Employment Practices and Skills Demands in Canada:

A National Survey

Partners

The Diversity Institute conducts and coordinates multi-disciplinary, multi-stakeholder research to address the needs of diverse Canadians, the changing nature of skills and competencies, and the policies, processes and tools that advance economic inclusion and success. Our action-oriented, evidence-based approach is advancing knowledge of the complex barriers faced by under-represented groups, leading practices to effect change, and producing concrete results. The Diversity Institute is a research lead for the Future Skills Centre.

The Future Skills Centre (FSC) is a forward-thinking centre for research and collaboration dedicated to driving innovation in skills development so that everyone in Canada can be prepared for the future of work. We partner with policymakers, researchers, practitioners, employers and labour, and post-secondary institutions to solve pressing labour market challenges and ensure that everyone can benefit from relevant lifelong learning opportunities. We are founded by a consortium whose members are Toronto Metropolitan University, Blueprint, and The Conference Board of Canada, and are funded by the Government of Canada's Future Skills Program.

Established through the Montreal-based Stephen Jarislowsky Foundation, Elinor Gill Ratcliffe and the Government of Newfoundland and Labrador, the Stephen Jarislowsky Chair in Cultural and Economic Transformation at the Economics Department of the Memorial University of Newfoundland focuses on research in the areas of global and local cultures, strategies for immigration integration and retention, diasporas, and demographic changes. Research of this nature will be vital in promoting sustainable long-term economic and cultural prosperity in Newfoundland and Labrador.

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About the National Survey on Skill Demands and Employment Practices

The National Survey on Skill Demands and Employment Practices is conducted by Narrative Research on behalf of the Stephen Jarislowsky Chair in Cultural and Economic Transformation at Memorial University in partnership with the Future Skills Centre and the Diversity Institute at Toronto Metropolitan University. This survey represents the third year that the Stephen Jarislowksy Chair in Cultural and Economic Transformation has administered an employer survey. Previously, surveys were administered in Atlantic Canada in 2019 and 2022. This year's survey explores contemporary topics, including technological adoption and the impacts of American tariffs on Canadian exports. In addition, this survey incorporates themes from previous surveys, including employer hiring, skill matching and training, and employer performance.

The survey was administered between April 11 and August 21, 2025, collecting 1,700 responses from small and medium-sized enterprises across Canada. A stratified random sampling method was used, where strata were established according to industry, organizational size and location. A 15-minute qualitative semi-structured telephone interview was conducted in either English or French. The target population was private-sector employers in Canada with between 2 and 499 full-time equivalent employees. The target respondents were owners, managers, senior executives or human resource directors, depending on the size of the organization.

Reports using data from the previous survey waves in 2019 and 2022 can be found online at:

https://www.mun.ca/harriscentre/media/production/memorial/administrative/the-harris-centre/media-library/ACOA_Immigration_Fang.pdf (2019)

https://www.mun.ca/jcjair/media/production/memorial/administrative/jchair/bedrock-migration-sites/jchair/outreach/newsletters/ACOA%20COVID%20Business%20Impact%20Final%20Report.pdf (2022)

Executive Summary

Small and medium-sized enterprises (SMEs) are over 99.7% of Canadian employer businesses and employ 63.6% of private-sector workers. Despite their critical role in the economy, SMEs face persistent labour and skill shortages, limiting their capacity for business growth. While there is widespread recognition among SME owners and executives of the importance of investing in workforce training and employee retention, many do not possess the resources to adequately address these gaps. Labour and skill shortages may adversely affect businesses in several ways, including their cash flow, time allocation and future planning.

In this study, we draw on first-hand experiences from business executives and owners to better understand labour-related challenges facing SMEs. We focus on the ways in which contemporary pressures—including the adoption of artificial intelligence and the imposition of U.S. tariffs on Canadian exports—are shaping skill demands, employment practices and organizational performance and capacity.

Study design

Narrative Research conducted a private-sector employer survey on behalf of the Stephen Jarislowsky Chair in Economic and Cultural Transformation and the Future Skills Centre. This survey was administered between April 11 and August 21, 2025, collecting responses from 1,700 SME respondents from across the country. In addition to collecting data on a range of business characteristics, the study inquired about labour shortages and skill demand, contemporary and future adoption of artificial intelligence, and the potential impact of U.S. tariffs on Canadian exports. The validity and reliability of the questions were tested at the beginning of the survey.

Findings

The survey results show that three in ten, or 28%, of SME respondents nationally have experienced difficulties filling job vacancies from April to August 2025. Among employers who experienced difficulties filling vacancies, 34% attributed these difficulties to lack of skills as the primary reason, followed by lack of applicants (32%) and lack of experience (26%). There was notable variation in

employment challenges and practices by location and company size. Larger firms were more likely to experience hiring challenges than smaller firms, and firms primarily operating in Atlantic and Western Canada were disproportionately affected (33% and 29%, respectively).

The most in-demand roles were technicians/tradespeople and production workers. The survey suggests that Canadian businesses may be increasingly dependent on immigrant workers in the future to address labour shortages. Over the last three years, 50% of employers indicated that they had hired immigrant workers; looking ahead, 60% expressed a willingness to do so over the next three years.

Artificial intelligence (AI) adoption is nascent in Canada, but it is expected to fundamentally transform business operations in the future. About 30% of respondents reported that their firm was using AI in some capacity, with 20% of respondents indicating that their business had intentions of expanding AI adoption in the future.

Most of the firms who adopted AI did so for productivity tools (17%), marketing/advertising (16%), sales/forecasting (12%) or product design (12%). Only 4% of businesses indicated that they were using digital tools in human resource management. This is largely consistent with previous work that suggests SMEs are overly reliant on traditional and informal recruitment processes.

According to respondents, the most in-demand skills over the next three years will be digital (21%), communication (6%) and adaptability skills (6%). Immigrants may possess unique certifications and qualifications that will help address evolving skill gaps.

The Canada–U.S. trade war may pose challenges for some domestic businesses, limiting their capacity for future growth due to financial constraints. Among respondents whose firms engage in exporting, 66% indicated that United States President Donald Trump's tariffs on Canada would adversely affect their business. In light of souring relations between the U.S. and Canada, the majority of exporting firms see an opportunity to expand trade to both domestic and international markets, excluding the U.S.

Conclusions and implications

Only a subset of SMEs experienced difficulties filling job vacancies in the last six months. Firms primarily operating in Atlantic and Western Canada report a higher incidence of hiring challenges, consistent with relatively higher job vacancy rates observed in these regions. The regional differences in hiring difficulties highlight the need for tailored, region-specific interventions to support equitable business growth across the country.

Respondents frequently attributed their hiring challenges to difficulties attracting applicants. SMEs often lack the capacities, resources and advanced human resource management practices needed for effective sourcing, recruitment and hiring. To attract applicants, there is a need to reduce barriers to the adoption of modern human resource practices.

A relatively small proportion of respondents indicate intentions to expand their implementation of AI across various business functions, and the majority of SMEs report seeing no need to implement AI in their business. This is reflective of a broader trend, as Canada lags globally in AI adoption. To encourage AI adoption, there is a need to bring awareness of AI tools and their benefits to business professionals.

As political tensions between the United States and Canada escalate, SMEs involved in exporting are actively seeking new trading partners. Most exporters see potential to expand trade both domestically and internationally. In response to the changing trade landscape, the Canadian government can play a key role by offering targeted funding programs, delivering timely updates on international trade developments, and collaborating with partner organizations to help SMEs access relevant support.

