



Study - October 2023

The Challenge of the Decade: How to Navigate Canada's Labour Shortages



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Message from the → Chief Economist



Pierre Cléroux
Vice President, Research
and Chief Economist, BDC

One of the most pressing issues facing Canadian small and medium-sized enterprises (SMEs) is the persistent labour shortage that has been hampering their ability to grow and thrive. Since [our initial study on this issue in 2018](#), we have witnessed the situation deteriorate further, impeding the potential of countless businesses.

However, amidst this crisis lies an extraordinary opportunity for businesses to revolutionize their approach to the workforce and emerge stronger than ever.

We hope this latest report can help businesses advance in this transformation. Using in-depth interviews, we focus on the strategies adopted by entrepreneurs who have successfully navigated the labour shortage.

By examining their real-life experiences, we have identified effective best practices that can help SMEs overcome this obstacle.

Our research reveals that entrepreneurs are not only investing in smart technology, but also in their people, processes and culture. They are leveraging technology and automation, developing a comprehensive employee strategy, and expanding their hiring pool. This report goes further, providing concrete examples of how entrepreneurs have implemented these strategies.

We understand that alleviating labour shortages is not without its challenges. However, with innovative approaches and a determined mindset, the opportunities are immense.

I invite you to delve into this report and discover the practical solutions and stories that will empower you to think differently about the current environment. Hopefully, it will inspire you to embrace this moment as an opportunity for growth, and to chart a course towards a brighter future for your businesses.

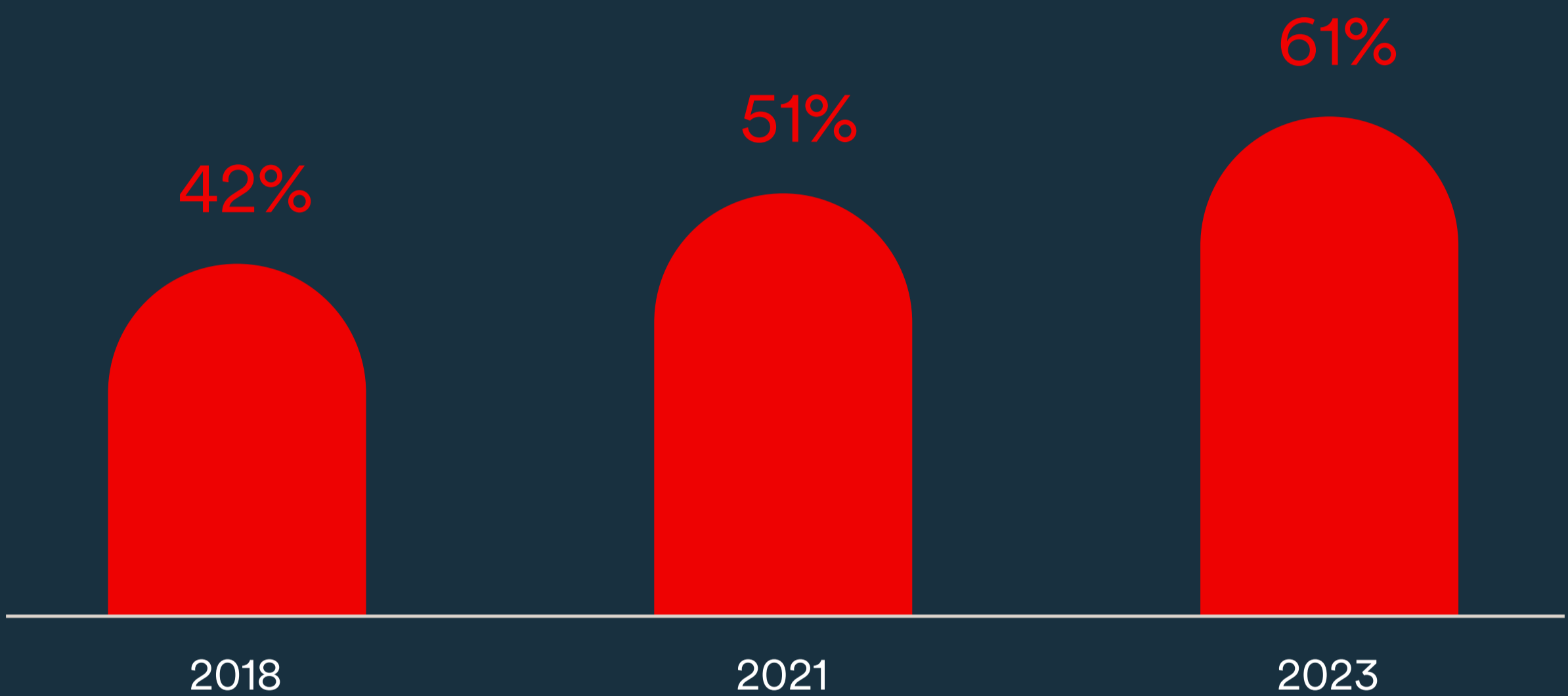
Highlights

Businesses have been struggling with increasingly severe labour shortages

This ongoing challenge has limited their options and forced many to forego contracts and opportunities, limiting their ability to expand and meet market demands.

Hiring and retention difficulties for Canadian SMEs

Entrepreneurs who have difficulties hiring and/or retaining employees:



This crisis is an extraordinary opportunity to revolutionize the way we work

Using in-depth interviews, we've identified strategies entrepreneurs have implemented to overcome labour shortages.

3 strategies to deal with labour shortages

1.

Investing in technology and automation

Entrepreneurs are reducing the burden on their workforce and enabling them to focus on value-added activities by investing in technology and automation. This in turn creates an attractive working environment for employees.

2.

Developing a people strategy

By creating an attractive employee value proposition, businesses can distinguish themselves beyond competing on salaries, with the use of benefits, flexibility, growth opportunities and a nurturing company culture.

3.

Expanding the hiring pool

Hiring less experienced workers and providing them with training and mentoring can help ease the labour shortage. In addition, forming partnerships with universities and schools can act as a talent pipeline for fresh graduates, while hiring diverse workers can help find untapped talents.



