



The Labour Market for the Automotive Trades in Ontario and the Impact on New Car and Truck Retailers

Prepared for the Motor Vehicle Retailers of Ontario (formerly the Trillium Automobile Dealers Association)

Final Report

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Executive Summary

Background and Purpose

New car and truck retailers and automobile repair shops in Ontario are facing challenges in recruiting and retaining technicians in the automotive trades due to a shortage of trained technicians in Canada. As a result, employers have increasingly been using the Temporary Foreign Workers (“TFW”) program to fill vacant positions. This process is costly and extends the timeline for hiring.

MVRO engaged MNP LLP (“MNP”) to undertake a study to assess the labour market challenges impacting the new car and truck retailers in Ontario and how changes to the TFW program could impact businesses.

Key Findings

- The number of vehicles on the road in Ontario is growing and this means increased demand for repair and maintenance services.
- The automotive trades labour force is aging and the number of people entering apprenticeships is declining. As a result, the number of people in the automotive trades labour force is declining and vacancies are increasing. This is occurring both in Ontario and across Canada.
- Employers are training apprentices and recognize the need to attract youth to the industry, but it takes time to train technicians and there is concern that there are not enough apprentices to fill current and future labour needs.
- To fill the increasing number of vacancies, employers in Ontario are using the TFW program.
- It takes between 12 and 16 months to fill a position through the TFW program, due in part to the requirement to demonstrate that there is a lack of available workers locally through a Labour Market Impact Assessment (“LMIA”).
- Recruiting TFWs costs between \$20,000 and \$30,000 per recruit. Of this between 20 percent and 30 percent of the costs are associated with the LMIA process.

Job Vacancies in the Automotive Trades in Ontario

As of Q1 2023 there were over **3,000 vacancies** in the automotive trades in Ontario. Prior to the pandemic there were approximately 1,500.

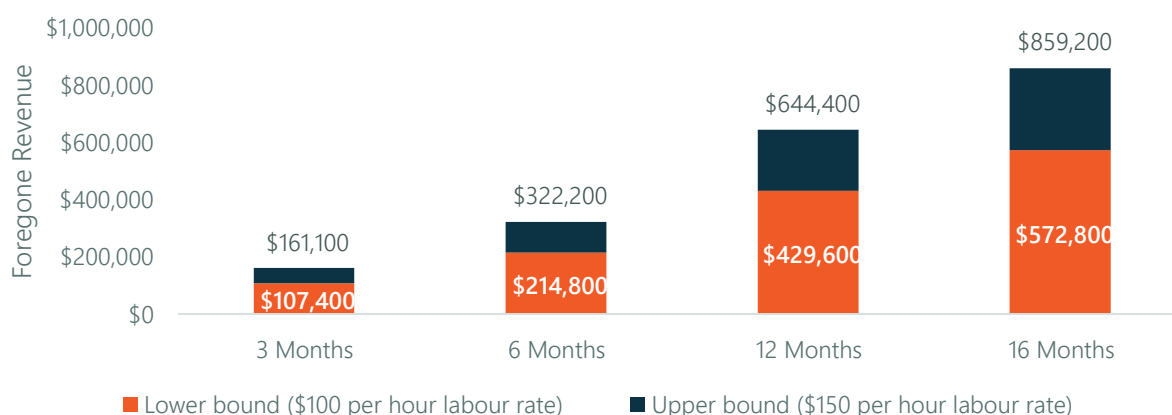
Source: Statistics Canada. Table 14-10-0328-01

Impact of Vacant Positions

Figure A shows the estimated foregone revenue for each vacant technician position over a 3 to 16 month period. Estimates are based on revenue from both parts and labour associated with repairs. To account for differences in geography and type of brand (e.g., luxury vs non-luxury) we estimated the revenue range based on two labour rates. A vacancy of three months was estimated to result in foregone revenue

of between \$107,400 and \$161,100, while a vacancy of between 12 and 16 months was estimated to result in foregone revenue of between \$429,600 and \$859,200. For a small new car and truck retailer (e.g., less than \$5 million in annual revenues) this would be the equivalent of approximately 11 percent of their total revenue, while for larger new car and truck retailers (e.g., \$5 million to \$20 million) it would be between 3 percent and 4 percent of their total revenue.¹

Figure A: Foregone Revenue by Length of Vacancy



For each vacant position there is also foregone income taxes for the provincial and federal governments. Automotive service trades working in new car and truck retailers earn between \$60,000 and \$80,000 annually.² This suggests that for each vacant position between \$7,000 and \$10,000 in federal income tax and \$3,500 and \$5,000 in provincial income tax is foregone annually.³

Conclusion

Eliminating the requirement for a LMIA could reduce the length of time it takes to fill vacant positions and increase access to labour for employers in the short-term as they undertake initiatives to attract more domestic workers to the industry. The immediate benefits to employers could include:

- **Lower recruitment costs.** At present fees associated with a LMIA account for approximately 20 to 30 percent of the total cost of recruiting TFWs. Eliminating the LMIA would eliminate these costs.
- **Financial sustainability.** Reducing the length of time, it takes to recruit would reduce the amount of foregone revenue from each vacant position and could support the financial sustainability of the affected businesses.

¹ Estimates are based on revenue ranges for new car dealers from Statistics Canada - Small business profiles, 2021.

² Earnings were estimated based on the flat rate system with an hourly rate of between \$35 and \$49 and 1,400 to 1,700 hours of billed time.

³ Income taxes were calculated based on 2023 rates for Ontario and assumed no other source of income or deductions for RRSP contributions, child care expenses etc.

1. Introduction

Background and Purpose

The Motor Vehicle Retailers of Ontario (“MVRO”), formerly Trillium Automobile Dealers Association, works to lead progressive and innovative work on behalf of new car and truck retailers in Ontario. MVRO strives to establish equitable and consistent business practices, advertising standards, training programs, and proactive measures that improve the quality of service for consumers.

New car and truck retailers and automobile repair shops are facing challenges in recruiting and retaining technicians in the automotive trades due to a shortage of trained technicians in Canada. As a result, employers have increasingly been using the Temporary Foreign Workers (“TFW”) program to fill vacant positions. Each application submitted to the TFW program involves conducting a labour market impact assessment (“LMIA”) to demonstrate that there is a lack of available labour to fill the position. This process is costly and extends the timeline for hiring.

MVRO engaged MNP LLP (“MNP”) to undertake a study to assess the labour market challenges impacting new car and truck retailers in Ontario and how changes to the TFW program could impact businesses.

Approach

In preparing this report, MNP carried out the following activities:

- Collected information from public sources relating to the employment trends and the outlook for automotive trades in Ontario and Canada.
- Conducted interviews with new car and truck retailers in Ontario and industry representatives in Quebec to understand their experience when hiring technicians and use of the TFW program.
- Analyzed the impact of hiring technicians through the TFW program and the associated costs to new car and truck retailers.
- Developed a report of the findings of the research and analysis.

Structure of the Report

The remaining sections of this report are organized as follows:

- Section 2 provides a description of the methodology and data sources used.
- Section 3 provides an overview of the automotive repair industry in Ontario.
- Section 4 reviews the trends in the labour market for automotive trades in Ontario and Canada.
- Section 5 reviews how the shortage of automotive trades is affecting new car and truck retailers in Ontario.
- Section 6 provides the report's conclusions.

Report Limitations

This report is provided for information purposes and is intended for general guidance only. It should not be considered comprehensive or a substitute for personalized, professional advice.

We have relied upon the completeness, accuracy, and fair presentation of all information and data obtained from public sources, interviews with industry participants and other sources, believed to be reliable. The accuracy and reliability of the findings and opinions expressed in this document are conditional upon the completeness, accuracy, and fair presentation of the information underlying them. As a result, we caution readers not to rely upon any findings or opinions expressed for business or investment decisions and disclaim any liability to any party who relies upon them as such. Before taking any particular course of action, readers should contact their own professional advisor to discuss matters in the context of their particular situation.

Additionally, the findings and opinions expressed in the presentation constitute judgments as of the date of the presentation and are subject to change without notice. MNP is under no obligation to advise of any change brought to its attention which would alter those findings or opinions.

2. Methodology and Data Sources

Figure 1 outlines the approach used to conduct the study.

Figure 1: Approach to Conducting the Study



Data Sources

A combination of primary research and secondary sources were used for the study. Primary research activities were used to gather information on the experience of new car and truck retailers with recruitment, retention, training of apprentices and use of the TFW program. Twenty companies and one industry association representative were invited to participate in the interviews. A total of 12 interviews were conducted, one with the industry association and 11 with new car and truck retailers. Interview participants represented 60 individual dealerships in the following regions:

- Waterloo
- Durham
- Algoma
- Northeastern Ontario
- Peel
- Niagara
- Timiskaming
- Kawartha Lakes

Secondary sources were used for information on the overall trends in the labour market for automotive trades and projections of future demand.

3. Overview of the Automotive Repair Industry

Automotive repair and maintenance services are generally provided through new car and truck retailers and aftermarket repair shops. Organizations with large vehicle fleets may have an in-house maintenance team that provides repair services.