Introduction

Stagnant economic growth has characterized the last few decades in Canada, as the nation has fallen behind other advanced economies in labour productivity gains.[1] Despite the longstanding nature of this issue, policy makers remain divided about the primary causes of the problem and the best way forward to a more resilient economy. Canada makes significant investments in innovation and technological capacity, but struggles to translate these investments into quantifiable improvements in productivity. This phenomenon has been labelled an "innovation paradox," and untangling this paradox is crucial to finding ways to increase the standard of living for Canadians in the long run.[2]

*Among policy makers, one area of broad consensus is the **critical role** that small and medium-sized enterprises (SMEs) **must play in closing the productivity gap**.*

Among policy makers, one area of broad consensus is the critical role that small and medium-sized enterprises (SMEs) must play in closing the productivity gap. By most recent estimates, there are about eight million individuals employed by private-sector SMEs in Canada, accounting for 88% of employer businesses.[3] Canada has a notably larger share of SMEs and employment in SMEs relative to other advanced economies; therefore, the success of the Canadian economy is largely contingent on the success of our smaller businesses.[4]

SMEs do not have access to the same resources that are available to large organizations. As a result, SMEs often face significant challenges in attracting and retaining talent, leading to persistent labour and skill shortages in their workforce.[5] According to a survey conducted in 2021, the vast majority (75%) of SMEs acknowledge the need to increase investment in training and employee retention. The main skill needs include the following key areas: adaptability, collaboration, communication, creativity and innovation, and digital technologies, among others. However, many also cited time and financial constraints as key barriers that limited their ability to address these needs.[6]

Compared to larger organizations, SMEs tend to have limited human resource (HR) capacity and expertise, hindering their ability to assess skill needs and recruit and retain qualified candidates.[7] In the absence of trained HR professionals, critical recruitment decisions typically fall to a small number of individuals—including owners, managers, or other senior employees—who may lack specialized knowledge to implement successful hiring strategies.[8] SMEs, therefore, are more likely to rely on traditional recruitment methods, which can be time-consuming and increasingly ineffective in today's competitive labour market.[9]

Given that employees play a vital role in core business operations, suboptimal hiring decisions can have significant consequences on business performance. To improve the efficiency and efficacy of recruitment, it is essential that SMEs adopt modern hiring practices,[10] including artificial intelligence (AI), online job postings, automatic resume screening, social media recruiting and virtual interviewing tools. These digital technologies enable companies to access global talent, filter candidates based on specified criteria and reduce unconscious bias common in traditional recruitment processes.

A survey found that 99% of Fortune 500 companies use applicant tracking systems, compared to only 35% of small businesses.[11] The non-adoption of digital HR tools reflects a broader challenge for SMEs, particularly related to keeping up with technological innovation across all areas of business operations. In general, larger organizations tend to adopt innovative technologies at a faster rate than smaller firms, reinforcing disparities in business performance and growth by organizational size.[12] This gap is particularly concerning given the emergence of AI, which promises substantial productivity gains in the coming years.[13] To remain competitive, it is essential that firms build digital infrastructure across functions to adapt to an ever-changing business climate.

The rapid expansion of the digital economy presents a profound opportunity for capital investment, skill upgrading and technological progress, which would allow Canada to address its productivity crisis. Addressing Canada's innovation paradox requires fostering the broad adoption of new technologies and supporting long-run economic growth. Given that the implementation of digital technologies in the workplace is nascent, it is essential to understand business attitudes toward these technologies. Drawing on first-hand experiences from human resource directors and managers, this report explores the contemporary and forward-looking perceptions of digital technologies. These findings offer valuable information for shaping economic policy, business investment strategies and workforce planning.

Disruptive technologies, including AI, transform the landscape of workforce skills, reducing demand for workers for routine tasks while increasing the need for knowledge-based roles. Since the turn of the 20th century, the widespread implementation of information and communication technologies has resulted in employment proportions shifting away from lower-skilled occupations and toward professional occupations.[14] A similar trend will likely emerge as AI becomes more ubiquitous in the workplace, resulting in a surge in demand for specialized technical skills, including competency in data analysis and machine learning, content creation and digital marketing, and software and web development.

In addition, this report also seeks to understand how Canadian employers are responding to declining business sentiment in the wake of the Canada–U.S. trade war. The two nations have long maintained deep economic ties through successive free trade agreements, culminating in one of the largest bilateral trade relationships in the world.[15] However, the imposition of U.S. tariffs on Canadian exports has disrupted cross-border supply chains and introduced new operational challenges for domestic businesses. Understanding how SMEs are navigating these disruptions is critical to informing policy responses that strengthen Canada's labour market and supporting long-term economic resilience.

Study Design

A national employer survey was administered between April 11 and August 21, 2025, by Narrative Research on behalf of the Stephen Jarislowsky Chair in Cultural and Economic Transformation and the Future Skills Centre, collecting responses from 1,700 SMEs across the country. Using data from this survey, this study explores the hiring practices of small Canadian businesses and their interactions with immigrant workers.

A 15-minute qualitative semi-structured telephone interview was conducted in either English or French. The target population were employers in Canada with between 2 and 499 full-time equivalent employees, and the target respondents were senior managers or business owners, depending on the organizational size. A stratified random sampling method was used, where strata were established according to industry, company size and location. The survey asked the following questions specific to hiring challenges:

1. In the last six months, has your company had difficulty filling job vacancies?

2. What is the main difficulty your company has experienced in filling job vacancies?

3. In the past three years, has your company hired international immigrants for positions in Canada?

4. Is your company willing to hire international immigrants to Canada in the next three years?

The Canada–U.S. trade war may affect the financial well-being of Canadian businesses, thereby affecting their ability to recruit and retain immigrant talent. The survey asked the following questions about American tariffs:

5. What impact, if any, would U.S. President Donald Trump's tariffs, both those implemented and proposed, have on your business?

6. To which countries, if any, do you see the greatest opportunity to increase exports of your products or services, other than the U.S.?

7. To which Canadian provinces or territories, if any, do you see the greatest opportunity to increase exports of your products or services?

The adoption of AI is expected to fundamentally transform business operations, possibly enhancing firm productivity across a wide range of sectors. As a result, evolving skill needs and shifting labour demand may present new challenges and opportunities to SMEs and immigrant workers. To better understand these dynamics, the survey asked the following questions:

8. What areas or business functions does your business use AI for?

9. As technologies continue to evolve due to the use of AI, what new skills would you like your employees to possess in the next three years?

10. What types of training would you like your employees to receive in general?

Since AI refers to a wide range of technologies, the questionnaire included some examples of AI programs, such as chatbots like ChatGPT or Bing Chat, image generators like Midjourney or Sora, content creation tools like Jasper or Copy.ai, or coding assistants like Copilot.

The validity and reliability of questions were tested at the beginning of the survey.

As a result of the oversampling, respondents were primarily based in Atlantic Canada (6%), followed by Ontario (37%), Western Canada (36%) and Quebec (21%). In this context, Western Canada includes Alberta, British Columbia, Manitoba, Saskatchewan, and the territories, while Atlantic Canada includes New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. To return estimates representing the population of SME firms in Canada, survey weights were applied in all data analyses.