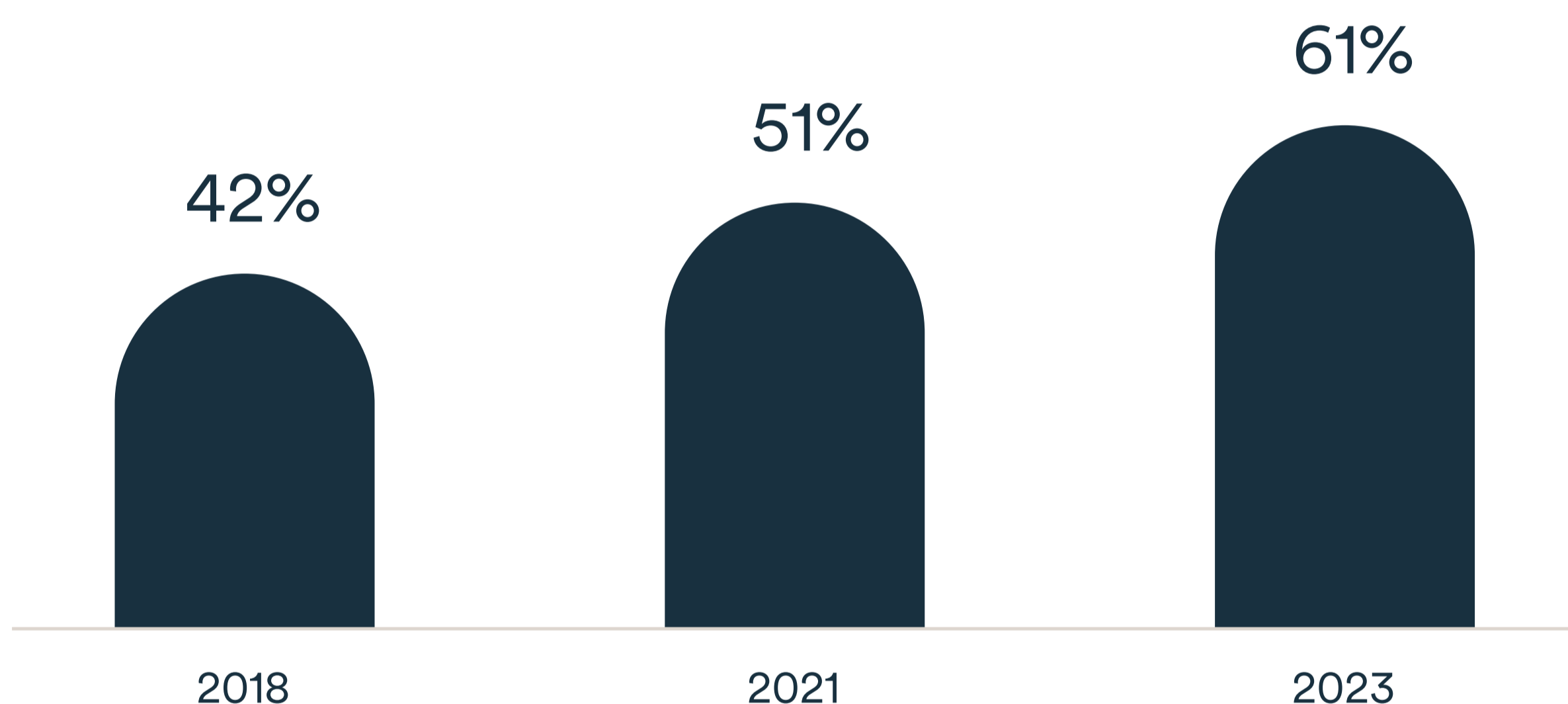
Real-life solutions to a long-term challenge

Labour shortages are getting worse in Canada

Simply put, the number of jobs is increasing faster than the number of working-age people with the skills to fill them in Canada. For entrepreneurs, this has taken the form of fewer applicants for job openings, as well as difficulties finding employees with in-demand skills. In other words, employers increasingly have to compete for talent.

When we completed our first study on the topic, in 2018, 42% of entrepreneurs were struggling with hiring and retaining employees. The problem has only worsened since then and 61% of entrepreneurs now report struggling with these challenges (Figure 1). Unfortunately, these pressures are not expected to get better until the end of this decade.

Figure 1: Hiring and retention difficulties for Canadian SMEs



Source: BDC Survey on labour shortages (2018, 2021, 2023)

Note: Entrepreneurs who have difficulties hiring and/or retaining employees.

A limiting factor for business growth

Labour shortages have limited the growth potential of countless businesses. Forced to make tough decisions, SMEs have had to pass on contracts and opportunities, putting investments and projects on hold despite increasing demand.

In interviews, one business owner told us of losing nearly half of their anticipated revenue in the past year due to being short staffed. Many stated that they are operating their business in survival mode. Entrepreneurs are reporting doing what they can to keep up with customer demand, but their margins are too slim to invest much and grow their business.

Does this mean that small businesses can't attract and retain the people they need to succeed? It doesn't. But small businesses do have to work harder to show why they're a great place to work and meet the evolving needs of employees.

In other words, widespread labour shortages are not just a crisis, they can also be seen as an extraordinary opportunity for businesses to change the way they engage with their employees.



What entrepreneurs are saying

“There's no manpower. It's limiting the growth of my business in a profound way. We would probably do twice the sales volume if we didn't have this labour shortage.”

Entrepreneur in the manufacturing sector, Atlantic region

“We would be growing our business right now but we're in survival mode.”

Entrepreneur in the retail sector, Prairies

BDC has been studying Canadian labour shortages since 2018

Explaining the long-term labour shortage in Canada (2018)

Our first study looked at why Canada is experiencing a labour shortage that could last for at least a decade. An ageing population and the retirement of baby boomers are major contributors to the decline in labour force growth.

We also found that labour shortages have a direct correlation with slower growth in company sales, with firms experiencing labour shortages being 65% more likely to be low-growth companies.

How to adapt to labour shortages? (2021)

Our second study highlighted that to sustain their growth, entrepreneurs need to adopt new solutions to hiring and retention problems.

Using advanced statistical analysis, we identified the most effective solutions, namely:

1. Adopting new technologies and automation
2. Using formal hiring processes
3. Offering a total compensation package
4. Expanding the hiring pool

Practical solutions from entrepreneurs (2023)

Using one-on-one, in-depth conversations with entrepreneurs, this newest study tries to understand how Canadian entrepreneurs have dealt with labour shortages. It also takes a deeper dive into the strategies they have implemented.

For each strategy identified in our 2021 study, we present practical solutions that emerged from our interviews.¹

1. Investing in technology and automation

2. Developing a people strategy

3. Expanding the hiring pool

1. The second and third strategy from our 2021 study were merged into “developing a people strategy” for this report.



1. Investing in technology and automation

The value of technology

Both our previous research and our more recent round of interviews show that investing in technology and automation is one of the most successful ways to deal with labour shortages.

Entrepreneurs who have implemented automation and digital technology told us that they did it to become more efficient with less resources, to streamline processes and to support employees in their jobs.

The technology now being used in small businesses is increasingly helping with jobs beyond the production floor: from expense management, to accounting software, customer relationship management (CRM) systems and custom AI.

By investing in technology and automation, SMEs can optimize their processes, remove repetitive tasks, and enable their workforce to focus on more meaningful and value-added work.

Developing a human-centred solution can enhance the work experience, leading to increased job satisfaction, retention rates and performance. Remember, employees are used to online shopping, app-based food delivery, or fitness programs. These experiences are often better designed and more engaging than what they have at work. Employees expect to have modern tools to do their jobs quickly and efficiently. Providing these tools can improve their engagement and overall happiness at work.



What entrepreneurs are saying

“The amount of time it takes them to do certain tasks ends up being prohibitive. So, it is not so much automation to replace people, but automation to help us supplement who we have because we might not necessarily be able to staff at the level we would like.”

Entrepreneur in the professional services sector, Quebec

“We did invest in some systems to make things like accounting and payroll simpler on our end. It doesn't replace an employee, but we can do things faster with the system that we have now.”

Entrepreneur in the construction sector, Ontario

Investing in technology is affordable for all businesses

Even though entrepreneurs who invest in technologies have better financial results and face less labour issues than their peers, only 11% of entrepreneurs facing labour issues invest in technology and automation.²