Automotive repairs and maintenance services are performed by skilled trades people. In Ontario, these occupations are regulated and five automotive repair occupations are classified as a compulsory trade. This means that anyone working in the trade must be an apprentice or have a valid Certificate of Qualification.⁴ The five automotive trades that are compulsory are:

- Alignment and Brakes Technician
- Auto Body and Collision Damage Repairer
- Auto Body Repairer
- Automotive Electronic Accessory Technician
- Automotive Service Technician.

Technicians working at new car and truck retailers and aftermarket repair shops are typically paid based on a flat rate system. This means that they are paid a fixed rate per job based on industry standard hours for the job regardless of amount of time it takes to complete the work. Consequently, volume and efficiency are important determinants of overall income for technicians. In-house repair teams are generally hourly or salaried employees.

Number and Size of Employers

The majority of automotive repairs and maintenance services are provided through new car and truck retailers and aftermarket repair shops. **Table 1** provides estimates of the number of new car and truck retailers and aftermarket repair shops in Ontario based on business counts by North American Industry Classification System (NAICS) code. Please note that the data on business counts considers each of an employer's locations separately, meaning that an employer with 10 stores would be counted as 10 locations.⁵ Additionally, the industry assignments are based on the primary business activity of the employer. Therefore, an employer that offers multiple services will be categorized in the industry that corresponds

New Car and Truck Retailers include businesses that sell new light duty passenger vehicles and businesses that sell heavy duty commercial vehicles.

⁴ Skilled Trades Ontario. Work in the Compulsory Trades. Available here: <https://www.skilledtradesontario.ca/about-trades/work-in-the-compulsory-trades/> (Accessed July 7, 2023)

⁵ Statistics Canada, Business Counts 2022.

to their primary business activity. As a result, the location counts by industry may not reflect the total number of businesses providing services in the industry. Industries where the business counts may significantly underestimate the number of businesses providing services are indicated in the notes below the table.

In 2022, there were approximately 1,277 new car and truck retailers, 5,139 automotive repair shops, 1,593 collision repair shops and 324 auto glass repair shops in Ontario. New car and truck retailers tend to be larger in size, with the majority of retailers having over 20 employees, and about one-third of them having over 50 employees. Automotive repair, collision repair and auto glass repair shops typically operate with fewer than 10 employees. The difference in number of employees is due in part to the differences in the ranges of services offered. New car and truck retailers typically offer new and used vehicle sales, vehicle maintenance and mechanical repair services, and sell spare parts and accessories. Aftermarket repair shops and collision and glass repair shops are more specialized and typically only offer repair services and may also sell parts and accessories.

Table 1: Number of Businesses with Employees Providing Automotive Repair Services in Ontario, December 2022

Sub-Sector	NAICS Code	Number of Locations	Number of Employees			
			Less Than 10	10 to 19	20 to 49	50+
Mechanical Repair Services						
New Car & Truck Retailers	441110	1,277	114	179	567	417
Automotive Repair Shops	811111	5,139	4,702	353	69	15
Collision and Glass Repair Services						
Collision Repair	811121	1,593	1,302	209	73	9
Auto Glass Repair*	811122	324	312	9	3	0
Total		8,333	6,430	750	712	441

Source: Statistics Canada, Business Counts, December 2022

*Auto glass repair services are offered by auto glass repair facilities, collision repair facilities, new car and truck retailers and glass repair businesses that primarily provide industrial, residential, and commercial glass replacement services.

Occupations

New car and truck retailers employ a range of occupations, including customer service, salespeople, finance, administration, skilled trades and general labour. Between 20 percent and 25 percent of the workforce at a new car and truck retailer would be in the skilled trades.⁶ This includes apprentices, as well as journeypersons. At aftermarket repair shops just under half of the workforce would generally be in the skilled trades.

The focus of this study is on the skilled trade occupations. These have been organized into the following two categories based on the definitions in the National Occupational Classification (NOC) 2021⁷:

- **Service technicians and mechanics.** This category is comprised of automotive service technicians, truck and bus mechanics and mechanical repairers (NOC 72410). Those employed in these occupations examine, test, and repair the parts and electronic systems on cars and light trucks. Their work also involves reassembling and testing repaired items against manufacturers' standards and performing preventative maintenance such as wheel alignments, oil changes and tune ups. They are employed by mechanical repair shops, new car and truck retailers and auto recyclers. **Table 2** shows a list of the job titles in this category.

Table 2: Service Technicians and Mechanics Job Titles

Automotive service technicians, truck and bus mechanics and mechanical repairers (NOC 72410)
• Apprentice motor vehicle mechanic • Automobile mechanic • Automotive service technician • Brake systems mechanic • Bus mechanic • Mechanical upgrader - motor vehicle manufacturing • Motor repairer - motor vehicle manufacturing • Transmission mechanic • Truck and transport mechanic • Truck-trailer repairer • Tune-up specialist - motor vehicle • Mechanical repairers – major repairs and replacement of mechanical units

Source: Government of Canada. *National Occupational Classification, NOC 2021*.

To obtain a Certificate of Qualification in Ontario, service technicians and mechanics need to complete a 4-year apprenticeship consisting of 6,500 hours of on-the-job work experience and 720 hours of in-school training.⁸

⁶ MNP. *Automotive Sector Labour Market Report*. November 2016. Prepared for the Automotive Retailers Association and interview findings.

⁷ These two occupational categories are used to organize and present findings throughout the report.

⁸ Automotive Service technician. Skilled Trades Ontario. (2022, November 21). <https://www.skilledtradesontario.ca/trade-information/automotive-service-technician/>

- **Auto body and glass technicians and estimators.** This category is comprised of auto body collision, refinishing and glass technicians and damage repair estimators (NOC 72411). Those employed in these occupations repair and replace damaged vehicle body parts and interior finishing, repaint body surfaces, and may replace automotive glass. They may be employed in auto glass repair shops, collision repair shops, new car and truck retailers, automobile appraisal centres and auto recyclers. **Table 3** shows a list of job titles in this category.

Table 3: Auto Body and Glass Technicians and Estimators Job Titles

Auto body collision, refinishing and glass technicians and damage repair estimators (NOC 72411)
• Auto body and collision technician • Auto body repairer • Automobile damage repair estimator • Automotive body mechanic • Automotive glass technician • Automotive painter - motor automotive repair • Automotive painter apprentice • Metal finisher - motor vehicle manufacturing • Metal repairer - motor vehicle manufacturing • Motor vehicle body technician - truck • Painter - motor automotive repair • Metal repairers • Apprentices

Source: Government of Canada. *National Occupational Classification, NOC 2021*.

To obtain a Certificate of Qualification, auto body technicians must undergo an 8,000-hour apprenticeship training program, which includes 7,280 hours of hands-on work experience supplemented by 720 hours of in-school instruction.⁹

Auto glass technicians are not a compulsory trade.¹⁰ There is an apprenticeship program for the trade which leads to a certificate of apprenticeship.

Collision estimators are not classified as skilled trade. The role of collision estimators requires knowledge of automotive repair processes and costs but does not usually involve hands-on repair work.

Table 4 shows the skilled trades occupations typically found in new car and truck retailers and other automotive repair shops. Automotive service technicians and mechanics are employed by new car and truck dealers and automotive repair shops, while auto body technicians, glass technicians, painters and refinishing prep technicians are employed by either new car and truck retailers with a collision repair center or dedicated collision repair shops.

⁹ Auto body and collision damage repairer. Skilled Trades Ontario. (2022a, November 21).

<https://www.skilledtradesontario.ca/trade-information/auto-body-and-collision-damage-repairer/>

¹⁰ Automotive glass technician. Skilled Trades Ontario. <https://skilledtradesontario.ca/trade-information/automotive-glass-technician/>

Collision estimators, though not a skilled trades occupation, are also employed by new car and truck retailers with a collision repair center or dedicated collision repair shops. A description of each occupation is provided in Appendix A.