Regarding company size, 42% were micro-businesses (2–4 full-time equivalent workers), 29% were small businesses (5–9 workers), 23% were mid-sized businesses (10–49 workers) and 6% were larger businesses (50–499 workers).

Findings

Labour and skill shortages

In total, 28% of respondents indicated that they experienced hiring challenges in the last six months. Half (50%) of all surveyed firms reported hiring immigrants (including economic immigrants, international students and refugees) over the past three years. In the next three years, 60% of respondents indicated a willingness to hire immigrants to fill job vacancies.

As shown in Table 1, there is significant variation in hiring experiences and practices across Canada. Firms operating primarily in Atlantic Canada (33%) and Western Canada (29%) reported slightly higher rates of difficulties filling job vacancies compared to the overall sample average, indicating that these regions are disproportionately affected by labour shortages. Ontario (27%) and Quebec (27%) reported relatively lower rates.

Given that immigrants can help alleviate labour shortages, it is surprising that only 45% of businesses in Atlantic Canada hired immigrants, which is below the sample average of 50%. On the other hand, firms in the Western region appear more reliant on

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immigrant talent in contemporary times, with 55% having hired immigrants in the last three years. Going forward, businesses in Atlantic Canada (69%) were most likely to express willingness to hire immigrants. This is likely a result of their ongoing hiring challenges, possibly due to disproportional demographic deficits and smaller support of immigrant workers relative to the other regions in Canada.

Table 1

Hiring practices by primary geographic region (n = 1,700)

	Western (%)	Ontario (%)	Quebec (%)	Atlantic (%)	Total (%)
Difficulties filling vacancies in the last six months	29	27	27	33	28
Hired immigrants in the last three years	55	53	40	45	50
Willing to hire immigrants in the next three years	58	63	58	69	60

As seen in Table 2, organizational size plays an important role in hiring experiences and practices. Large (35%) and mid-sized (38%) firms were significantly more likely to report difficulties filling vacancies, compared to only 23% of micro and 26% of small businesses. This gap may reflect the fact that larger firms conduct hiring more frequently than smaller firms, increasing exposure to recruitment challenges.

Mid-sized (75%) and large (82%) businesses were also more likely to hire immigrants in recent years, potentially as a strategy to address job vacancies. In comparison, only 34% of micro businesses and 48% of small businesses hired immigrants. Micro (56%) and small (55%) businesses were also less likely to express a willingness to hire immigrants over the next three years. This reluctance among smaller firms may stem from limited organizational capacity. For example, smaller firms may have lower staffing needs due to a lighter workload. In contrast, mid-sized (70%) and large (78%) firms expressed an eagerness to hire international talent, which may help these businesses address skill gaps and support business growth.
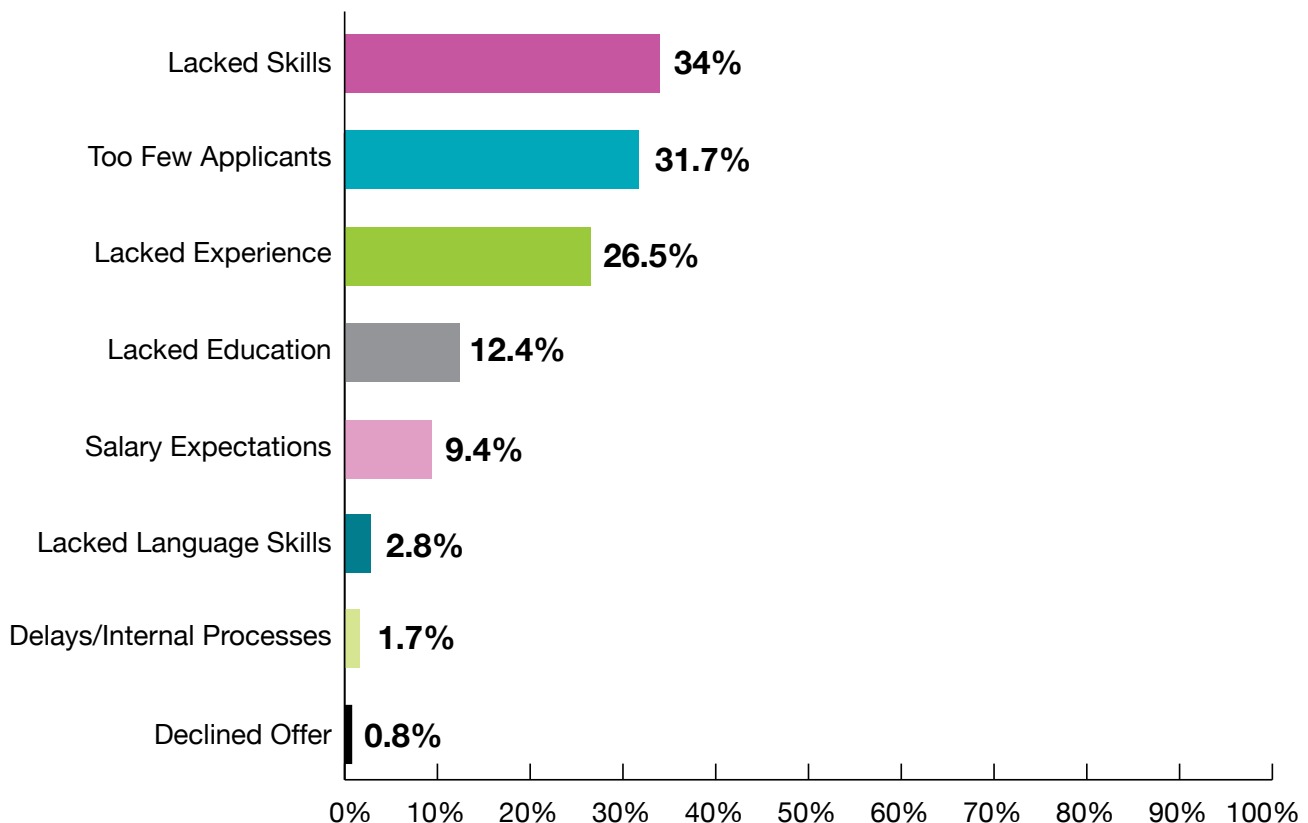
Table 2

Hiring practices by company size (n = 1,700)

	Micro (2–4 workers) (%)	Small (4–9 workers) (%)	Mid-sized (10–49 workers) (%)	Large (50+ workers) (%)	Total (%)
Difficulties filling vacancies in the last six months	23	26	38	35	28
Hired immigrants in the last three years	34	48	75	82	50
Willing to hire immigrants in the next three years	56	55	70	78	60

Nearly every Canadian industry and sector faced significant labour shortages following the COVID-19 pandemic. The pandemic-induced recession had significantly reduced the size of Canada's labour force, leaving firms to compete for a smaller pool of unemployed workers relative to the pre-pandemic period.[16] Smaller businesses were disproportionately affected, with nearly two-thirds of SMEs reporting a shortage of qualified candidates for job vacancies.[17]

Figure 1

Reasons for experiencing difficulties filling vacancies in the last six months (n = 518)

