

Federal Pre-Budget Submission 2023

A STRATEGY FOR THE FOODSERVICE INDUSTRY RELAUNCH

February 10, 2023



RELAUNCH THE FOODSERVICE INDUSTRY

Restaurants and the many small and medium-sized businesses that make up the Canadian foodservice sector are a critical pillar of our culture, economy, labour market and local communities. Prior to the COVID-19 pandemic, Canada's foodservice sector was a \$95 billion industry, directly employing 1.2 million people and serving 22 million customers across the country every day. We launch careers, invest in training and are the fourth largest employer in Canada.

Moreover, our industry reflects our country's impressive diversity:

- Women make up **58%** of the foodservice workforce.
- **Thirty-one percent** of restaurant owners, operators and staff belong to visible minority groups.
- **Half of all Canadian restaurants** are run by talented and hardworking entrepreneurs who came here as immigrants.
- **Canada's number one source of first jobs** with **one in five Canadians** between the ages of 15 and 24 currently employed in restaurants.

LABOUR SHORTAGES

Pre-COVID, there were 60,000 job vacancies in our industry in Canada. The pandemic exacerbated this labour shortage to the point that there are still 100,000+ vacancies from coast to coast.

The foodservice sector's main labour priorities:

- Increase the number of lower skilled international workers
- Improve and streamline the process for entry of workers to Canada
- Reduce application processing times and the cost of applications
- Facilitate and expedite the entry of immigrants' families
- Remove LMIA posting requirements and expensive per applicant processing fees to enable employers to be able to self-administer this program without the reliance on agencies
- Introduce a more predictable and stable cycle of change to immigration legislation to provide employers with more predictability and confidence to invest
- Reduce provincial and municipal variations across Canada to create a more consistent, nationwide approach to immigration which is easier for employers to comply with
- Increase the number of opportunities for people from all walks of life to start building a career in restaurants

DOMESTIC LABOUR AVAILABILITY

We are urging the federal government to take a multipronged approach to solving this challenge.

- Provide funding to employers to cover training of untrained workers
- Enhance programs that allow for work while receiving EI benefits or provincial social assistance
- Expand supports for vulnerable workers to enable them to work in the foodservices sector
- Explore ways to allow older workers to return to the workforce part-time more easily and flexibly without impacting their pension arrangements

IMMIGRATION

A. PATHWAYS TO PERMANENT RESIDENCE

Reduce wait times and streamline permanent residence applications

- Special standards and reduced processing requirements apply through an express entry system for high skilled workers. These same modifications should apply to allow for entry of lower skilled workers.

Create a sectoral program for foodservices workers to become permanent residents

- Examples of existing programs which could be used as a model include:
 - The [Agri-Food Immigration Pilot](#)
 - Temporary pathways to permanent residency for [workers in health care](#), [other essential workers](#), Francophones and international graduates (now closed)

Expand the family re-unification program

- Given that so many of the restaurants in Canada are owned by immigrant families, enhancing the ability for family members to obtain permanent residency will provide new workers for the foodservice sector.

Expand existing provincial programs to enhance access for foodservice workers

- Examples of provincial programs that already exist and could be amended to increase the number of foodservice workers include:
 - The [British Columbia Provincial Nominee Program](#) (BC PNP) regularly invites a number of low-skilled workers to apply for provincial nomination for permanent residence. This is through the Entry Level and Semi-skilled Worker category.
 - The [In-Demand Skills Stream](#) in [Ontario](#) provides workers in high-need, low-skilled occupations a pathway to permanent residence.
 - The [Atlantic Immigration Pilot](#) is another option for lower-skilled workers who wish to immigrate to any one of Canada's Atlantic provinces – New Brunswick, Newfoundland and Labrador, Nova Scotia and PEI.

B. EXPAND PATHWAYS FOR TEMPORARY FOREIGN WORKERS (TFWS)

NOC AND JOB CLASSIFICATION

Simplify NOC descriptions by combining restaurant categories C and D

- In order to correct the deficiencies in the NOC descriptions, restaurant categories C and D should be combined in order to encompass a wider range of positions available and provide more latitude for growth possibilities to these workers.
- The TFW application form should be updated to allow for multiple but similar NOC positions to be performed by the worker.
- Foodservice positions from categories C and D should be categorized in three key categories:
 - **Service workers** (hostess, food runners, bar staff, servers, counter staff, cashier)
 - **Admin/Management** (manager, assistant manager)
 - **Kitchen workers** (back of the house: dishwashers, prep cook, cook, chef, kitchen manager)

A DEDICATED FOODSERVICE TEMPORARY FOREIGN WORKER PROGRAM

Create a new stream within the Temporary Foreign Worker Program (TFWP) for the food sector.

The essential features of this new stream should include:

- Reducing the requirement of three job recruitment activities to the job bank advertisement and simplifying the parameters for it.
- Waiving the requirement of a transition plan to domestic workers once the temporary worker has departed.
- Making permanent the measure that allows the food service to hire up to 30% of their workforce through the TFW Program for low-wage positions.
- Waiving fees for a single restaurant owner with a profit margin of less than 10%.
- Enabling a company which has several restaurants or franchises to file a single labour market impact assessment (LMIA) application for up to 20 workers in up to 10 restaurants.
 - This approach ensures both expertise and a reduction in the cost of the application.
- Make the TFW work permit valid for two years instead of one for employers experiencing long-term vacancies, which is already available in the meat processing pilot project.
- For those employers who do not require a two-year employment permit, allowing them to combine summer and winter seasons with some flexibility on the seasonal work term, like programs currently in place for agricultural workers.
- At present, high wage workers can receive a three-year permit and low wage workers receive a two-year permit. Foodservice workers should be allowed a work permit for up to three years to enable longer-term employment and enhance the opportunity for a pathway to permanent residency.