Table 4: Skilled Trades Occupations by Industry

Industry (NAICS Code)	Automotive Service Technician and Mechanics (NOC 72410)	Auto Body and Collision Technician (NOC 72411)	Automotive Glass Technician (NOC 72411)	Automotive Painter (NOC 72411)	Automotive refinishing Prep Technician (NOC 72411)
New Car & Truck Retailers (44111)	X	X*	X*	X*	X*
Automotive Repair Shops (81111)	X				
Collision Repair (81121)		X	X	X	X
Auto Glass Repair (81122)			X		

**At retailers which also provide collision and or glass repair services.*

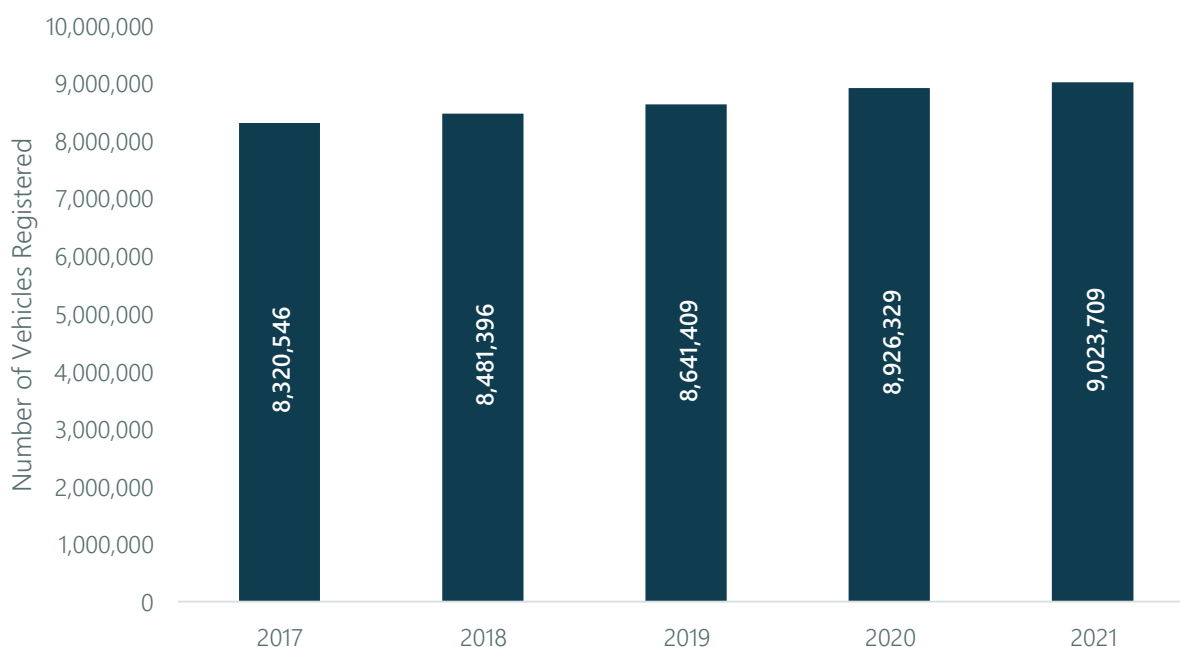
4. Workforce Trends

The demand for skilled trades providing automotive repair services is determined by the number of vehicles on the road. Over time changes in technology and improvements in reliability can affect repair and maintenance requirements.

Trends in Ontario

Between 2017 and 2021 the number of light and medium-duty vehicles registered in Ontario grew by 8.5 percent, from 8.2 million to 9 million (see **Figure 2**). This suggests that the demand for maintenance and repair services would also be increasing.

Figure 2: Light and Medium-Duty Vehicle Registrations, Ontario, 2017-2021



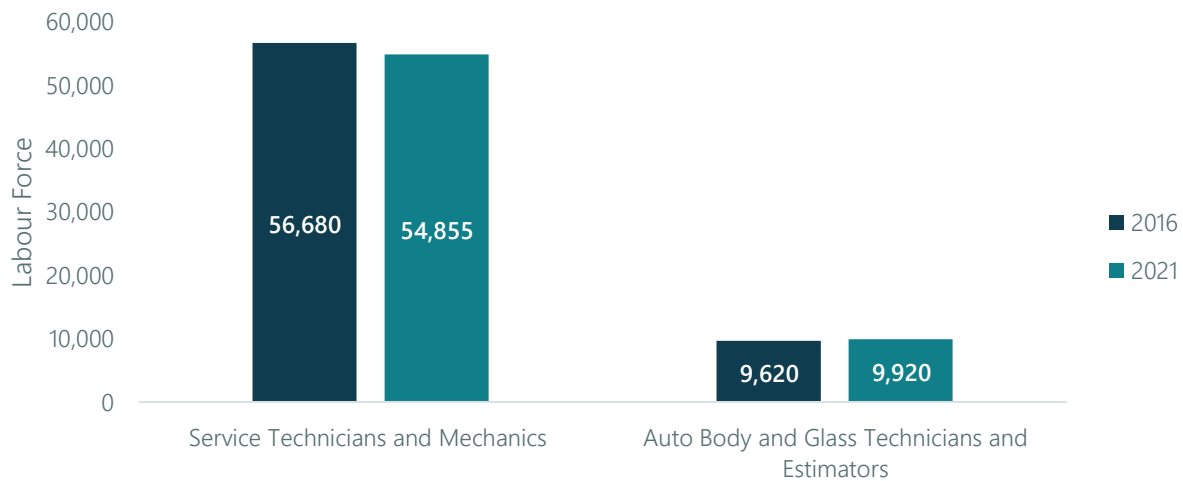
Source: Statistics Canada. Light and medium-duty vehicle registrations: Interactive Dashboard. Available here: <https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2022023-eng.htm> (Accessed July 5, 2023)

While the number vehicles on the road has been increasing, the number of people in the labour force for service technicians and mechanics has been decreasing. Between 2016 and 2021, the total labour force for service technicians and mechanics in Ontario decreased from 56,680 to 54,855 (3.2 percent).¹¹ The labour force for auto body and glass technicians and estimators increased by 3.1 percent from 9,620 in

¹¹ Statistics Canada, 2016 Census of Population, Statistics Canada Catalogue no. 98-400-X2016295. and Statistics Canada, 2021 Census of Population Table: 98-10-0449-01

2016 to 9,920 in 2021.

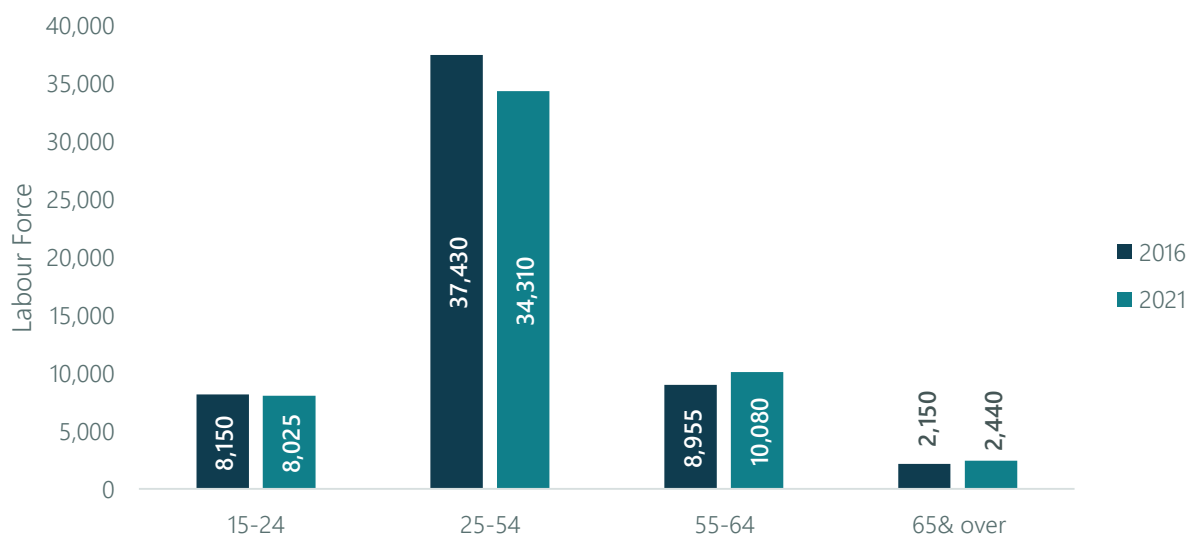
Figure 3: Labour Force in Ontario, by Occupation Category (2016 and 2021)



Source: Statistics Canada, 2016 Census of Population, Statistics Canada Catalogue no. 98-400-X2016295. Statistics Canada, Table 98-10-0449-01 Occupation unit group by labour force status, highest level of education, age and gender: Canada, provinces and territories, census metropolitan areas and census agglomerations with parts.

Figure 4 shows the age distribution of automotive service technicians and mechanics in 2021 and 2016. Between 2016 and 2021, the number of technicians and mechanics in the 15-24 age group declined by two percent and the number in the 25-54 age group declined by eight percent, while the number of technicians and mechanics aged 55 and over increased by almost 13 percent. This indicates that the workforce is aging and that the number of people entering the occupation is not sufficient to replace those that will be retiring between 2022 and 2032.