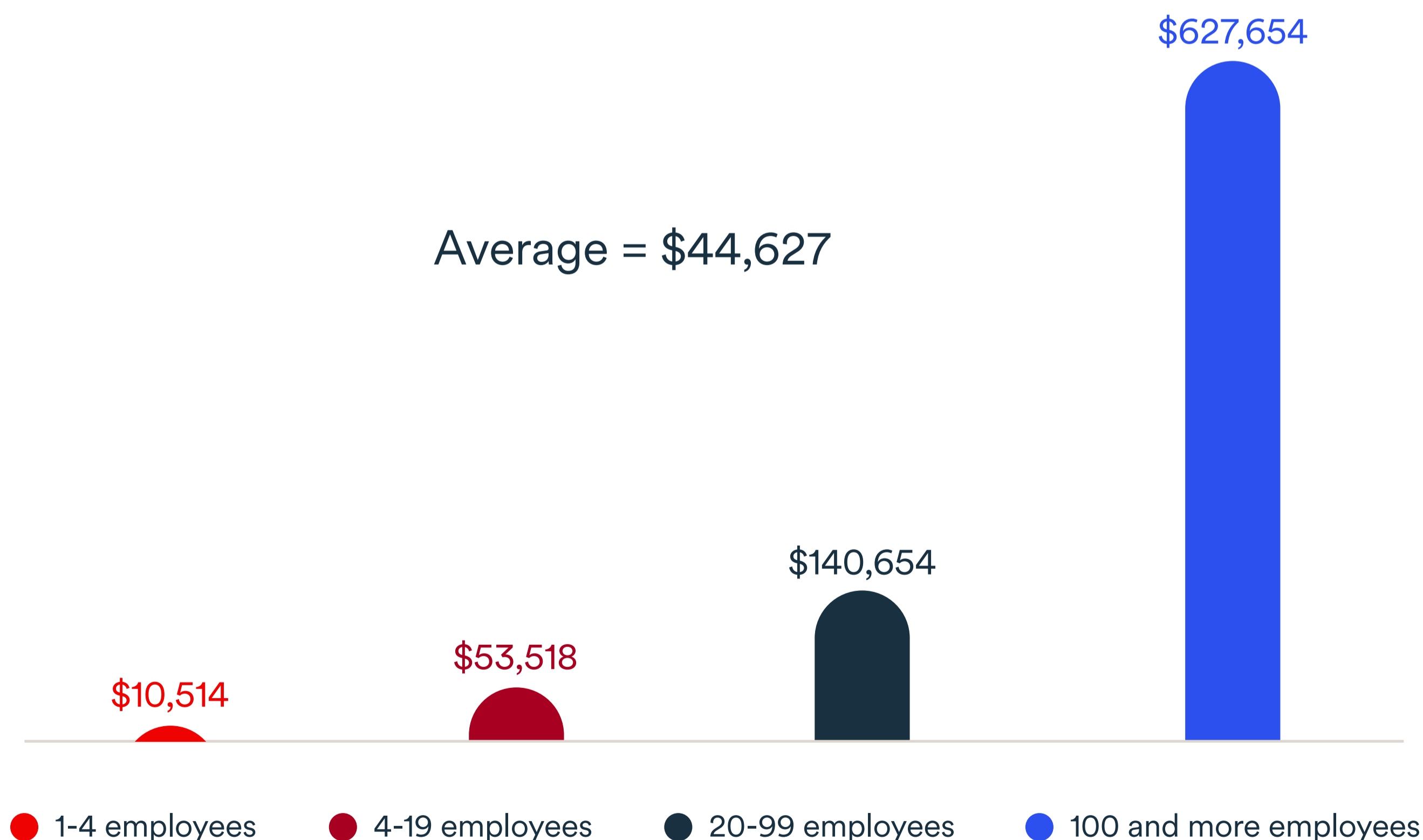
How can this reluctance to invest be explained? We believe many entrepreneurs view these technologies as expensive and complex, to the point where they don't even explore the possibilities. Others just don't know about the solutions that could help them.

Yet, a multitude of online applications and software have emerged, providing affordable and user-friendly options for businesses of all sizes.

Some cloud-based tools start at less than \$100 per year. On average, companies with less than five employees that adopted automation technologies invested just \$10,514 over two years.

Automating repetitive administrative tasks not only saves time but also minimizes errors and frees up your employees to focus on more strategic and value-added tasks. The statistics speak for themselves: 73% of those who invested in automation technology saw a significant increase in productivity. Furthermore, 37% of entrepreneurs said these technologies helped them cut costs.

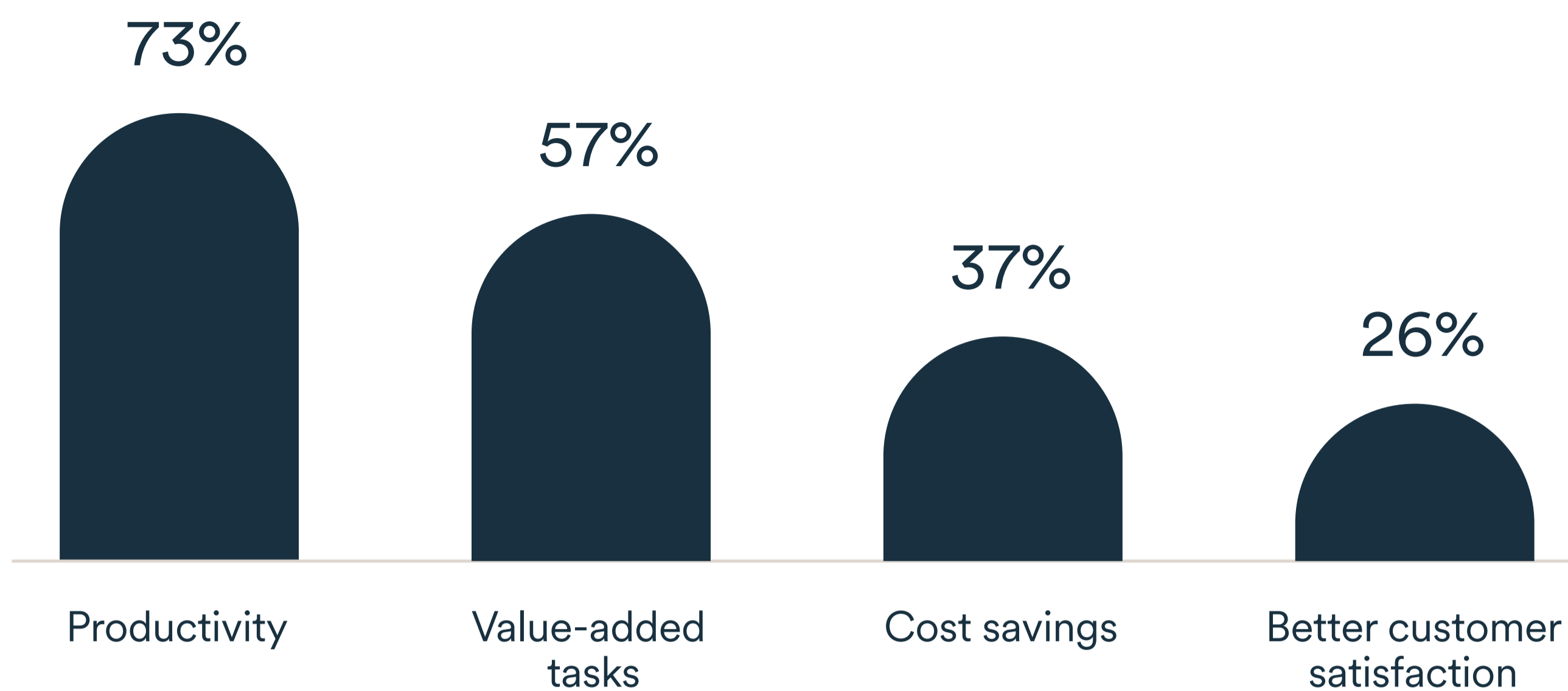
Figure 2: Average investment in automation technologies in the last 24 months



Source: BDC, SME Automation Survey, respondents who invested in technology, n=664, February 2022.

Note: Trimmed averages were used to best represent the data

Figure 3: Benefits of automation for entrepreneurs who invested in these technologies



Source: BDC, SME Automation Survey, respondents who invested in technology, n=771, February 2022.



Torpedo marketing

Scaling by automating a fulfillment management solution

Torpedo Marketing, based out of Woodbridge, Ontario, integrated a fulfillment management solution to become more efficient and go after more clients.

Susan Robinson, the owner of Torpedo Marketing, faced stagnant revenue and a pressing need for growth in her direct mail and digital marketing services company.