According to Figure 1, most businesses struggle to find qualified candidates who are interested in the company's work. A total of 34% of respondents indicated that candidates lacked necessary skills, 32% indicated that they received too few applicants and 26% indicated that candidates lacked necessary experience. In contrast, relatively few businesses reported lack of education (12%), salary expectations (9%) or language skills (3%) as their primary reasons for difficulties in recruiting.
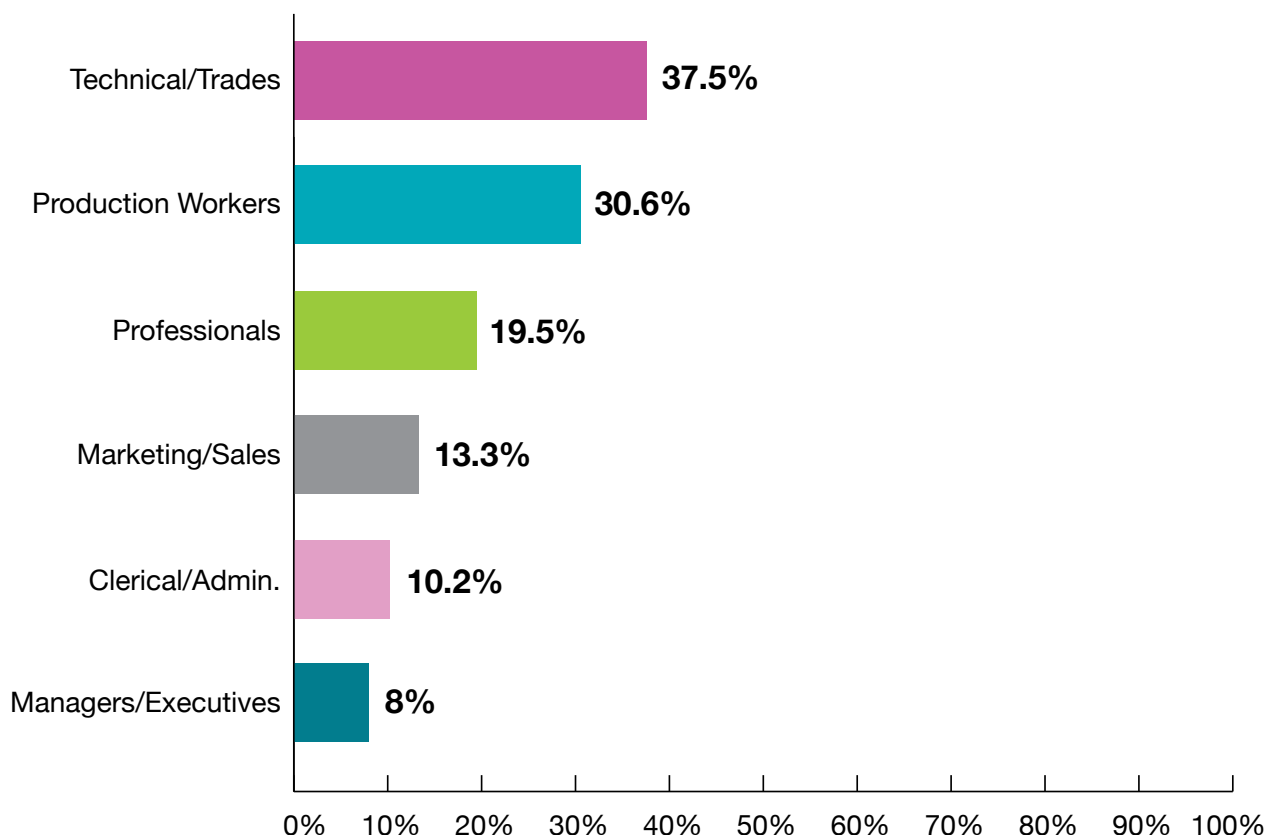
Firms that reported difficulties filling job vacancies in the last six months were asked to provide three positions that they have struggled to fill. According to Figure 2, the most in-demand positions were technicians and tradespeople (38%) and non-certified production workers (31%). A relatively smaller number of businesses reported difficulties filling professional (20%), marketing and sales (13%), clerical/administrative (10%) and managerial/executive positions (8%).

The high demand for technicians among surveyed firms reflects broader market trends. In recent years, fewer Canadians have pursued apprenticeship certificates in essential trade fields, including construction trades, mechanic and repair technologies, and precision production.[18] Not only is there an insufficient number of prospective young tradespeople, but hundreds of thousands of experienced tradespeople are expected to retire in the coming years.[19]

Figure 2

Hiring difficulties by occupations in the last six months (n = 518)

Occupation	Percentage
Technical/Trades	37.5%
Production Workers	30.6%
Professionals	19.5%
Marketing/Sales	13.3%
Clerical/Admin.	10.2%
Managers/Executives	8%

Tariffs

On his first day in office, United States President Donald Trump laid the groundwork for a trade war with Canada, promising a 25 percent tariff on all goods and services.[20] In the subsequent months, Trump would double down on his promises, delay the implementation of the tariffs, and repeatedly hint at their reintroduction and expansion. While tariffs on select Canadian exports were eventually enacted, there remains significant uncertainty regarding the nature and longevity of Trump's tariffs at the time of writing this report. The precarity of the situation

is exacerbated by widespread misinformation, inconsistent messaging from the White House and confusion surrounding Trump's policy intentions toward Canada.

Nevertheless, the threat and the enactment of tariffs on Canadian exports have dampened domestic business sentiment. Tariffs place upward pressure on the price of exported goods, effectively reducing the demand for Canadian goods in the United States. Moreover, sweeping tariffs also have nuanced implications for the trade of intermediate goods due to the complexity of American supply chains. In the case of car manufacturing, for instance, auto parts can cross the border multiple times throughout the production process. These parts could be subject to multiple tariff charges, leading to staggering increases in the price of American cars.[21]

According to the survey, 11% of respondents reported that their firm exported goods and services to other countries, including the United States. Among these respondents, 66% anticipated that the tariffs would negatively affect their business, 13% indicated they were uncertain about how the tariffs would affect their business, 17% believed the tariffs would have no effect and 4% anticipated a positive impact. Respondents who anticipated negative impacts were most likely to express concerns regarding decreasing revenue and increasing costs of importing raw materials.