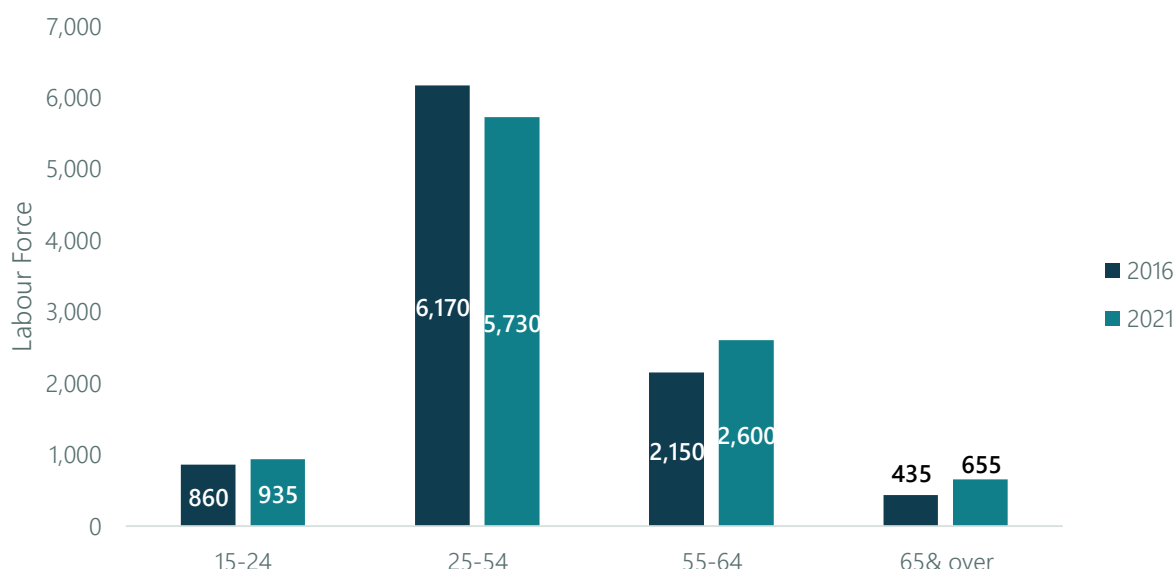
Figure 4: Age Distribution of Service Technicians and Mechanics, Ontario (2016 and 2021)



Source: Statistics Canada, 2016 Census of Population, Statistics Canada, Catalogue no. 98-400-X2016295. Statistics Canada, Table: 98-10-0449-01, Occupation unit group by labour force status, highest level of education, age and gender: Canada, provinces and territories, census metropolitan areas and census agglomerations with parts

Similar trends are evident in the labour force for auto body and glass technicians and estimators (**Figure 5**) Among this group the number of people aged 15 to 24 in the labour force increased by approximately 9 percent, while the number of people aged 55 and over increased by approximately 26 percent and the number of people between 25 and 54 decreased by seven percent.

Figure 5: Age Distribution of Auto Body and Glass Technicians, and Estimators, Ontario (2016 and 2021)



Source: Statistics Canada, 2016 Census of Population, Statistics Canada, Catalogue no. 98-400-X2016295. Statistics Canada, Table: 98-10-0449-01, Occupation unit group by labour force status, highest level of education, age and gender: Canada, provinces and territories, census metropolitan areas and census agglomerations with parts

Further evidence that the number of people entering the automotive trades is declining is found in apprenticeship registration data. **Figure 6** shows the total apprenticeship registrations and new registrations in the automotive services sector in Ontario between 2016 and 2021. During this period, there was a 12.7 percent decline (20,517 to 17,904) in total apprenticeship registrations. Total apprenticeship registrations consist of three components: those who were already registered at the start of the reporting period (which make up approximately 81 percent on average, between 2016 and 2021), new registrations that occurred during the reporting period (17 percent), and reinstatements that took place during the reporting period (1 percent). The decline in total apprenticeship registrations from 2016 and 2021 can be attributed, in part, to a 21 percent decline in new apprenticeship registrations in Ontario (from 3,537 to 2,790).

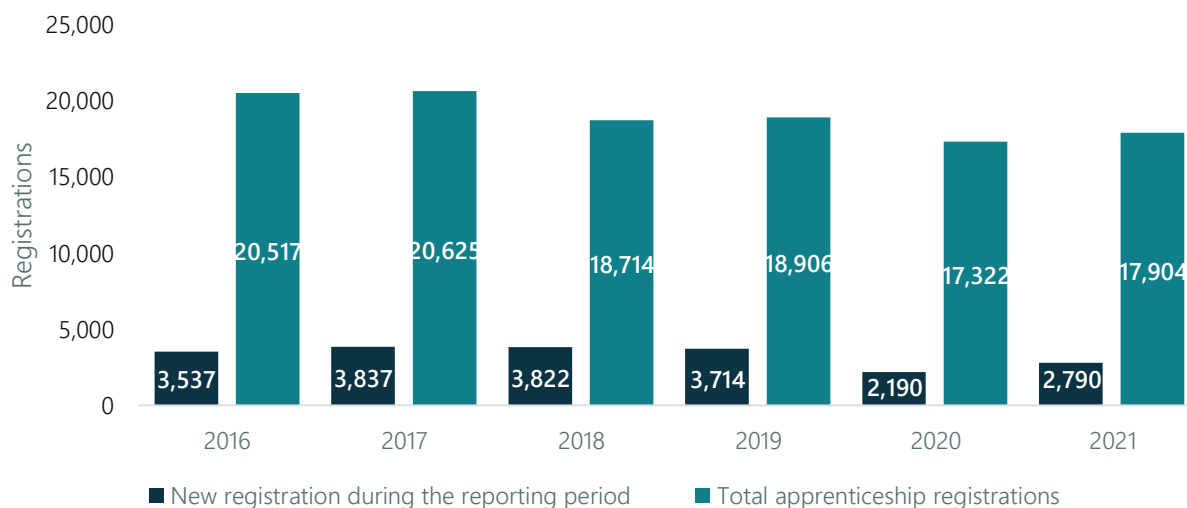
In 2020, there was a 41 percent decline in new registrations for automotive trades apprenticeship programs in Ontario, primarily due to the impact of the Covid-19 pandemic. This decline was not exclusive to Ontario but was experienced across Canada, where new registrations for all apprenticeship programs decreased by 28.5 percent between 2019 and 2020.¹² In Ontario specifically, for all apprenticeship

¹² Brown, J. & Snow, A. (2021a, December 6). The impact of COVID-19 on apprenticeship programs in Canada, 2020. Government of Canada, Statistics Canada. <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2021072-eng.htm>

programs, the decrease was even more pronounced at 37.1 percent.¹³

In 2021, Ontario new apprenticeship registrations in automotive trades partially recovered, increasing by 27.4 percent compared to the previous year. Despite this increase, registrations remained 24.9 percent below 2019 levels.

Figure 6: Ontario - Apprenticeship Registration in Automotive Trades

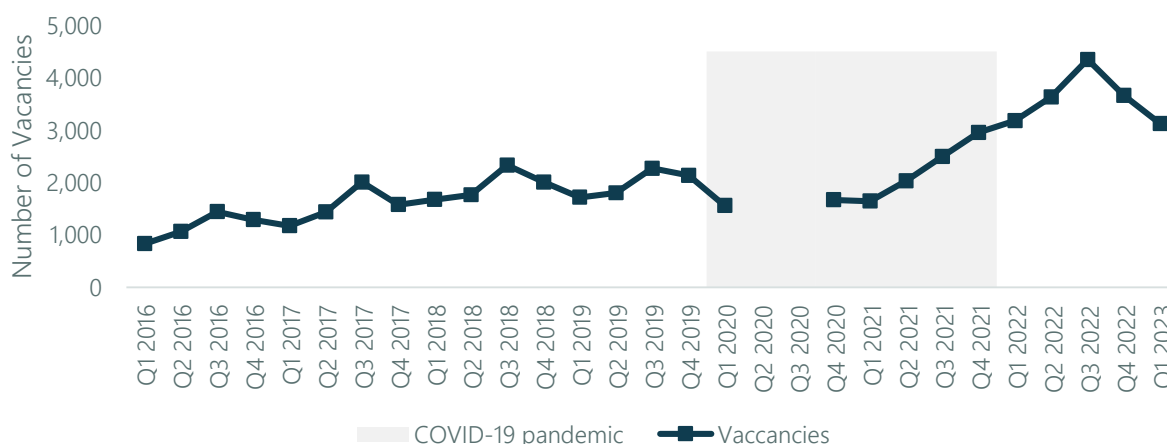


Source: Statistics Canada. Table 37-10-0219-01 Apprenticeship programs by age groups, major trade groups, sex and registration status. Total apprenticeship registrations include the those already registered at the beginning of the reporting period, new registration during the reporting period, and reinstatement during the reporting period.

To understand if the decline in entry into the automotive trades is due to fewer opportunities, we reviewed job vacancy data for automotive trades. **Figure 7** shows the quarterly job vacancies for automotive trades in Ontario from 2016 to 2022. On average, automotive service technicians and mechanics accounted for 81 percent of the total vacancies, while auto body collision repairers and estimators made up the remaining 19 percent. In the first quarter of 2016, there were 830 job vacancies for automotive trades. This number increased to 4,350 in the third quarter of 2022 and was 3,125 in the first quarter of 2023. Before the pandemic, during the first quarter of 2020, there were 1,555 job vacancies for automotive trades. Trends in vacancies are consistent with stable or increasing demand for automotive trades.

¹³ Ibid.