As an entrepreneur, she understood that embracing change and innovation was crucial to overcoming the challenges posed by labour shortages and achieving sustainable expansion. The Canada Digital Adoption Program (CDAP) was the opportunity Torpedo needed to move forward.

“It’s something I wanted to do for years but didn’t have the chance to do due to timing—and it was daunting. The first thing that came to mind was automating our fulfillment management solution, which encompasses warehouse management, order management, inventory management and more.”

Susan Robinson, Owner,
Torpedo Marketing

Torpedo has several large clients across Canada. A single client can have hundreds of staff across Canada who can each go to Torpedo’s online store to order collateral for their sales presentations, golf tournaments or other events.

“We warehouse this material as well as have other items we print on-demand. We also source and order promotional products and store it in our warehouse.”

With the new automated fulfillment management solution, Torpedo Marketing witnessed a significant transformation. Time-consuming manual tasks were now executed seamlessly by the system, allowing employees to focus on strategic aspects of the business.

“It will help us scale easily, add new clients, have better communication internally, improve inventory management and make considerable workflow enhancements to reduce time and labour to manage these types of accounts.”



Transport RDL

Automated sorting to kick things up a gear

To optimize its operations, Transport RDL invested in an automated package sorting hub. This helped the company expand its sorting capacity while reducing its labour requirements.

Transporting goods involves complex logistics. Transport RDL, a company specializing in temperature-controlled transport, knows all about this.

It used to have to operate two warehouses just to sort the packages it delivers for its customers. But last year, after investing \$3 million, the company opened a new hub to replace the two old warehouses.

“We need 12 employees to do the sorting. If the work were still done manually, we would need almost four times as many staff.”

Samuel Joncas
CEO of Transport RDL

More capacity, fewer employees

The new sorting equipment enables Transport RDL to sort its packages with fewer employees. It also expands the company’s sorting capacity, without the need for a bigger team.

“We currently sort 1,000 packages an hour, but our new machine has a capacity of 4,500 packages. That’s a volume we’ll be able to handle with the same number of employees as we have now—about a dozen,” explains Samuel Joncas, CEO of Transport RDL.

As for the project’s profitability, Joncas believes it will depend on growth objectives.

“If we run our hub at full capacity, and we manage to increase our volumes in the package market, our investment will pay for itself in 10 years,” he says. “If our volumes remain stable, we’re talking more like 20 years.”

More productive drivers

The automation project has also had benefits in terms of package transport.

“Before, we were at saturation point in our two sorting warehouses,” says Joncas. It was impossible for the company to increase volumes without “breaking” operations.

But automation has boosted the company’s efficiency, allowing it to now sort all its packages in a single warehouse. This comes with at least one other labour-saving advantage.

“Sorting everything in one warehouse means less transport between our terminals,” explains Joncas. And that translates into a lesser need for drivers, or the potential to reassign drivers to other deliveries.



Original's Mexicano Restaurant Group

Easing admin work with automation

Using specialty software, the Original's Mexicano Restaurant Group has been able to save time, cut costs and reduce its need for administrative personnel.

Running a restaurant is no easy task, and the Original's Mexicano Restaurant Group runs five of them across British Columbia.

“Restaurant margins are tough, so many in the industry are bleeding money,” observes Esteban Cuevas, General Manager and Executive Chef at the Group.

He notes that few entrepreneurs make it past the first few years of operation, and according to statistics, he is right: approximately 60% of independent restaurants fail in the first three years.

“It's a numbers game,” says Cuevas. “And for this reason, we find automation to be an important tool when it comes to admin work.”

“We used to need a bookkeeper, which cost us \$3,000 per month. Now, we only use the software, which is costing us \$600 per month.”

Esteban Cuevas
General Manager and Executive Chef,
Original's Mexicano Restaurant Group

Reducing the need for personnel

The Original's Mexicano Restaurant Group has started using a specialized hospitality software that connects purchasing, recipes, inventory and sales with accounting.

For Esteban Cuevas, it has been a game changer.

Not only has the system reduced the company's staffing needs, but it has also improved the quality of the work, leading to even more cost savings.

Cuevas explains that one issue he was looking to address was that many mistakes were made in recording transactions.

Produce, for instance, does not incur GST, while takeout containers do. “Our new system breaks down invoices by item, so that if we have produce as well as containers on the same bill from one supplier, every entry will be recorded correctly,” says the General Manager.

As a result, the company now gets \$10,000 in GST returns that it was not getting before making the change.

Improved employee satisfaction

The new system, which is used for a number of additional tasks like preparing recipes, was challenging for the staff to learn how to use.

“There was a learning curve,” admits Cuevas. “It took six months of training. But now, nobody wants to go back. The new app makes every task, like creating a recipe, quicker to carry out. It's like driving a Porsche rather than a 1999 lemon.”



E.B. Box

Thinking outside the box to widen the labour pool

By replacing its old factory equipment with newer, easier-to-operate machines, carton box manufacturer E.B. Box has expanded its operator recruitment pool despite a tight labour market—all the while increasing employee satisfaction.

Finding a qualified workforce is perhaps the biggest challenge in the carton box industry.

“It’s extremely difficult to find skilled workers to operate the machines in the factories,” explains Irfan Rajabali, President of Richmond Hill, Ontario-based, E.B. Box.

“Our newer, easier-to-operate machines have allowed us to double production capacity without needing to increase headcount proportionally.”

Irfan Rajabali,
President, E.B. Box

First, there are no schools or technical programs to help workers learn the job. “Training schools have disappeared,” says Rajabali.

Second, big players in the business have stopped training the workforce. They used to offer informal apprenticeships to industry newcomers, but those days are now long gone.

And finally, the older, qualified workers are retiring rapidly. “Most remaining skilled operators are now older than 55 and replenishment is not coming in fast enough,” says Rajabali.

Faced with a tight labour market, E.B. Box decided to invest in tech to broaden its potential labour pool.

Using capital to help labour

E.B. Box invested to make its equipment easier to operate. In total, the company acquired 12 machines to replace or supplement its old factory equipment, including a printing press, a die cutting machine and a sheeter.

“By reducing the level of skill needed, we have widened our potential pool of talent, thus enabling us to scale the business more easily,” explains Rajabali. He compares newer factory equipment to automatic transmissions and parking assist features in cars: By being more user-friendly, they make the technology accessible to more people.

On top of making it easier to find personnel to operate its machines, E.B. Box’s investment has also increased employee satisfaction.

“Having newer equipment helps us to attract and retain talent. Once employees have worked on state-of-the-art machines, they don’t want to go back,” says Rajabali.

Output per employee has also increased as a result, while productivity has increased by 25% to 50% depending on the production line.

And while the project as a whole cost \$10M, Rajabali recognizes that much can be accomplished on smaller budgets.

“Tech improvements can happen over time. It’s not necessary to invest in brand new stuff either. Make it an iterative process. Search for gaps, bottlenecks and pain points, and invest your dollars where they’ll deliver top results.”

Using smart software to boost capacity

Alberta-based food prep business Nutrimeals has developed an AI-powered app to automate key tasks—empowering it to do more without hiring additional employees

Nutrimeals prepares and delivers a number of different meals to thousands of customers.

To accomplish this feat of food preparation, the company needs to create a precise list of ingredients and steps for every meal, called a production sheet, every single day—no simple task.

To accelerate the process, Nutrimeals has developed a software that accomplishes this task automatically.

“This app is a huge opportunity for us and society. One dietitian can typically handle eight consultations in a single day. Our system will expedite the consultation process so we can review over 100 consultation intakes and meal plans in one day.”

Sam Hale
Co-owner of Nutrimeals

“We used to do this with Excel spreadsheets and a number of other software,” says Sam Hale, co-owner of Nutrimeals. “Now, our orders come in through our own internal system. Our app analyses the data to create the production sheets automatically.”