- Allowing minor TFW employment contract adjustments related to job duties where the employer and employee both agree with the changes and they result in higher wages and more opportunities for the worker.
 - This approach removes concerns about inequality of bargaining power by requiring consent and ensuring additional benefits to employees.
- Implementing an accelerated LMIA process with a 10-day review target for applications in the foodservice industry.
- Creating a dedicated support team to process the Foodservice TFW applications, which would be a "one-stop-shop" contact point for the industry.
- Implementing the Trusted Employer Program (Recognized Employers' Model) for repeat foodservice sector employers who have demonstrated high standards.
 - The key features of the program noted above are intended to reduce the administrative burden in the application process and facilitate TFWs' arrival and entry. In addition, once the worker arrives, our sector is recommending two additional measures be implemented to benefit workers:
 - Provide support on insurance during the transition period when the new TFW employee is not on provincial coverage
 - A federal backstop should be created to ensure that employees do not fall between the cracks if they experience health issues
- Ensure more rigorous compliance, enforcement and sanctions for employers who are determined to be non-compliant with the program
 - Program participants should be held to the highest standard for the protection of workers and their families

GOVERNMENT FISCAL MEASURES

DEBT RELIEF

Extend and re-structure the CEBA loans to make repayment palatable

In order to ensure that the foodservice sector continues to play a major role in a strong economic recovery, taking into consideration that 20% of the restaurants that haven't reimbursed CEBA yet will not be able to repay it in part or entirely, we are urging the government to provide additional leniency to CEBA recipients by extending it for a 36 months period with a scale down model of the forgivable part (5% decrease every 6 months). See [here](#) for a detailed recommendation.

Make a portion of the HASCAP and BCAP loans forgivable in order to lessen the heavy debt-load on the industry

Restaurants that did not qualify for small business loans, rent subsidies, et cetera were forced to take on massive debt in order to survive. Guest counts and sales have not rebounded to enable operators to have enough cash flow to pay down this debt in time. Making a portion of these loans forgivable will assist with recovery.

SUBSIDIES, CREDITS AND TAX THRESHOLDS

Step back on the alcohol excise tax escalator (automatic annual increase)

The 6.3% excise tax increase for 2023 would result in a \$750M hit to the food service – an average of \$36,000 per restaurant – while our industry is still struggling.

Lower the federal Small Business tax rate from 9% to 8%

Currently businesses have very little capital to reinvest into their operations. Lowering the Small Business tax rate allows them to pay off debt and invest in their employees.

Allow for restaurant meals to be an entirely deductible business expense

This change would encourage businesses to have meetings and events in restaurants. With work-from-home and hybrid work expected to continue, this change would be a welcome step.

Dining rebates and domestic travel incentives to encourage travel and restaurant dining

This past summer, restaurants expected to experience a bounce-back from the previous year. However, 67% of restaurants had lower customer traffic counts and 78% had lower profits.

Indexation of the passive investment income threshold to support restaurateurs making investments to grow their operations

In 2018 the federal budget included new rules for passive income held in a business and set limits on the amount of passive income kept in the business before higher taxes kick in at \$50,000. Since 2019, the \$50,000 limit does not take inflation into account.

REDUCING THE RED TAPE

Work with all players to ensure plastic reduction requirements are attainable

Covid-19 has drastically changed the way restaurants operate in Canada. Increased reliance on take-out and delivery requires the purchase of more items such as containers, utensils, straws, and others. Implementation timeline of the ban on single-use plastic items should be extended, and the government must work closely with the suppliers to ensure that the alternative products will be available in the needed quantities, on time, and at reasonable prices.

A cap on credit/debit card interchange fees and the removal of merchant fees from the tax portion of restaurant bills

Changes to allow these fees to be passed on to the customer are welcome but still raise customer costs and will continue to slow the recovery.

Avoid the implementation of an anti-replacement workers regulation

Replacement workers provide the necessary support for the supply chain not to become paralyzed temporarily due to striking unionized workers. Supply chain shut downs put at risk the entire food service industry in Canada. Moreover, the supply chain should even be considered to become included in the notion of essential services.

CONCLUSION

JUST A REMINDER THAT:

- The industry has lost **nearly 5,000 restaurants** across Canada since January 2021.
- **51%** of all foodservice businesses are currently **operating at a loss or just breaking even**.
- **One in four** independent table-service restaurants said their business is **not expected to recover**.
- **One in five** private-sector job vacancies are in the foodservice industry.
- Restaurateurs are **operating at an average of 80%** of their normal capacity due to labour shortages.

The government's support is more critical than ever to ensure our industry can move forward from survival to a full revival: continuing to employ 1.2 million Canadians, keeping 98,000 businesses alive, and feeding Canada's recovery.

Please do not hesitate to contact us should you need any additional information.

OLIVIER BOURBEAU

Vice President, Federal & Quebec
Restaurants Canada

t 613-552-4477

e obourbeau@restaurantscanada.org



**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

Restaurants Canada

1155 Queen St W, Toronto ON M6J 1J4

1-800-387-5649 | www.restaurantscanada.org

[@RestaurantsCA](https://twitter.com/RestaurantsCA) | [@restaurantscanada](https://www.instagram.com/restaurantscanada) | [@restaurantscanada](https://www.facebook.com/restaurantscanada)