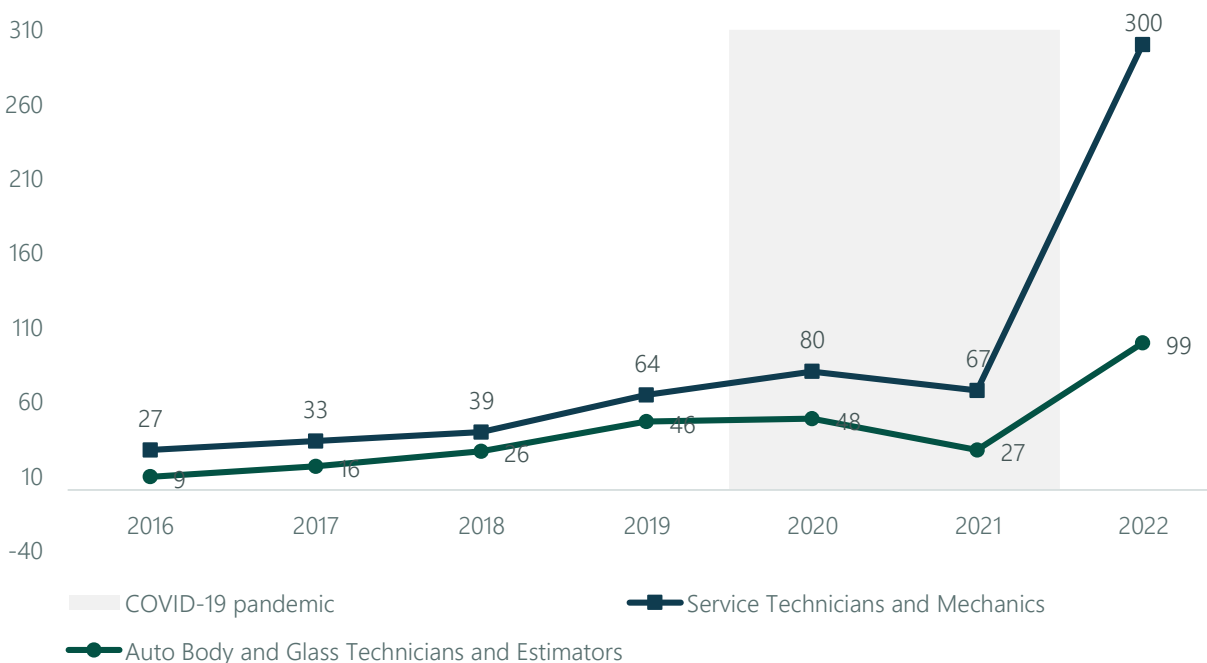
Figure 7: Vacancies for Automotive Trades, Ontario



Statistics Canada. Table 14-10-0328-01 Job vacancies, proportion of job vacancies and average offered hourly wage by selected characteristics, quarterly, unadjusted for seasonality.

As the labour force has declined and the number of vacancies has increased there has been an increase in the use of TFWs in the automotive trades. As shown in **Figure 8** the number of TFWs on positive labour market impact assessments in Ontario for automotive service technicians and mechanics and auto body collision repairers rose steadily between 2016 and 2020. During the COVID-19 pandemic when immigration slowed the number of TFWs declined. In 2022 as immigration flows resumed there was a significant increase in the number of TFWs in automotive trades.

Figure 8: Temporary Foreign Workers (TFW), Ontario

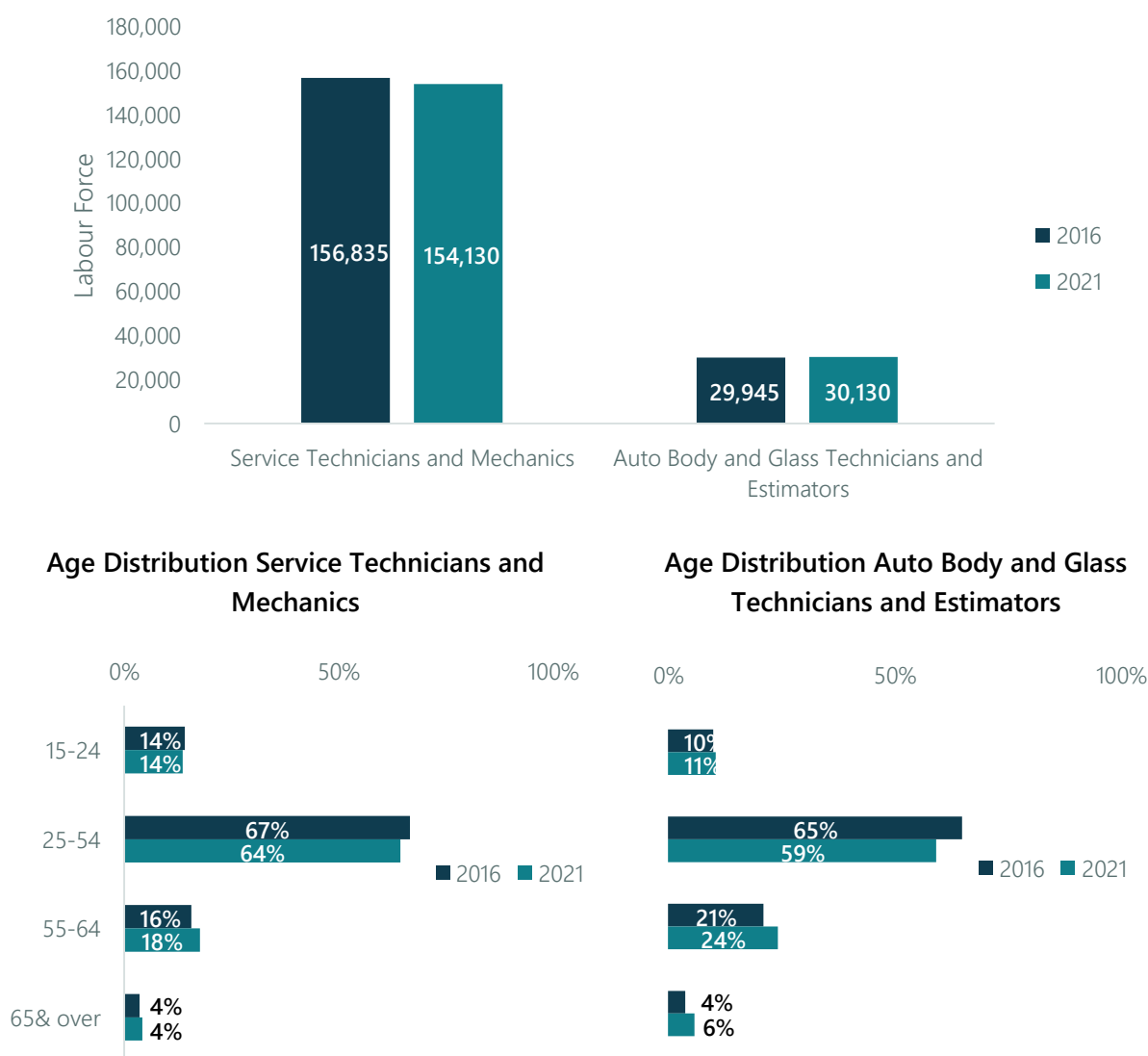


Source: Government of Canada, Number of temporary foreign worker (TFW) positions on positive Labour Market Impact Assessments (LMIA) by National Occupational Classification - 2011 (NOC), and province/territory

Trends in Canada

The trends in Ontario are not unique to the province. Across Canada the number of people in the automotive trades labour force is declining and the workforce is aging (see **Figure 9**).

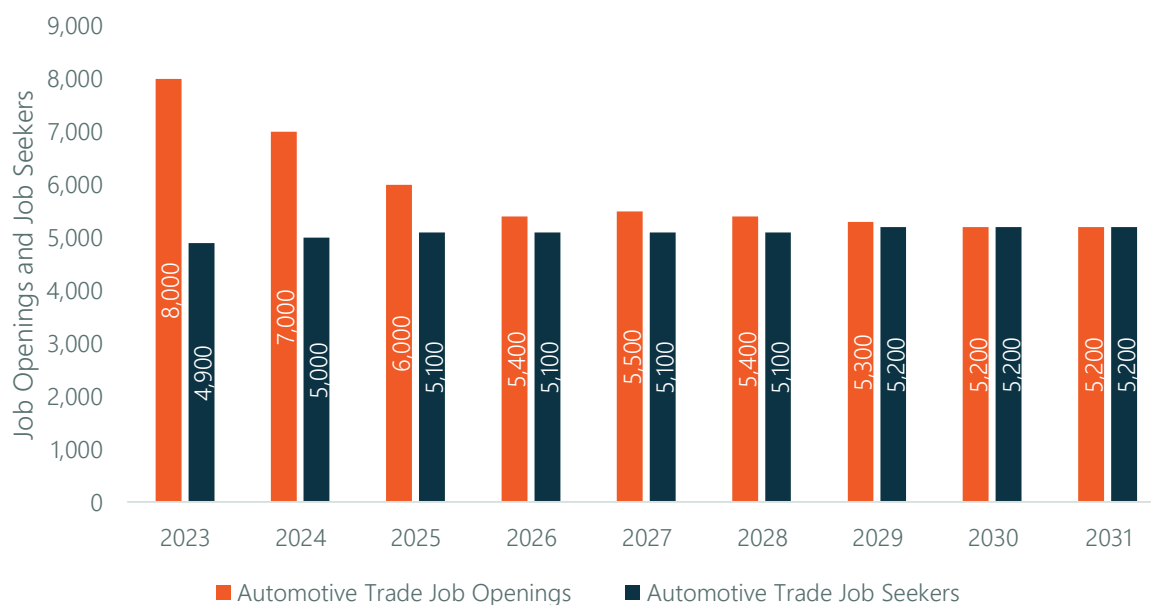
Figure 9: Labour Force Trends in the Automotive Service Trades, Canada



Source: Statistics Canada, 2016 Census of Population, Statistics Canada, Catalogue no. 98-400-X2016295. Statistics Canada, Table: 98-10-0449-01, Occupation unit group by labour force status, highest level of education, age and gender: Canada, provinces and territories, census metropolitan areas and census agglomerations with parts

As shown in **Figure 10**, there is projected to be an imbalance between automotive trades job openings and job seekers across Canada from 2023 to 2031. In 2023, there is projected to be 8,000 job openings and 4,900 job seekers. This difference is largely due to the steep drop in apprenticeship registrations during COVID-19. As the labour market normalizes post-COVID the gap between job openings and job seekers is projected to decrease and close entirely by around 2030.