As a result, a task that took 40 hours to accomplish now takes only five minutes.

“With one click of a button, we can now do something that used to take a lot of manual work,” says Hale.

Creating digital expertise

A digital dietitian. This is the second ingenious solution Nutrimeals has developed to accomplish more without needing extra employees.

“Instead of offering a consultation with a dietitian, and having them create a meal plan for you, we developed a number of algorithms that do it automatically,” explains Hale.

To ensure an optimal experience for the user, the app harnesses artificial intelligence: a number of models are used to create the best possible recommendations.

“For instance, the system learns from the users’ preferences,” says Hale. “If they change a meal because they don’t like a certain ingredient, the system will learn from that and make better recommendations in the future.”

What were the first steps towards developing this algorithm? Hale explains that Nutrimeals needed first to work with an actual dietitian to get an overview of the process underlying the creation of a meal plan. “Before automating the process, we need to understand it,” says the co-owner. The company then created a survey to build a dataset in order to train the machine learning models.

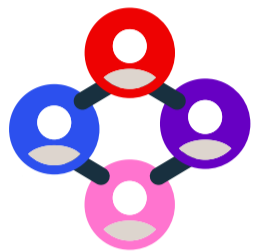
“Funding a project like this is expensive,” says the co-owner. “So we are very frugal with cash.”

What tasks can you automate now?



Office productivity

Email, document and calendar management
Scheduling appointments
Electronic signatures
Workflow automation between apps



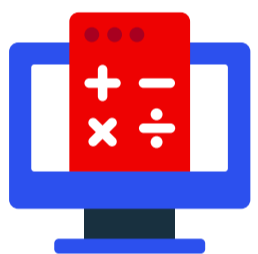
Teamwork

Task and project management
Collaboration and communication
File sharing and document storage
Brainstorming and visualisation tools



Operations

Supply chain management
Order and inventory management
Quality control
Scheduling, field service management
Design software



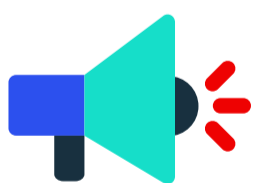
Accounting and finance

Accounting and invoicing
Expense management
Mileage logging and vehicle tracking
Budgeting



Sales

Customer relationship management (CRM)
Sales pipeline management
Sales analytics
Proposal and contract management



Marketing

Email automation
Social media management
Content creation and management
SEO and keyword analysis



Client experience

Automated email responses to inquiries and sales
Automated help desk
Chatbot for customer inquiries
Customer feedback collection and sentiment analysis



HR

Employee onboarding

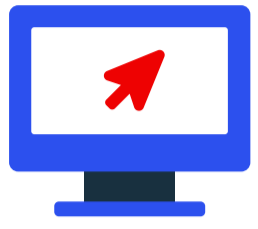
Time and attendance tracking

Payroll processing

Training and development

Performance management

Safety



E-commerce

E-commerce platform integration

Shipping and returns

Website creation

How could automation help your business?

→ Scheduling appointment

Clients can book appointments in a user-friendly interface. Automated notifications and reminders help reduce no-shows.

→ Task and project management

Users can create tasks, assign them to team members, set deadlines and monitor progress. Additionally, they offer features like task dependencies, file sharing and collaboration tools to enhance team productivity.

→ Inventory management

Automate the tracking and control of inventory levels. Also streamline processes such as stock replenishment, order management and inventory tracking.

→ Shipping automation

These tools integrate with various shipping carriers, generate shipping labels, automate order fulfillment, track packages and deliver notifications.

→ Expense management

Automate the tracking, reporting and reimbursement of business expenses. Employees can submit expense reports digitally and approvals are automated.

→ Social media management

Simplify the process of managing multiple social media accounts. You can schedule and automate social media posts, analyze performance metrics, and monitor brand mentions.

→ Automated help desk

Provide self-service solutions to common customer queries and issues. Chatbots and AI-driven systems can automate responses, guiding customers to relevant information or resolving their concerns.

→ Employee onboarding

Automate and streamline the process of welcoming and integrating new employees into an organization. You can provide a centralized platform to manage onboarding tasks, store all employee's information, deliver training materials and track progress.

Roadmap to automation

Step 1



Create a plan

Step 2



Digitize tasks and activities

Step 3



Integration and automation

Step 1:

Create a plan

Planning is the secret sauce for making or accelerating the digital shift in your business. A [2022 BDC study](#) on the advantages of digital technologies highlighted that 99% of digitally advanced businesses have a digital plan detailing their technology vision for coming years. In contrast, just 9% of latecomer firms had completed a digital plan.

Having a plan you can present to your team will allow you to focus your efforts. It will help you identify technology solutions that are adapted to your business, with an implementation roadmap that outlines the cost and acquisition timeline.

Your roadmap will also prepare you to add on to your technology stack as you grow. A little forethought on the future needs of your business can help save time and money in the near and long term.

Step 2:

Digitize tasks and activities

With a plan in hand, you'll be equipped to start digitizing your tasks and activities.

Potential candidates for digitization are tasks or activities that:

- are repetitive and occur frequently
- are logic and rule based
- are time-consuming and prone to human error
- make it easier for your clients to engage with you
- are multi-step or used by more than one employee or department
- contain valuable data that can be used in the future (e.g. customer and marketing insights, product performance information, service improvement data)

In some cases, you may be able to address a bottleneck more easily and inexpensively with a simple process improvement or [workspace reorganization](#). But if automation seems like the better option, you should align with your business goals to ensure you focus on the right priorities.

When it comes time to make a purchase, make a list of different collaborators, vendors and companies, and rate each one based on how well they meet your requirements. Estimate the cost of the technology and the related implementation fees, such as employee training. Also make sure to evaluate the [best financing options](#).

Step 3: Integration and automation

The next step is to integrate your various systems together. This will allow information to flow from one function to the other, often automatically so that all systems are up to date.

Most popular cloud-based solutions have extensions or certified integrations that allow them to work in tandem with other software.

Integrating your systems will save time and energy. For example, if you can connect your sales system to your inventory management system then you can create settings to trigger a purchase when your stock is below a certain point. Or you start automating marketing and sales emails for clients who have made a purchase from your online store. At the end of the day, automating processes is mostly about data transfer and management.

As your business grows and your software ecosystem becomes increasingly complex, you may need to start thinking about an enterprise resource planning (ERP) system, which can replace many smaller systems and allow you to manage multiple business functions, from quotes and orders, to supply chain and manufacturing, projects and service, as well as finance and payroll within one integrated system. This reduces the number of disparate systems, data silos and integrations you need to manage.

For most companies however, simply digitizing basic tasks and activities, and then connecting these different solutions to one another, will already represent a major efficiency gain that will help you grow without needing to hire additional workers.