In response to Trump's tariffs, the Canadian federal government imposed retaliatory tariffs on billions of dollars' worth of American imports. These developments have had a lasting impact on Canada–U.S. relations, prompting Prime Minister Mark Carney to highlight the need to strengthen trade ties with new international partners and reduce barriers to interprovincial trade.[22] Among survey respondents whose firms export goods or services, 55% identified opportunities to expand exports to international markets, while 72% saw potential to increase inter-provincial trade in Canada.
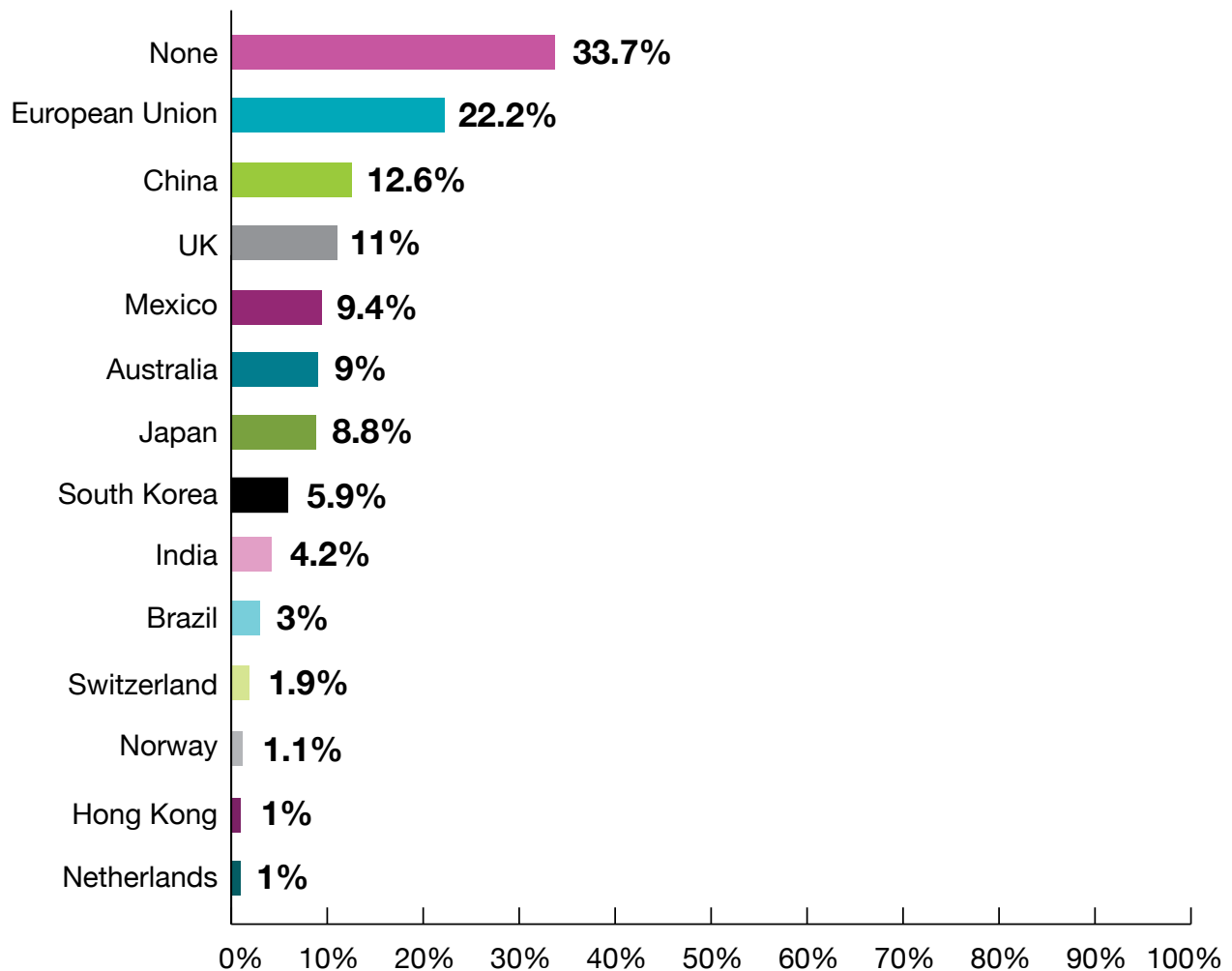
Respondents were asked to identify countries/ regions and provinces/territories where they saw the greatest opportunities to increase exports. As seen in Figure 3, the most common response for countries/regions was the European Union (22%), followed by China (13%) and the United Kingdom (11%). Respondents also identified Mexico (9%), Australia (9%) and Japan (9%) as potential markets. Relatively few respondents reported South Korea (6%), India (4%), Brazil (3%), Switzerland (2%), Norway (1%), the Netherlands (1%) and Hong Kong (1%).

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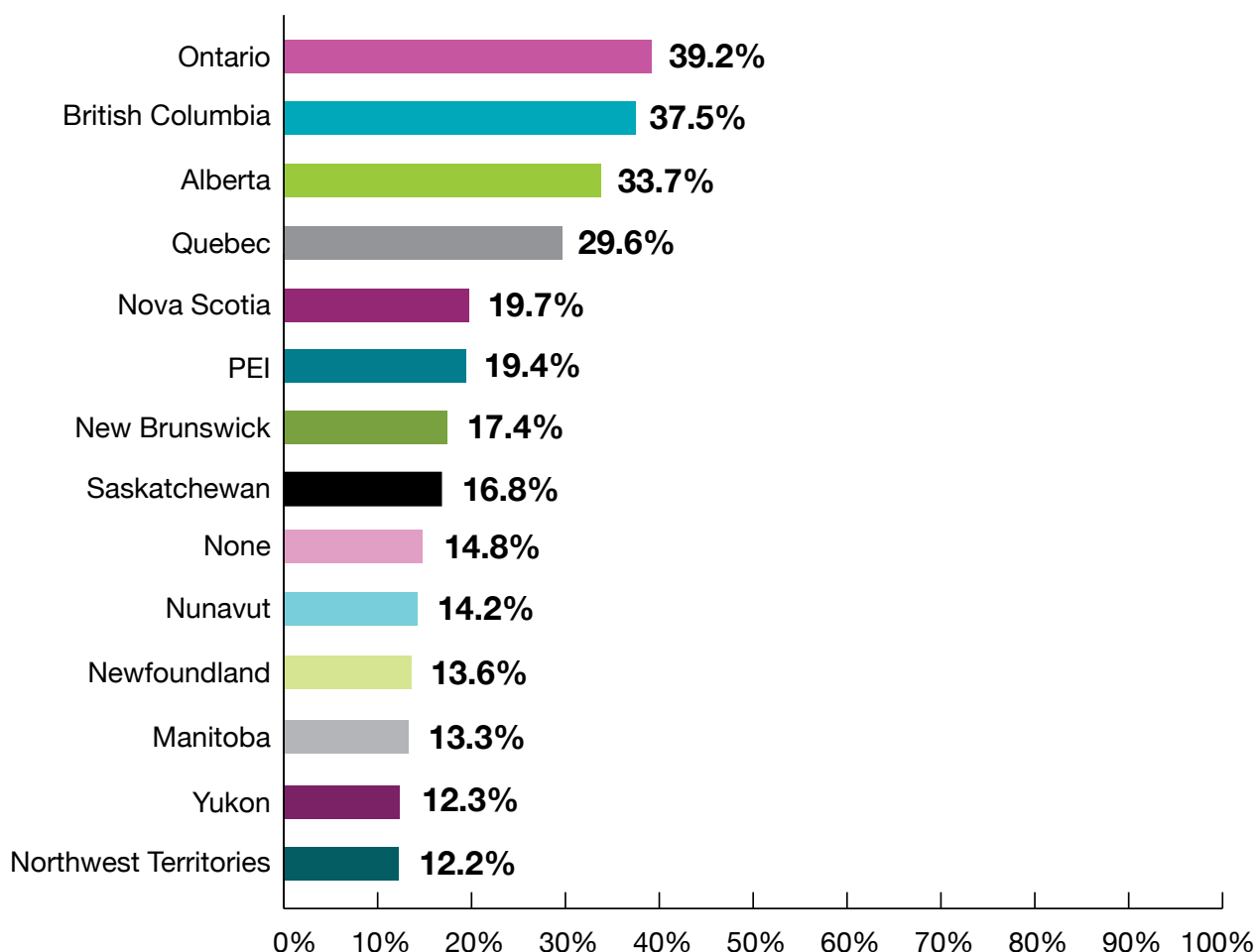
Figure 3

Opportunities to increase exports internationally (n = 166)

Category	Percentage
None	33.7%
European Union	22.2%
China	12.6%
UK	11%
Mexico	9.4%
Australia	9%
Japan	8.8%
South Korea	5.9%
India	4.2%
Brazil	3%
Switzerland	1.9%
Norway	1.1%
Hong Kong	1%
Netherlands	1%

In general, respondents expressed greater optimism about expanding inter-provincial trade within Canada than expanding trade in international markets. As seen in Figure 4, most respondents indicated an opportunity to increase trade with Canada's largest markets, including Ontario (39%), British Columbia (37%), Alberta (34%) and Quebec (30%). Respondents also saw an opportunity to increase trade in Nova Scotia (20%), PEI (19%), New Brunswick (17%) and Saskatchewan (17%). Fewer respondents reported Newfoundland and Labrador (14%), Manitoba (13%) or the territories (12–14%).