Figure 10: Projected gap between Automotive Trade Openings vs Seekers in Canada



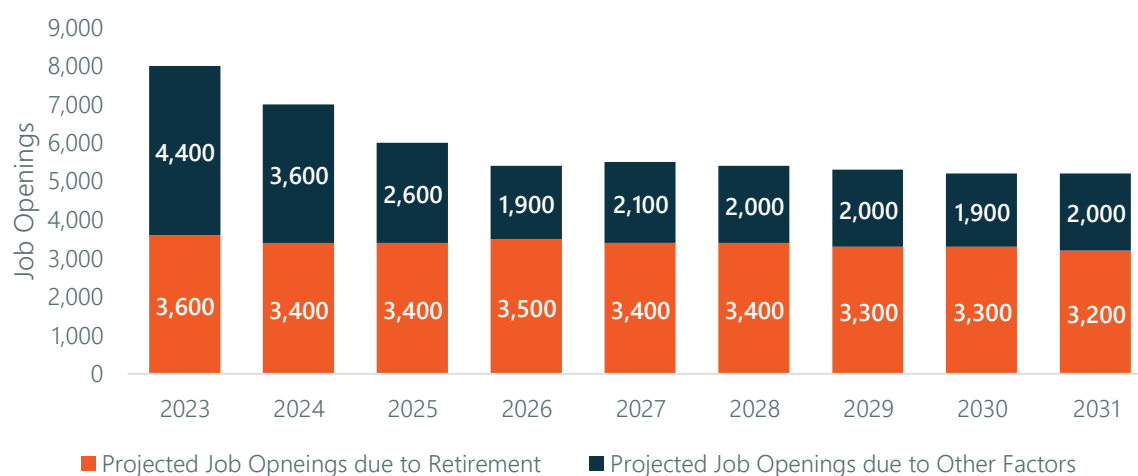
Source: Employment and Social Development Canada - COPS 2022 Projections; and Statistics Canada - unpublished data, Labour Force Survey.

Of the projected job openings, approximately 85 percent are for service technicians and mechanics and the remainder are for auto body and glass technicians and estimators.

As shown in **Figure 11**, retirements are expected to account for 45 percent of the total job openings in 2023, and gradually increase as a proportion of job openings to about 63 percent from 2026 onward. Other factors, including expansion demand, emigration, and other replacement demand within Canada's automotive industry, also contribute to the job openings.¹⁴

¹⁴ Canadian Occupational Projection System (COPS), Government of Canada

Figure 11: Projected Retirement from Automotive Trades vs. Job Openings



Source: Employment and Social Development Canada - COPS 2022 Projections; and Statistics Canada - unpublished data, Labour Force Survey.

Key Findings

- The number of vehicles on the road in Ontario is growing and this means increased demand for repair and maintenance services.
- The automotive trades labour force is aging and the number of people entering apprenticeships is declining. As a result, the number of people in the automotive trades labour force is declining and vacancies are increasing. This is occurring both in Ontario and across Canada.
- To fill the increasing number of vacancies, there is some evidence that employers in Ontario are using TFWs.

5. Impacts on Retailers

To understand the challenges faced by new car and truck retailers in Ontario with regards to the shortage of technicians and the use of the TFW program we conducted interviews with industry participants. In total, 11 interviews were conducted with industry participants representing automotive groups across Ontario. Table 5 summarizes the characteristics of the auto groups represented by the interview participants.

Table 5: Characteristics of Interview Participants

Characteristic	Value
Number of dealerships represented	60
Average number of total staff per shop	68.8
Average number of technicians per shop	12
Average number of apprentices per shop	4
Number of shops that offer mechanical repair services	60
Number of shops that offer collision repair services (in house)	13
Number of shops that offer collision repair services (third party)	32

Among interview participants, seven reported using the TFW program and five reported having undertaken a LMIA.

What we Heard

Interview participants were asked about their experience with recruitment and retention and their use of the TFW program. A consistent theme that emerged from the interviews was concerns about the composition of the current technician workforce. It takes significant time and investment to train technicians. Completion of an apprenticeship typically takes four years and provides technicians with foundational skills to build on. Becoming a master technician takes longer and there is a gap in the workforce between highly experienced technicians and apprentices. Some automotive groups reported concerns about having some of their experienced technicians leaving with no one to replace them in terms of experience and skill, or to pass on knowledge to younger technicians.

Another consideration noted by interviewees is that the physically demanding nature of technician jobs means that experienced technicians may be forced to leave the industry early due to work-related injuries. In other cases, the passion for taking care of people has compelled individuals in the industry to stay longer than they initially intended, creating a burden as they want fewer responsibilities or to retire but

lack experienced replacements.

Challenges in the Current Labour Market

Interviewees reported the following challenges related to the workforce in the current environment:

- **The industry is experiencing a skills gap with the transition to electrification.** The increasing adoption of Zero Emission Vehicles is changing the skills and knowledge needed by technicians. There is significant demand for technicians who have acquired such knowledge and skills and this is making it more challenging to find and retain individuals with the necessary expertise.
- **There is increasing competition from other industries.** Interviewees reported losing experienced technicians to other shops and other sectors. Often older and more experienced technicians will move to employers such as transit companies that can pay higher wages. In other cases technicians move to other occupations. The loss of experienced technicians impacts new car and truck retailers' ability to provide service to their customers, as well as train apprentices.
- **When automotive groups advertise career opportunities many of the applicants lack the necessary qualifications.** Interviewees reported receiving applications from people who are not legally able to work in Canada or from people without any experience in the automotive sector. It takes significant time to develop the skills needed to be a technician and in order to train apprentices a shop needs to have licensed technicians to supervise training.
- **There is a significant shortage of service technicians that have the technical skills and experience domestically. This is leading new car and truck retailers to increasingly recruit from abroad.** Automotive groups are unable to hire staff to meet the needs of customers because they are not available on the market. Given the limited interest from the local workforce, new car and truck retailers are compelled to invest additional resources and efforts to secure the necessary talent from abroad.
- **Lack of qualified service technicians in the domestic market creates liability concerns as improperly fixed vehicles can become hazards.** Hiring managers are faced with a smaller pool of potential hires and may end up with less than optimal hires which can impact the overall quality of service provided. As a result it becomes necessary to implement additional measures to ensure that customers' needs are met and that vehicles are safe when they leave the shop. This challenge is further amplified when foreign workers are involved, as training standards may differ, and it cannot be assumed that their skills meet the necessary safety requirements.
- **Shortage of technicians means employers have to raise wages to remain competitive and this is increasing the costs of providing services.** Technicians have the ability to command higher salaries and compensation, and employers are compelled to meet these demands due to the limited pool of candidates. This imbalance between supply and demand has strained employer-technician relationships and driven up salary expectations.

Apprentices

Interviewees reported employing 256 apprentices in the spring of 2023; however, there are concerns that this will not be sufficient to meet future labour needs. The decrease in the number of people entering apprenticeship programs is making recruiting and retaining apprentices more difficult and this is not expected to improve in the near future. As a result, there is expected to be intense competition among new car and truck retailers for the limited talent pool.

Employers recognize the need to promote automotive careers among youth and collaborate with educational institutions and government organizations to address these challenges. Considerations with respect to the recruitment and retention of apprentices identified by interviewees were:

- **Fewer young people are showing interest in pursuing automotive careers.** Interviewees perceived this to be the result of negative associations with trades positions, and influence from parents to pursue other careers. The physical nature of the work was also perceived to be a deterrent and it has been increasingly difficult to find people capable of handling the physical demands of the job.
- **Decreased educational opportunities for students to learn about the industry.** Interviewees expressed concern that many schools are seeing registration drops for the 310C and 310T programs, with some removing the programs altogether.
- **The practical nature of automotive training requires hands-on, in-person learning,** making online training options less than optimal. With online learning becoming a more available option for post secondary, the industry is competing with other careers that offer the convenience of online education over in-person learning.
- **Limited remote work options.** The nature of the automotive industry requires employees to be physically present, limiting the flexibility of work arrangements compared to other career paths.
- **Some automotive groups have found success in partnering with high schools to provide a co-op for students.** Interviewees reported that these co-ops have led to some apprenticeships and are beneficial for the students to gain experience in fields they may have not gotten exposure to otherwise.

Experience with Hiring TFWs

The shortage of domestically trained technicians has led employers to expand their recruitment efforts to include recruitment from abroad. According to interviewees hiring and relying on foreign labour supply is costly and time consuming. There is no guarantee that foreign workers will be available or willing to fill the needed positions.