The help you need to get out of spreadsheets

The [Canada Digital Adoption Program \(CDAP\)](#), is a Government of Canada initiative that helps small and medium-sized businesses adopt digital technologies. If your business has more than \$500,000 of revenues annually, you could access:

- a grant to cover the majority of the cost of building a digital plan
- a 0% interest BDC loan of up to \$100,000 to facilitate the acquisition of new technologies such as software or IT equipment



2. Developing a people strategy

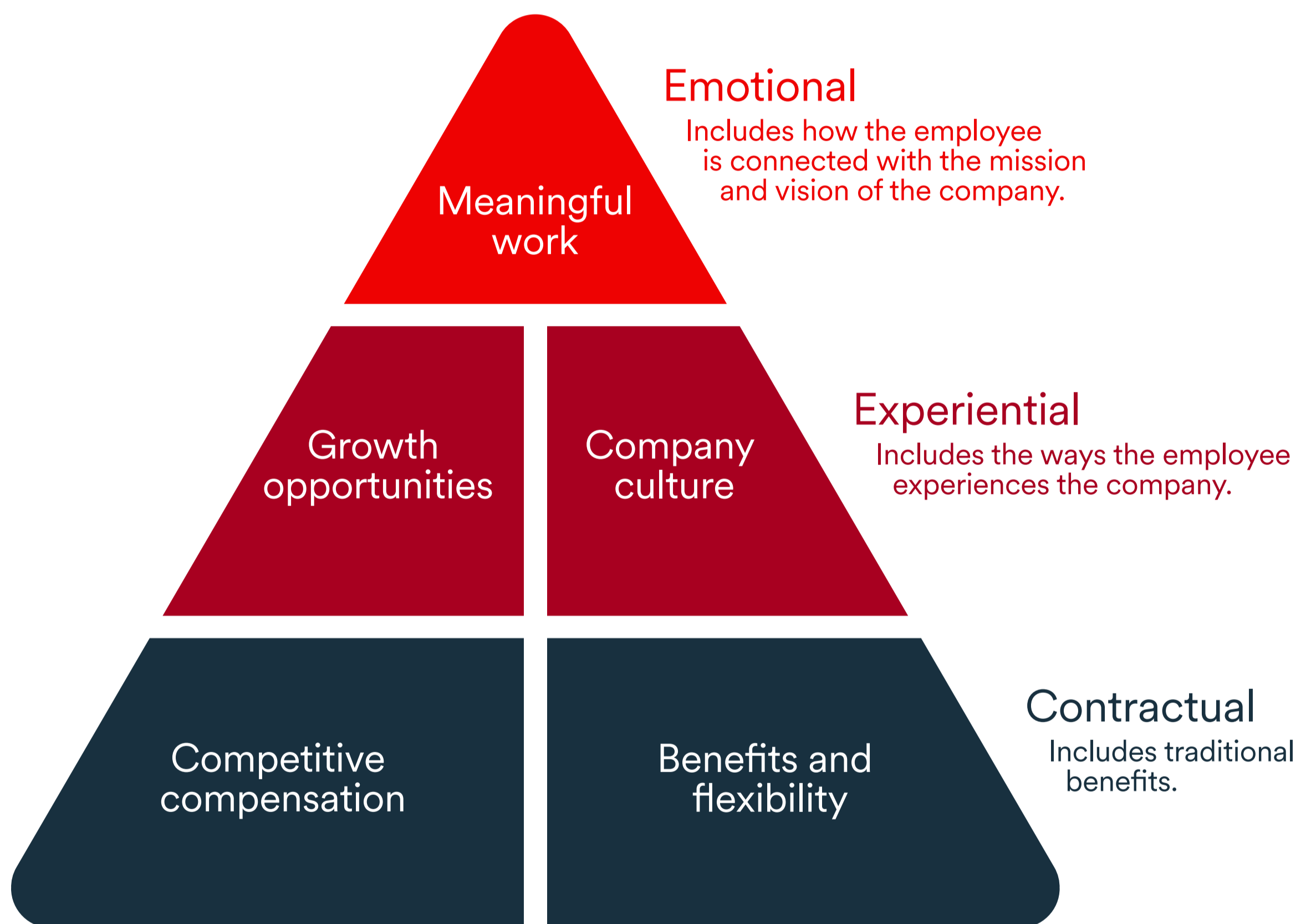
5 pillars of an employee value proposition

SMEs often lack the resources and brand recognition that larger organizations enjoy, making it challenging to compete for talent. To address these obstacles, entrepreneurs need to go beyond traditional strategies and establish themselves as top employers.

Focusing on the five key pillars identified in Figure 4 can help you achieve this result.

These pillars align perfectly with the concept of employee value proposition (EVP), which is like a business card for you as an employer. It describes your company's mission, vision and values, as well as the benefits and compensation you offer. From the employee's perspective, these components answer the question: "What's in it for me?"

Figure 4: Elements of an employee value proposition



Source: BDC research.

Pillar 1: Competitive compensation

While offering competitive salaries is essential, SMEs cannot outbid larger companies solely on monetary grounds. Instead, entrepreneurs from our interview make sure that the salary they offer is competitive within their industry and business size. They also focus on ensuring that employees feel fairly compensated for their work.

One entrepreneur stated, “We also just try to make sure that the impact people have on the company is properly captured in how they are paid [...].”

So it’s recognising the importance of people and getting them to a salary level they should be.”

Furthermore, providing flexibility in exchange for slightly lower pay can be an attractive proposition.



What entrepreneurs are saying

“If someone doesn’t feel like they’re being compensated fairly for the work they do, you’re going to lose them.”

Entrepreneur in the technology and information sector, Quebec

Pillar 2: Benefits and flexibility

Entrepreneurs in our interviews understood the value of offering a range of benefits and flexibility options. This includes allowing employees to set their schedules, incorporating core and flexible hours, and enabling remote work. Generous vacation benefits are also highly appreciated.

Some companies have even adopted a four-day workweek, acknowledging that the market is lagging in this aspect. Additional initiatives such as wellness accounts, pleasant working environments, special events, or food and drinks at work contribute to creating a supportive work environment.

All of the entrepreneurs we spoke with acknowledge the increased flexibility around individual needs and the importance of having open conversations to find ways to accommodate them—to the greatest extent possible.

One entrepreneur noted, “You’re a person first and an employee next. Yes, you are an employee, but you’re still a parent, a sibling, a pet owner, and all of that is equally important.”



What entrepreneurs are saying

“Nowadays, you need to take care of your employees, protect them and listen to them. If they’re not happy, try to accommodate them as much as possible.”

Entrepreneur in the construction sector, Quebec

Pillar 3: Company culture

Entrepreneurs have found that hiring individuals who align with the company's culture is key. As one entrepreneur explained, "Our number one criterion was: Are you going to fit with the team. If you don't share the values, it is not going to work. [...] We waited to hire the right people."

Also, entrepreneurs mentioned fostering a psychologically safe culture that encourages open communication, high trust and diversity. Obtaining certifications like B Corp and investing in marketing efforts to build a strong brand reputation can further attract top talent.



What entrepreneurs are saying

"Our goal was not to be the best [business], our goal was to be the best employer. If you treat your staff better than anyone else, they will, in turn, take care of each other and of your clients. They will become an incredible team, love coming to work, prop each other up. Keep those value in mind and hire based on those."

Entrepreneur in the accommodation and food services sector, Ontario

Pillar 4: Growth opportunities

More than ever, employees want to develop within the company. Providing clear goals, regular coaching and feedback, and facilitating job and role mobility are crucial for employees' professional growth.

Employers should strive to do a three-to-five-year career plan with employees and offer various learning opportunities in achieving development objectives.

Pillar 5: Meaningful work

Employees seek a sense of purpose beyond financial goals. SMEs should focus on clearly communicating the organization's mission and values and reinforce it through regular communication.

Businesses can also encourage employee involvement in decision-making processes, allowing them to contribute ideas, take ownership of their work, and see the impact they have on the company's success.

One entrepreneur explained, "You want people to feel like they are part of something." Recognizing and rewarding employees' contributions can go a long way toward fostering a sense of fulfillment.

Some entrepreneurs mentioned that they implemented profit sharing and stock options, reinforcing the idea that an employee's hard work and dedication directly impacts the company's bottom line.



What entrepreneurs are saying

"In the last couple years, there's been a lot of folks leaving companies to go and do mission aligned work or work that aligns more closely with their personal passions."

Entrepreneur in the professional services sector, Prairies

Redefining how you attract, retain and develop people

Here are the solutions entrepreneurs told us they had put in place to improve their employer value proposition. These are just examples of practical solutions and should be tailored to your specific needs and resources.