Figure 4

Opportunities to increase inter-provincial trade (n = 166)

Province	%
Ontario	39.2%
British Columbia	37.5%
Alberta	33.7%
Quebec	29.6%
Nova Scotia	19.7%
PEI	19.4%
New Brunswick	17.4%
Saskatchewan	16.8%
None	14.8%
Nunavut	14.2%
Newfoundland	13.6%
Manitoba	13.3%
Yukon	12.3%
Northwest Territories	12.2%

Artificial intelligence

The COVID-19 pandemic accelerated digital technological advancements in the workplace in several ways, as organizations had to quickly adapt to remote work, online collaboration and new business models. Even now, long after public health measures and social distancing restrictions eased, digital technologies continue to play a pivotal role in the workplace.
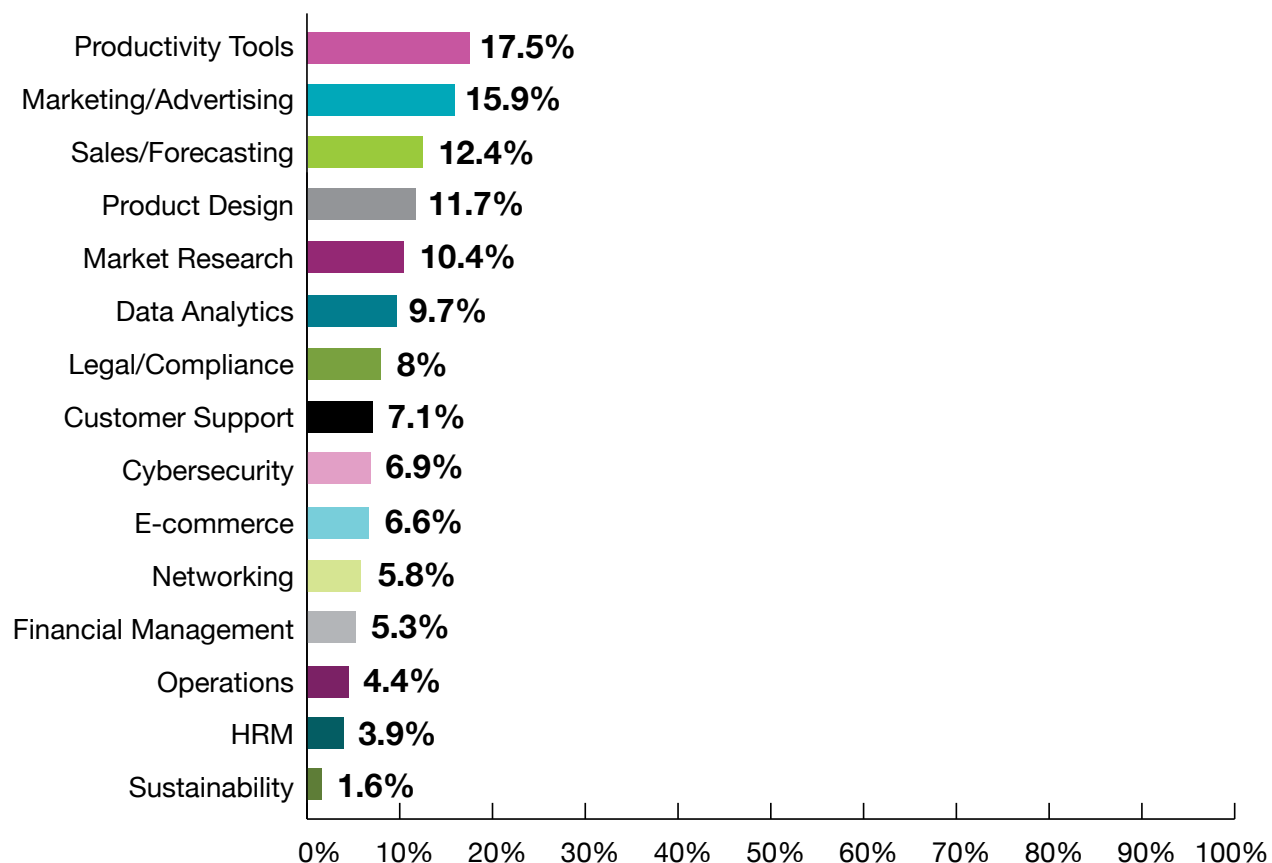
According to the survey, 30% of respondents reported that their firms were currently using AI in some capacity. Going forward, 20% of surveyed respondents indicated that their firms planned to begin or expand AI applications. Together, these findings support existing research that suggests AI adoption in Canada remains in its early stages, and the long-term implications of AI on the workplace have yet to fully materialize.[23]

There was notable variation in AI adoption by organizational size. Mid-sized (34%) and large (40%) firms had adopted AI in some capacity, compared to 30% of micro-businesses and 24% of small businesses. Among respondents whose firms have not implemented AI, most cited a lack of need to be the primary reason for non-adoption.