The LMIA process was cited by interviewees as being a barrier to recruitment. The process is viewed as laborious and lengthy. To begin the process the employer must complete the paperwork or have a third-party complete the paperwork. Once the paperwork has been submitted it takes time to be processed and approved. Then the position has to be advertised locally for a minimum of 3 to 4 months before recruitment can begin. Interviewees reported hiring involving a LMIA takes at least 12 to 16 months, which is challenging for employers who require immediate staffing solutions.

Who must provide a LMIA?

Any employer that seeks to hire foreign workers through immigration programs must submit an LMIA. The LMIA assesses the potential impact of hiring foreign workers on the Canadian labour market, ensuring that there is a genuine need for foreign workers and protecting the job opportunities of Canadian citizens and permanent residents.



Specific challenges reported by interviewees with respect to the LMIA process were:

- **Conducting a LMIA is challenging and sophisticated.** Completing a LMIA takes a significant amount of time and Human Resource people do not necessarily have the experience to complete it correctly. If it not completed correctly it may not be approved and the new car and truck retailer will need to start the process again. Consequently, some automotive groups employ lawyers and or consulting firms to complete the process on their behalf to reduce the risk.
- **Government LMIA requirements do not align with the operational practices of the automotive industry.** Compensation in the industry is primarily on a flat rate basis, where technicians are paid a fixed amount for specific services or jobs. However, the government mandates that job postings must include an hourly rate, which may deter technicians from applying as the compensation may not appear to be comparable to other opportunities.
- **There is no flexibility in the LMIA process with respect to ownership changes.** A LMIA is not transferable if there is a change of ownership. If a new car and truck retailer that has already started the LMIA process gets acquired by another new car and truck retailer, the LMIA must be repeated. In addition, the new car and truck retailer needs to be in operation for a certain time period before it is eligible to conduct a LMIA, which can further slow down the process.
- **International competition for foreign workers creates challenges in hiring for the automotive industry.** The hiring process in countries like Australia and New Zealand is perceived as easier and more accessible, attracting foreign workers who may prefer these opportunities over those in Canada.
- **The LMIA process is not guaranteed to yield positive results.** There is inherent risk involved as there is no assurance of successfully filling a position through this process. There is no guarantee that foreign workers will be available or willing to fill the needed positions and arrangements with a foreign worker may not materialize as planned. Such uncertainties and potential setbacks pose risks to employers relying on the LMIA process for their workforce needs.
- **Delays in processing by the government affect the process.** When there is a delay in processing applications it causes delays that are beyond the control of employers. These external factors can further complicate the already time-sensitive process of obtaining a LMIA, adding uncertainty and potential setbacks to the recruitment and hiring of foreign workers.

Competition for Foreign Workers

Canadian employers compete with employers in other countries to attract foreign workers. In Australia and New Zealand, the process to recruit foreign workers takes significantly less time than in Canada. According to a recruitment agency in the Philippines once an offer is made it can take less than four weeks to complete the process. In Canada it takes an average of 10 weeks* to process applications for TFWs from the Philippines, excluding the time needed to provide requested biometric information.

*Based on processing times for obtaining a work permit from outside Canada for an application from the Philippines published here: <https://www.canada.ca/en/immigration-refugees-citizenship/services/application/check-processing-times.html>

In addition to the length of time to undertake the LMIA process, there are also substantial costs for employers to hire TFWs. **Table 6** summarizes the costs associated with hiring TFWs reported by interviewees. The LMIA process is mandatory and costs approximately \$6,000 per application. In addition to the application fee and expenses associated with the LMIA, there are additional expenses to successfully recruit TFWs. According to interviewees, working with a lawyer and consultant helps with the process and it is necessary to provide airfare, lodging, clothing, transportation to the worker as part of the recruitment package. Interviewees estimated that in total it costs between \$20,000 and \$30,000 per recruit. Of this between 20 percent and 30 percent are costs associated with the LMIA process.

Table 6: Costs of Recruiting TFWs (in CAD)

Costs	Mandatory	Non-Mandatory*	Comments
*LMIA application fee	\$1,000		
Recruitment costs	\$4,000		Employers must demonstrate that they have attempted to attract local talent.
Advertising costs	\$1,000		Advertising supports the recruitment process.
Legal fees		\$2,000	Legal assistance can aid the processes
Consulting fees		\$4,000	Some employers do not have staff that have the time or knowledge to complete the applications so employ consultants to help with their applications.
Airfare		\$3,000	
Leasing/housing		\$10,000	
Total	\$6,000	\$21,000	Overall Total: \$27,000

**This table assumes one application per new car and truck retailer. If a new car and truck retailer recruits more than one worker they only need to pay the LMIA application fee once.*

**Non-Mandatory Costs are not required by the government but essential to guarantee successfully obtaining a foreign worker.*

Impacts that Removing LMIA may Have

There was unanimous agreement among interviewees that the removal of the requirement for the LMIA when applying for the TFW program would have a significant impact on employers' ability to fill vacant positions. It would:

- **Expedite the process and minimize bureaucratic hurdles.** Without the LMIA requirement, employers would be able to streamline the recruitment process and reduce the time and resources spent on navigating through multiple levels of government bureaucracy. This simplification would allow them to fill vacancies more quickly and maintain service levels for their customers. Interviewees who have been through the process estimated that removal of the LMIA requirement could reduce recruitment timelines from 12 to 16 months to 3 to 6 months.
- **Expand the talent pool for selection.** Without the LMIA process, employers would have greater flexibility in recruiting and selecting candidates, allowing them to consider a wider range of talent, including those who may not meet the specific criteria or documentation required by the LMIA.
- **Effectively manage workforce turnover and attrition.** Reducing the time and costs for employers to fill positions could reduce the pressure on the domestic labour supply and reduce attrition.
- **Reduce barriers to expansion.** Several interviewees identified the inability to recruit technicians as a barrier to expansion in their business that was impacting customer service. Warranty repairs were being prioritized, while customers seeking regular maintenance are waiting longer which could lead to increased repair costs down the road.
- **Reduce costs for financially constrained groups.** Eliminating the LMIA requirement could reduce the cost of recruitment by between 20 percent and 30 percent. This could enable employers to invest those resources into other areas of the business, such as employee training, equipment upgrades, or expanding their operations that could support financial sustainability. For smaller new car and truck retailers unable to access the TFW program due to costs, removing the LMIA requirement could increase access.

Quebec's Alternative Process

Immigration is the responsibility of the federal government and the LMIA process is a federal initiative. The process in Quebec is different from that in other provinces and territories. The Quebec government may issue a Quebec Acceptance Certificate ("CAQ"), confirming that an employer in Quebec has met the requirements to hire a foreign worker. It serves as a precondition for a foreign worker to apply for a work permit in Quebec. For occupations eligible for a CAQ employers submit applications simultaneously to the federal government and the Quebec government and at the federal level the facilitated LMIA process applies. The facilitated process allows employers to fill positions without providing proof of recruitment efforts.

There are limited opportunities to apply for a CAQ, and every year the Quebec Government releases a list of occupations that are eligible to apply for a CAQ that year. Getting occupations on this list requires industry representatives demonstrate the need each year. According to interviewees getting an occupation on the list can be onerous.

A CAQ requires the job be posted 30 days prior to sending immigration forms, and costs approximately the same amount to complete as a LMIA in another province.

Interviewees acknowledged that while the Quebec process may seem simpler, it realistically only saves about 5-10 days.

Source: Key Informant Interviews and Government of Canada. *Facilitated Labour Market Impact Assessment process for Quebec employers*. Available here: <https://www.canada.ca/en/employment-social-development/services/foreign-workers/quebec/simplified-process.html>

Impact of Vacant Positions

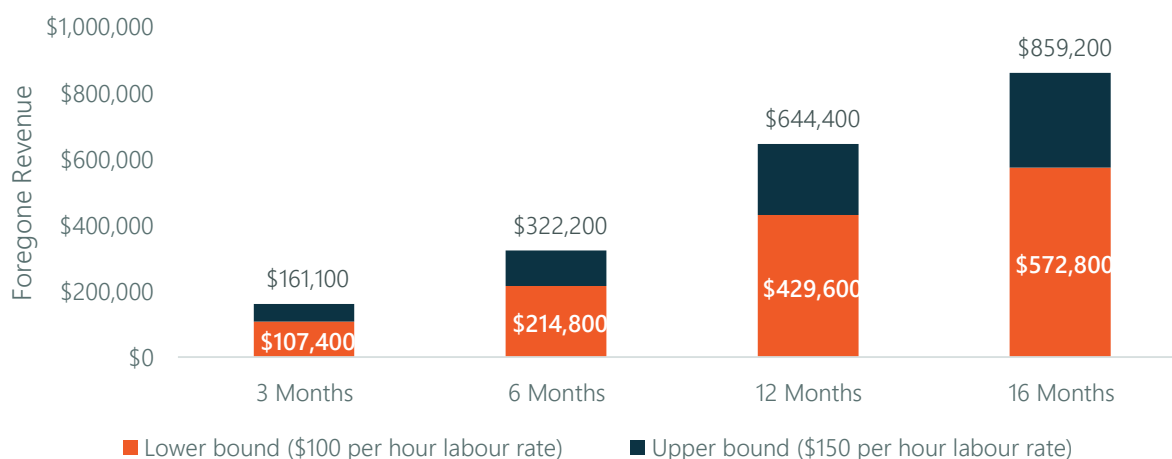
To illustrate the financial impact on a new car and truck retailer of having a vacant technician position we estimated the foregone revenue per month for two scenarios. Scenario A is based on a shop charging a labour rate of \$100 per hour and Scenario B is based on a shop charging a labour rate of \$150 per hour. In each scenario the number of labour hours shops would bill per technician per day was 10. In addition to revenues for labour repair and maintenance work typically involves the use of parts and materials. To estimate revenue from parts we used the ratio of parts revenue to labour revenue from a study by the Canadian Auto Dealers Association. As shown in **Table 7** repairs performed by a technician were estimated to generate between \$25,800 and \$53,700 per month in revenue. If a position is vacant that revenue is foregone.

