affected by lockdowns in non-essential sectors; the share of the gap explained is calculated over the pre-COVID years.

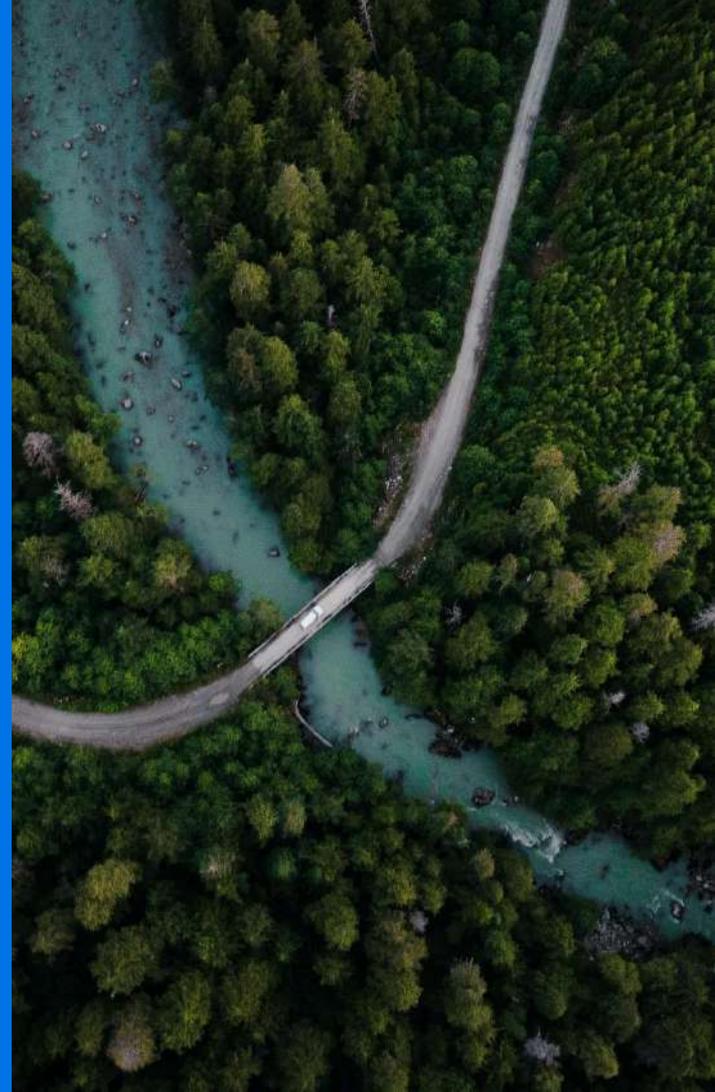
** Related sectors include utilities and mining.

Sources: The Conference Board of Canada; Statistics Canada; Bureau of Labor Statistics

Conclusion

Investing in tourism-related businesses for long-run productivity gains

- Structural shifts in tourism-related sectors were slowing productivity growth prior to the pandemic.
- Face-to-face client interactions is where the sector will continue to add unique value. Opportunities for automation will largely be focused on administrative work (e.g., scheduling, billing, etc.).
- Productivity growth in accommodation and food services is stronger than in other areas – likely because of their ability to raise prices. Other tourism businesses may not have this flexibility.
- More research is needed to understand firm-level productivity dynamics and where investments can be best made.



Appendix

Information sources

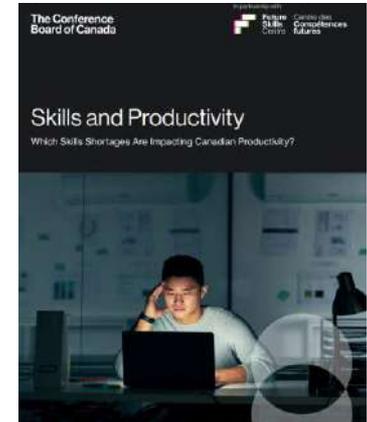
The Future of Canada's Tourism Sector – Labour Demand and Supply Analysis

<https://tourismhr.ca/download-labour-demand-and-supply-analysis/>



Skills and Productivity: Which Skills Shortages Are Impacting Canadian Productivity

https://www.conferenceboard.ca/product/skills-and-productivity_aug2024/



Skills and Productivity: Acquiring the Skills Canada Needs

Forthcoming, autumn 2024

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