Figure 5 displays the various areas in which businesses are deploying AI, emphasizing a profound diversity in applications. The most common use was as productivity and collaboration tools (17%), including tools for notetaking, scheduling and document summarization. In addition, several firms implemented AI for marketing and advertising (16%), sales and forecasting (12%) and product design (12%).
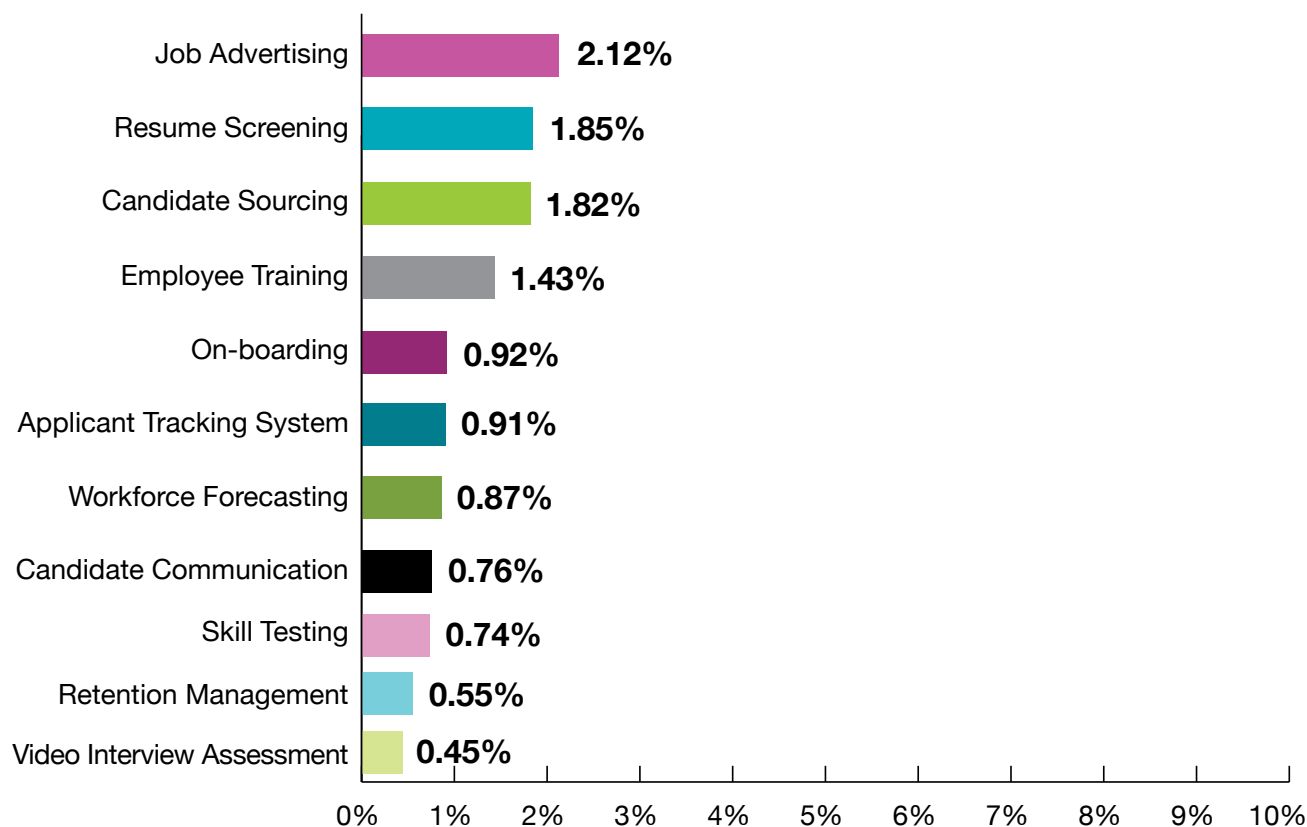
Figure 5
Applications for artificial intelligence in the workplace (n = 1,700)

Among firms that reported using AI, only 4% of respondents indicated that they used digital tools for the purpose of human resource management (HRM). As shown in Figure 6, the most common uses of AI in HRM were job advertising (2%), resume screening (2%), candidate sourcing (2%), employee training (1%), onboarding (1%), applicant tracking system (1%), workforce forecasting (1%), candidate communication (1%), skill testing (1%) and retention management (1%). These findings corroborate previous research that suggests SMEs are overly reliant on traditional and informal recruitment processes.[24]
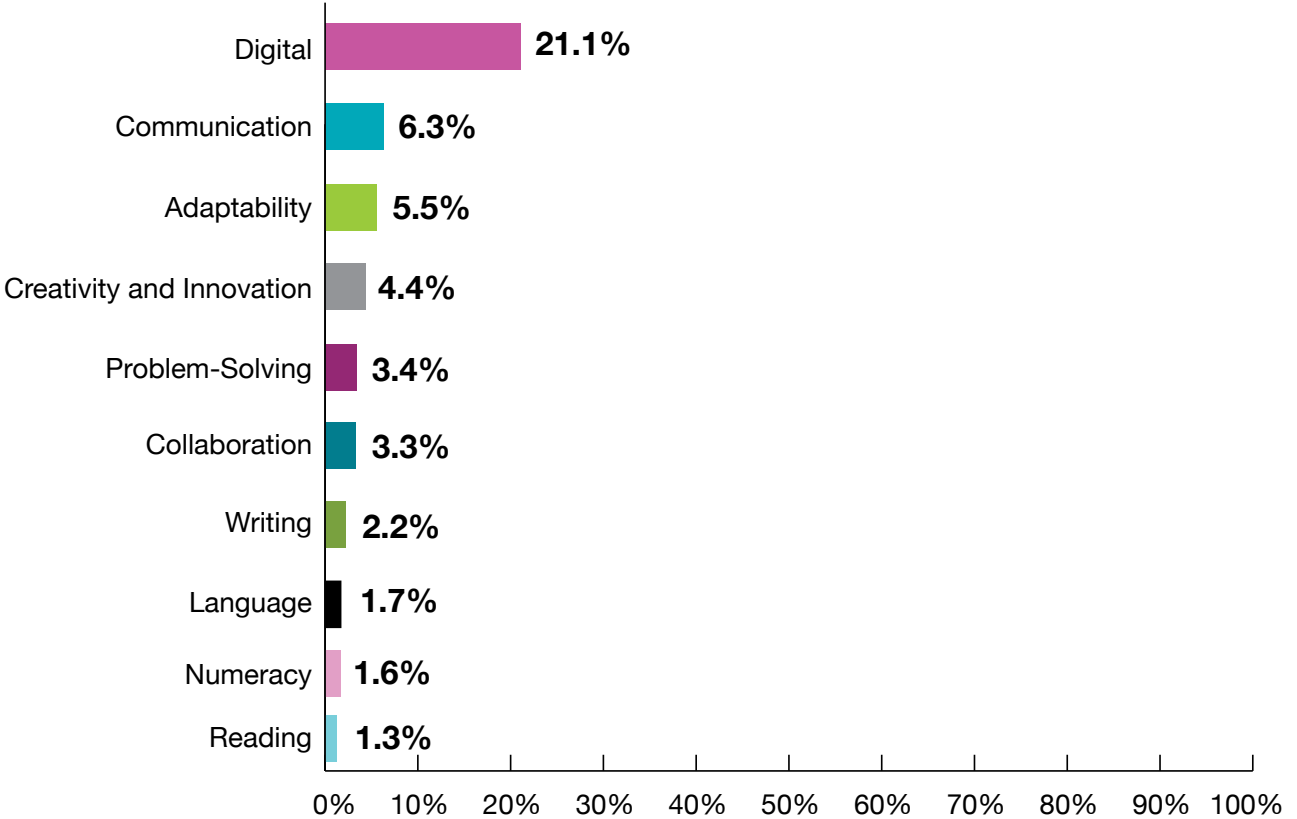
Figure 6

Applications of artificial intelligence in human resource management (n = 1,700)