Pillar	Solutions
Competitive compensation	<ul style="list-style-type: none">– Offer competitive salary but do not compete based on salary.– Conduct salary benchmarking within your industry and business size.– Implement performance-based incentives and bonuses.
Benefits and flexibility	<ul style="list-style-type: none">– Offer comprehensive health insurance coverage for employees and their dependents.– Establish core hours and flexible hours around them.– Implement a remote work policy.– Offer reduced work hours for personal needs or emergencies.– Offer generous vacation and leave benefits.– Provide wellness programs and allowances for work-related equipment.– Create a pleasant and ergonomic working environment.– Offer perks, such as lunch and drinks, access to a vehicle, etc.– Be friendly to your employees' needs and try to accommodate them.

Company culture

- Define and communicate company mission, vision and values.
- Hire employees that are a fit with the company's core values.
- Encourage open communication, trust and transparency.
- Foster a culture of inclusivity and diversity that is supportive and collaborative.
- Organize weekly activities at the office like lunch, board games, sports, BBQs, etc.
- Organize quarterly team-building offsite events to foster a sense of unity.
- Promote work-life balance by encouraging breaks and disconnection after work hours.
- Encourage employee feedback and involvement in decision-making.
- Promote your company branding.

Growth opportunities

- Provide regular coaching and feedback.
- Conduct performance reviews and career discussions to identify employee aspirations and development needs.
- Encourage cross-functional and interdisciplinary collaboration.
- Offer training programs and workshops to enhance skill development.

Meaningful work

- Align job responsibilities with company mission and values.
 - Encourage autonomy and ownership over projects and tasks.
 - Recognize and reward employees for their contributions.
 - Provide opportunities for employees to innovate and contribute.
 - Implement profit sharing and stock options with buyback provisions if staff quits.
-

How to create your employee value proposition

Your EVP is the promise you make as an employer to employees in return for their commitment. Ask what sets you apart from other employers.

From there, you can follow these three steps to develop an EVP that will help attract and retain employees.

Review the building blocks of HR

Start by confirming your business objectives and organizational northern star (mission, vision, and values). These should provide a direction to your recruitment and retention efforts.

Next, take stock of your existing policies. Are they up to date and still valid? The following human resources policies and efforts should be part of your review:

- recruitment, onboarding and integration
- compensation
- employee performance management and career development
- employee engagement
- human resources documentation—i.e. employee handbooks and manuals, job descriptions, your organizational chart

Then, ask your employees how they see your business. What they value about working for you? Why they stay—or leave?

Also look at what top employers in your area are doing, as well as the best practices of your competitors.

Take action

With your findings in hand, list and prioritize the components you will add to your EVP. Your plan should include both strategic investments and low-hanging fruits.

You'll have multiple options for upgrades beyond improving compensation. You might promote a great work-life balance or offer an unusual employee recognition program like free movie tickets. You could also consider adding some unusual, low-cost benefits to make your organization more attractive, such as a bike-to-work subsidy, paid volunteering days, free breakfast Fridays or every day casual dress code.

Ask your best employees; they will give you insights into what's important to them and may give you ideas you had not considered. With these insights, you can effectively tailor and target your messaging to influence candidates and employee behaviour.

Communicate changes

Be transparent with employees about your policies, existing efforts and plans for improvements. Meet regularly with your team to discuss your plans, monitor progress and think about new ways to get better.

You'll also want to communicate your EVP externally. Follow the same steps as in a [marketing plan](#) to create your employer branding plan:

- profile your target audience (which employees you're seeking)
- set clear objectives
- prioritize projects in an action plan and set it in motion

Here are some key action items to include in your plan:

Website

Be sure your website is up to date, reflects your top employer status or aspirations, and sends the right message as a great place to work. For example, your website can feature:

- an attractive career section that includes your employee value proposition; diversity, equity and inclusion efforts; and any recognitions you've received as a top employer
- content showing your excellent work environment, such as photos and videos of your workplace and employee testimonials
- job postings with a separate, SEO-optimized webpage for each posting
- overall business mission, vision and values

Social media

Be sure to integrate your hiring needs into your [digital marketing plan](#). Here's where you can have fun by featuring creative content touting your workplace, including photos, videos and employee testimonials. Also present your team's expertise and business achievements to show your company's exciting future.

Human resources marketing

Be sure your employee brand is reflected when marketing your hiring needs. Ask your marketing people to help with your recruiting campaigns and job offers. Partner with higher-education institutions and community groups to amplify your recruitment efforts and promote your employer brand.

Like all other strategy documents, your EVP will need to be reviewed annually to ensure it stays up to date.



3. Expand the hiring pool

Look beyond traditional recruitment methods

Traditional recruitment methods often fall short, resulting in a frustrating cycle of turnover and constant retraining. The entrepreneurs we spoke with told us they often relied on hiring less experienced workers to who they provided training and mentorship.

Additionally, forming partnerships with universities and schools can serve as a talent pipeline for fresh graduates. Hiring underemployed workers, such as older individuals or people with disabilities, were also solutions that worked for SMEs.

By expanding the hiring pool, SMEs can tap into a broader range of talent and find innovative ways to overcome their hiring obstacles.

Hire less experienced workers and train them

One recurring theme among the thriving business owners we spoke to was their keen interest in investing in people. “We had to do a trade-off: hire people with far less experience and putting in a lot of time to train them,” said one entrepreneur.

These companies embraced the concept of “growing their own talent” by starting new hires in entry-level positions, providing dedicated resources for their development.

Recruit via personal networks

Entrepreneurs emphasized the power of personal networks when it came to sourcing exceptional talent. They actively sought recommendations from their existing employees, leveraging their reputation and trust to identify candidates who would be an excellent fit for their teams.

By encouraging word-of-mouth referrals and implementing incentive programs, SMEs successfully tapped into a talent pool that extended beyond traditional recruitment channels.



What entrepreneurs are saying

“Eventually, we found someone, and in the end, that person came from our personal network rather than the wider job market where we had been searching for quite some time.”

Entrepreneur in the professional services sector, Prairies

Build partnerships with universities and trade schools

Forging partnerships with universities and trade schools allowed businesses to access recent graduates and professionals seeking certification. As one entrepreneur stated, “We’ve started reaching out to them to potentially be a place for their internships or just a place that is on their radar. So that when people finish those programs and [...] need to find a job, they know we exist and what we are about.”

Additionally, by providing internships that offer valuable learning experiences, entrepreneurs create an environment where students can grow and develop. This led to a natural progression where interns, upon graduation, chose to join the companies as full-time employees.



What entrepreneurs are saying

“Create an environment that students can learn in and then want to continue in afterward. When school starts back, they might switch to part-time or stop. But then, either they want to do their next internship with us or, when they graduate, come full time as employees.”