Table 7: Revenue per Month per Technician

	Scenario A	Scenario B
Labour rate (per hour)	\$ 100.00	\$ 150.00
Labour hours billed per day per technician ¹⁵	10	10
Days worked per month	20	20
Monthly revenue per technician	\$20,000	\$ 30,000
Ratio of parts revenue to labour revenue ¹⁶	0.79	0.79
Monthly revenue from parts	\$15,800	\$23,700
Total Monthly Revenue	\$35,800	\$53,700

Figure 12 shows the estimated foregone revenue for each vacant technician position over a 3 to 16 month period. A vacancy of three months was estimated to result in foregone revenue of between \$107,400 and \$161,000, while a vacancy of between 12 and 16 months was estimated to result in foregone revenue of between \$429,600 and \$859,200. For a small new car and truck retailer (e.g., less than \$5 million in annual revenues) this would be the equivalent of approximately 11 percent of their total revenue, while for larger new car and truck retailers (e.g., \$5 million to \$20 million) it would be between 3 percent and 5 percent of their total revenue.¹⁷

Figure 12: Foregone Revenue by Length of Vacancy



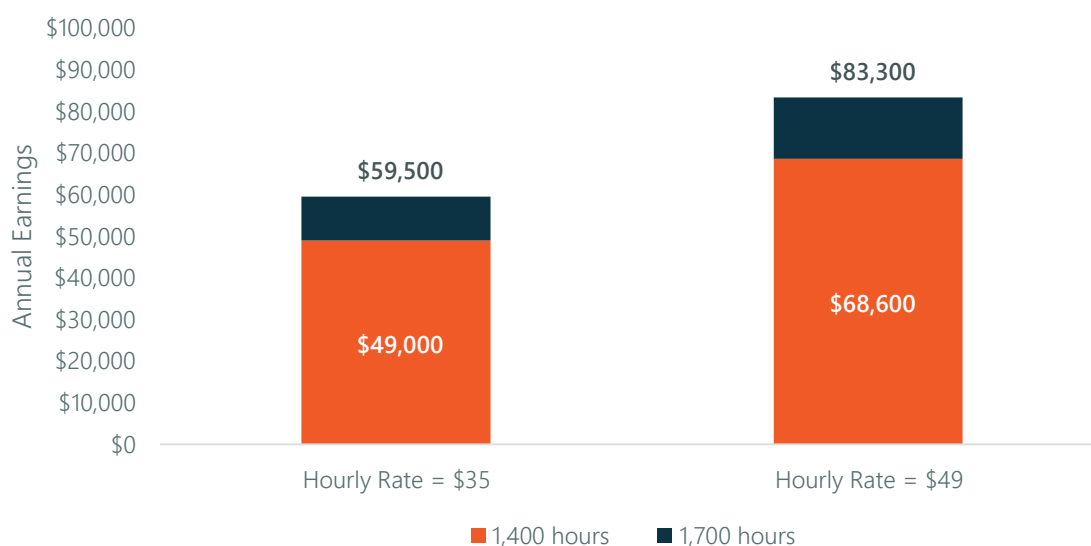
¹⁵ According to retailers an experienced technician is typically able to generate 10 billable labour hours under a flat rate system each workday.

¹⁶ Canadian Auto Dealers Association. Data Report 2022: Annual Profile of Canada's Franchised New Car Dealerships. Available here: <https://www.cada.ca/common/Uploaded%20files/EconomicReports/CADA%20Data%20Report%20-%20EN.pdf>

¹⁷ Estimates are based on revenue ranges for new car dealers in 2021 from Statistics Canada - Small business profiles, 2021.

Vacant positions also result in foregone revenues for government. **Figure 13** shows the estimated range of annual earnings for a certified Automotive Service Technician working at a new car and truck retailer. Annual earnings were estimated to be between approximately \$49,000 and \$83,300.

Figure 13: Annual Earnings per Technician*



*Earnings are calculated based on the flat rate system. Hourly rates are based on a review of advertised rates for certified Automotive Service Technicians in new car and truck retailers and hourly rates for NOC 72410 reported in the Government of Canada's Job Bank.

Table 8 shows the income taxes paid by an Automotive Service Technician earning between \$63,000 and \$80,000 annually. This suggests that for each vacant position the federal government foregoes between \$6,800 and \$10,000 in income tax annually and the provincial government foregoes between \$3,400 and \$5,100 in income tax annually.

Table 8: Income Taxes* Paid per Automotive Service Technician

Taxes	Annual Earnings		
	\$63,000	\$70,000	\$80,000
Federal Income Taxes	\$6,813	\$8,212	\$10,262
Provincial Income Taxes	\$3,493	\$4,121	\$5,186
Total	\$10,306	\$12,333	\$15,448

*Income taxes are calculated based on 2023 rates for Ontario and do not include deductions for contributions to RRSPs, child care expenses etc.

6. Conclusion

At present new car and truck retailers in Canada are experiencing significant challenges related to the recruitment and retention of automotive trades. The workforce is aging and there are fewer people entering these occupations. The lack of technicians domestically is affecting day-to-day operations of businesses, as well as the overall growth and sustainability of new car and truck retailers in Canada. As a result, employers are increasingly using the TFW program to fill vacant technician positions and maintain operations.

As part of the process to recruit foreign workers, employers are required to demonstrate that there is a lack of qualified candidates locally by conducting a LMIA each time they are recruiting. The LMIA process is time-consuming and increases the cost of recruitment. Eliminating the requirement for a LMIA could reduce the length of time it takes to fill vacant positions and increase access to labour for employers in the short-term as they undertake initiatives to attract more domestic workers to the industry.

The immediate benefits to employers of eliminating the LMIA requirement could include:

- **Lower recruitment costs.** At present fees associated with a LMIA account for approximately 20 to 30 percent of the total cost of recruiting TFWs. Eliminating the LMIA would eliminate these costs.
- **Financial sustainability.** Reducing the length of time it takes to recruit would reduce the amount of foregone revenue from each vacant position and could support the financial sustainability of the affected businesses. It could also increase employment income tax revenue to the federal and provincial government.

7. Appendices

Appendix A: Occupation Descriptions

The occupation descriptions contained in this appendix are based on National Occupation Classification

Occupation	NOC Code	Position Description
Automotive Service Technician (including apprentices)	72410	Automotive Service Technicians examine, test and repair the parts and systems on cars and light trucks. Their work also involves reassembling and testing repaired items against manufacturers' standards and performing preventative maintenance such as wheel alignments, oil changes and tune ups. They are employed by mechanical repair shops, new car and truck retailers and auto recyclers.
Motor Vehicle Body Repairers (includes Auto body and Collision Technician, Automotive Glass Technician, Automotive Painter, Automotive Refinishing Prep Technician and apprentices)	72411	Motor vehicle body repairers repair and replace damaged vehicle body parts and interior finishing, repaint body surfaces and may replace automotive glass. They may be employed in auto glass repair shops, collision repair shops, new car and truck retailers, automobile appraisal centres and auto recyclers.
Estimator	72411	Estimators inspect vehicles to determine the level of damage, and cost of repairs. Estimators may be employed by new car and truck retailers, collision repair shops and auto glass repair shops.

Appendix B: About MNP

For over 60 years, MNP has proudly served and responded to the needs of clients in the public, private and not-for-profit sectors. Today, MNP is the fifth largest Chartered Professional Accountancy and business consulting firm in Canada and is the only major accounting and business consulting firm with its head office located in Western Canada. MNP has more than 117 locations and over 7,100 team members across the country.

MNP Consulting Services

MNP Consulting provides a broad range of business and advisory services to clients including:

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- Economic Analysis
- Research
- Data and Analytics
- Business Plans and Feasibility Studies
- Performance Improvement
- Financial Analysis

About MNP's Economics and Research Practice

Economic and industry studies are carried out by MNP's Economics and Research practice. The Economics and Research practice consists of a team of professionals that has a successful track record of assisting clients with a wide variety of financial and economic impact studies. Our work has encompassed a wide range of programs, industries, company operations and policy initiatives, and has helped clients with decision-making, communication of economic and financial contributions, documentation of the value of initiatives and activities, and development of public policy.



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