As businesses adopt new digital tools, there will be a surge in demand for specialized technical skills, including competency in data analysis and machine learning, content creation and digital marketing, and software and web development. This year, employment in the digital economy is projected to surpass 2.2 million, and integrating high-skill workers—including immigrants—will be essential to meet labour demand.[25]
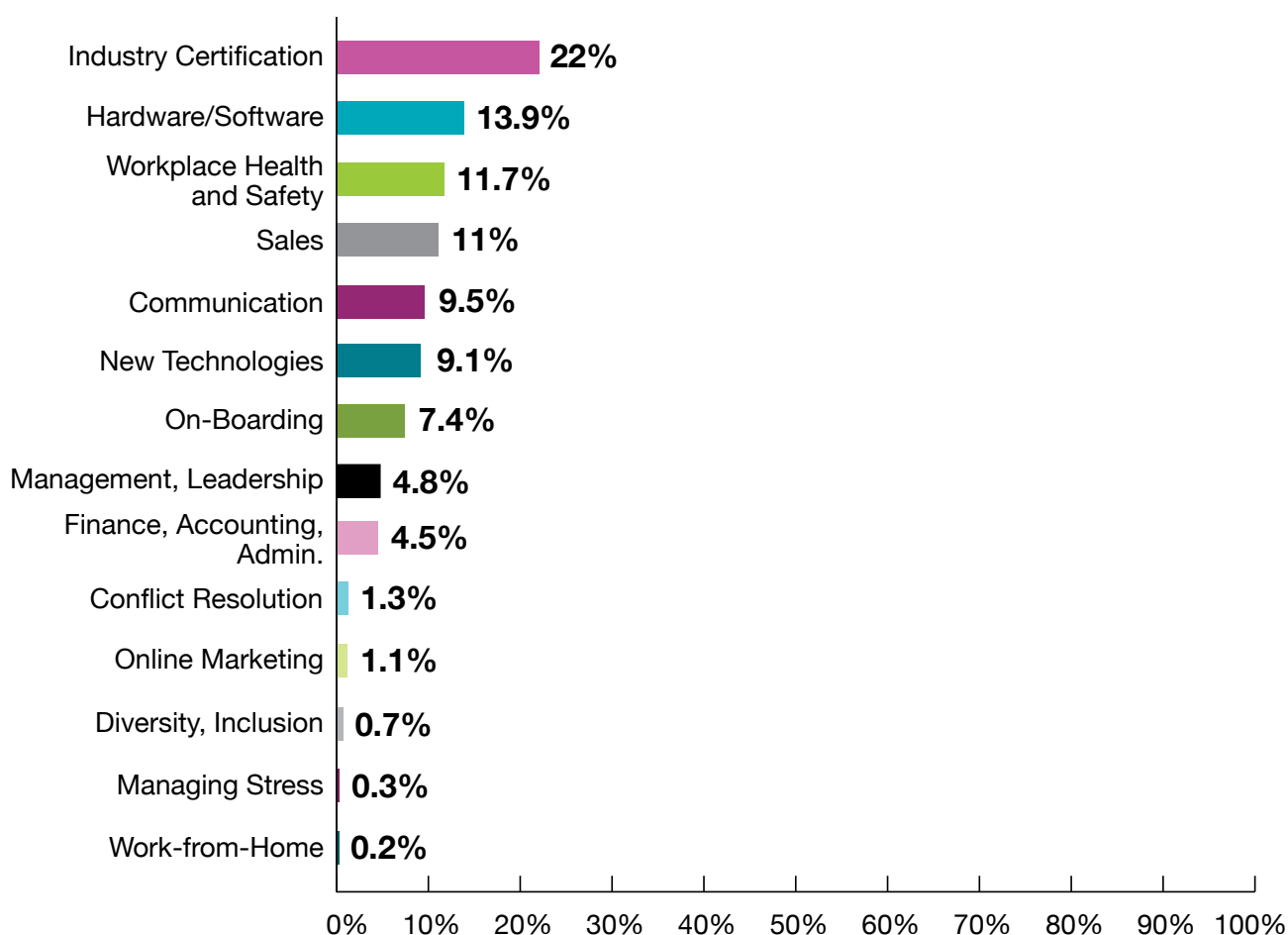
Respondents were asked to list new skills that they would like their workers to possess as digital technologies and AI continue to evolve. As shown in Figure 7, the most common responses were digital (21%), communication (6%) and adaptability (6%) skills. A smaller proportion of businesses indicated the importance of creativity and innovation (4%), problem-solving (3%) and collaboration (3%).

Figure 7
Desired skills in employees in the next three years (n = 1,700)

In addition, respondents were asked to list new training courses that they would like their employees to receive. As shown in Figure 8, the most in-demand training types were industry certification (22%), hardware/software (14%) and workplace health and safety (12%). A smaller proportion of respondents indicated interest in training related to sales (11%), communication (10%), new technologies (9%) and onboarding (7%).

Figure 8
Desired types of training for employees (n = 1,700)

Conclusions and Implications

The preliminary results of the survey offer valuable insights into the hiring practices of SMEs across Canada, revealing regional differences, variations by company size, key reasons behind hiring challenges and the most in-demand occupations. These findings are further contextualized within the broader economic landscape. In particular, we examine the anticipated impact of U.S. tariffs on small businesses in Canada, and we consider how technological innovation is reshaping skill needs and labour demand.

In the last six months, 28% of respondents reported that their firm had experienced difficulties filling job vacancies, with significant regional variations. Firms operating in Atlantic and Western Canada were disproportionately affected by these challenges, which is consistent with broader labour market trends. According to the latest estimates, job vacancy rates in the Prairies and Nova Scotia were still above pre-COVID-19 pandemic levels, even as rates have declined elsewhere across the country.[26] Survey respondents in Atlantic Canada were most likely to express a willingness to hire immigrants in the coming years, which may help these businesses address persistent labour shortages

associated with heightened demographic challenges, fewer immigrant workers and lower retention rates in the region.

Among respondents who reported hiring challenges, 32% attributed these difficulties to the inability to attract suitable candidates. One contributing factor may be the shortage of talent acquisition expertise and HR capacity within small businesses. Overall, only 4% of surveyed business professionals reported using digital tools in their human resource practices, including online job posting, resume parsing software and candidate sourcing platforms. These tools offer several advantages, including cost savings, increased efficiency, broader reach, better candidate filtering and a reduced risk of unconscious bias. By relying on traditional hiring practices, businesses may inadvertently limit their access to a broader, more diverse pool of potential candidates. Notably, many respondents indicated that their business perceived no need for AI adoption. As such, it is critical to educate small business owners on the practical applications and benefits of AI in areas such as recruitment and talent acquisition.

According to respondents, the most in-demand positions were technicians or tradespeople and non-certified production workers, which is consistent with broader labour market trends. Larger shares of employment in the trades are comprised of those nearing retirement age, and there are not enough young workers to replace them over the next few years. In response, the federal government has announced an ambitious plan to subsidize apprenticeship training for skilled trades, with the goal of encouraging more Canadians to pursue technical careers and expanding access to hands-on training.[27] However, additional planning will be needed to ensure that SMEs can benefit from these efforts to maintain access to apprentices and emerging tradespeople.

United States President Donald Trump's imposition of tariffs on billions of dollars' worth of Canadian exports has dampened business sentiment across the country. Among the 11% of respondents whose firms export goods and services internationally, 66% anticipated that American tariffs would negatively affect their business. The erosion of relations between Canada and the United States has reaffirmed the importance of strengthening ties with new international partners and reducing barriers to interprovincial trade. The majority of exporting firms see the tariffs as an opportunity to expand exports to international markets and increase trade within Canada. As the trade war continues to evolve, it remains unclear how tariffs will ultimately affect SMEs and what support may be needed to help them diversify their trade relationships.

The digital economy is rapidly expanding, transforming the way small businesses operate in Canada. According to the survey, 30% of employers reported that their firm was using AI in some capacity. The most common use was as productivity and collaboration tools (17%), followed by marketing and advertising (16%), sales and forecasting (12%) and product design (12%). From a future-looking perspective, 20% of respondents indicated that their business had intentions to expand AI usage in other areas and applications. While these are encouraging signs—particularly given the competitive advantages AI can offer—proper implementation of AI remains an obstacle. At present, only one in twenty SMEs uses digital technologies effectively,[28] underscoring the need to ensure that SMEs have access to the information and resources necessary to adopt AI in a way that maximizes its benefits.

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