Entrepreneur in the professional services sector, Quebec

Embracing diversity

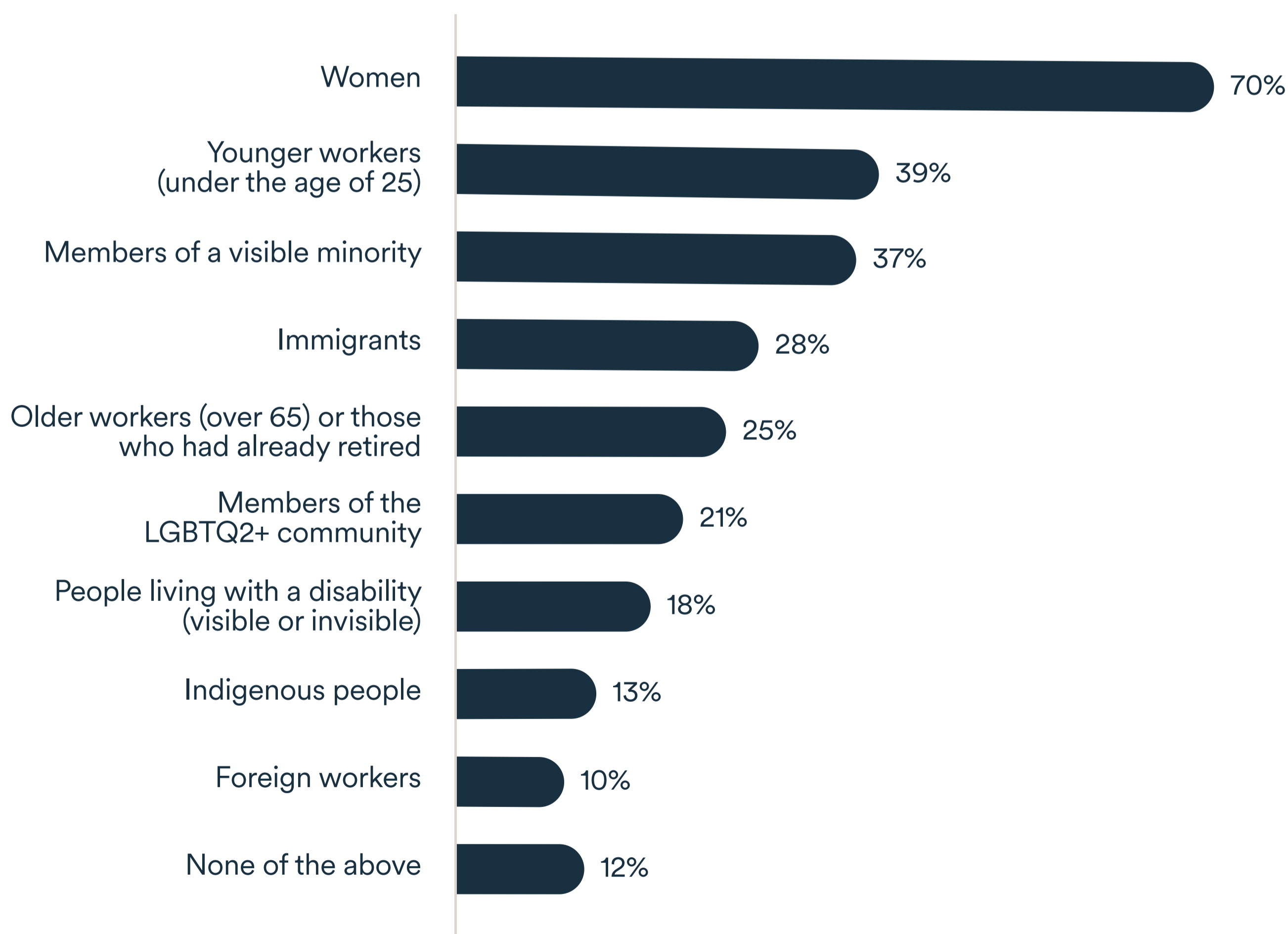
The entrepreneurs we interviewed actively sought individuals from underserved communities and embraced hiring people with disabilities or those coming out of retirement.

One powerful argument for embracing diversity in hiring is the untapped talent pool that exists within many groups.

By actively seeking to recruit younger people or older individuals coming out of retirement, women, minorities, and immigrants, SMEs can tap into a wealth of skills, experiences and perspectives that have often been underutilized.

Furthermore, some of these groups, such as youth and certain minority populations, often face higher rates of unemployment compared to other segments of the population. This untapped talent pool represents a significant number of individuals.

Figure 5: Proportions of entrepreneurs with diverse groups in their workforce



Source: BDC Labor Shortages Survey, n=987, 2023

Hiring outside the box

Here are the solutions entrepreneurs told us they had put in place to expand the hiring pool. These are just examples of practical solutions and should be tailored to your specific needs and resources.

Area of diversification	Solutions
Hire less experienced workers and train them	<ul style="list-style-type: none">– Identify talented individuals with less experience and provide them with training and development.– Pair experienced employees with entry-level staff.– Encourage employees to pursue relevant courses and reimburse the expenses.– Implement mentorship or coaching programs.– Chart out a three-to-five-year career plan for each employee.
Word of mouth and personal network	<ul style="list-style-type: none">– Encourage current employees to refer potential candidates.– Offer referral bonuses for successful hires.– Attend industry events and networking functions to establish connections.
Partnership with universities and schools	<ul style="list-style-type: none">– Collaborate with local universities and trade schools to have a referral program for top talents.– Create internship programs, allowing students to gain practical experience.– Sponsor events or workshops at universities to raise awareness about your company.
Diversity and inclusion initiatives	<ul style="list-style-type: none">– Develop diversity and inclusion programs to attract candidates from underrepresented groups.– Create an inclusive work environment and provide necessary accommodations for a diverse workforce.– Partner with organizations that specialize in job placements for individuals with disabilities, such as job training centres or vocational rehabilitation agencies.– Recognize the skills and work ethic of those coming out of retirement and offer flexible hours.

Improving diversity and inclusion

A diversity strategy can also help you compete in new markets. Studies have found that diverse companies perform better financially and that diverse teams produce higher quality work and have deeper engagement.

Ideas to improve diversity and inclusion

1. Reach out to specific communities

Target diverse communities through organizations and specialized media. For example, you can reach new immigrants through groups such as ACCES Employment and WES Canada.

2. Check your recruitment process

Eliminate bias in recruitment by practicing “blind recruitment”—removing the names of applicants from resumes. You can also partner with organizations to address any hiring barriers. Track your performance in hiring and promoting underrepresented groups.

3. Review onboarding, training and policies

Be sure to adjust your onboarding, training and policies to create an inclusive workplace with necessary accommodations. You can also develop policies to ensure a safe workplace free of harassment and discrimination—making sure to include individuals from a variety of groups in the creation of these policies and initiatives.

You can also help workers create employee resource groups to offer a safe space for diverse members of your team. Such groups can also be a great source of ideas for making further improvements.

Educate existing employees on your policies and the importance of workplace diversity, and ensure compliance. Many companies make attendance at such trainings mandatory for their employees. You can create a culture of inclusivity by sharing webinars, articles and other material on equity and inclusion on social media or through other channels.

Methodology

We conducted this study in three major steps:

Survey on labour shortages

We developed a questionnaire to evaluate the difficulties entrepreneurs are facing as a result of labour shortages. The survey was also used to generate a list of entrepreneurs to contact for our in-depth interviews. The survey was conducted online by Angus Reid from April 25 to May 4, 2023, among 1,007 Canadian SME owners.

The results were weighted by region and number of employees to be representative of the Canadian SME population. For a probability sample of 1,007 respondents, the maximum margin of error is ± 3.1 percentage points, 19 times out of 20. However, as this survey is based on a non-probabilistic sample, this information is provided as an indication only.

In-depth interviews

We conducted 13 interviews to explore the practical solutions employed by entrepreneurs to alleviate the effects of labour shortages. Through a purposive sampling approach, we selected a diverse range of SMEs that had experienced significant labour challenges and used innovative approaches to overcome them.

The selection was done to ensure a diversity of sectors, regions and business sizes. By examining real-life examples, we gained deeper insights into the human-centered approaches, technological advancements and cultural shifts that empowered SMEs to thrive despite the labour shortage.

Analysis

The final step of our methodology involved a rigorous analysis of the interview to identify overarching themes, emerging patterns and effective strategies that could be generalized for broader application. We employed a qualitative analysis approach to distill the key findings from the rich qualitative data gathered during the interviews.

We validated the effectiveness of the strategies implemented by the entrepreneurs with experts and research on the topic. This analysis formed the basis for our recommendations and the practical solutions presented in this report.



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- ➔ Discover how our advisory services experts can help you build a winning team.
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