

Help Definitely Wanted in Construction



John Clinkard

Driven in large part by a 9% year-to-date rebound in investment in building construction, Canada's construction industry has, over the past year, added just over +70,000 jobs. This is proportionately more than four times the increase in the United States which has nine times the population.

To put some perspective on the +70,000 increase, over the past 17 years, construction employment in Canada has increased on average by +25,000 jobs per year.

Over the past 12 months, most of the jobs added were by building equipment constructors (+16,000), firms doing heavy and civil engineering construction (+15,000), and those directly involved in residential construction (+13,500).

Job vacancies in construction hit record high in Q3/2021

There is compelling evidence that individuals are entering the labour force is lagging the rate at which they are being hired. Over the past year, the all-industry job vacancy rate, which averaged 1.7% between 2011 and 2020, has risen from 3.0% in Q1/2020 to a record high of 5.4% in Q3/2021.

In the construction industry, the situation is more acute, largely due to a 17.8% increase in investment in residential buildings. Although employment in the industry has increased by +10.8% year to date, the job vacancy rate has risen from 3.4% at the beginning of 2020 to an unprecedented 6.3% in Q3/2021.

This data is not seasonally adjusted. Consequently, the fact the vacancy rate has increased when it typically declines highlights how difficult it is for firms to find position. Consistent with this increase in the all-industry job vacancy rate, average offered hourly wages in the construction industry have risen from \$25.50 in Q1/2020 to \$26.70 in Q3/2021. This +13% jump over the past seven quarters has been more than twice the all-industry increase of +6.1%.

All provinces need more construction workers

Driven in large part by the above-noted strength of residential investment, the job vacancy rate in construction rose in all ten of the country's provinces between Q3/2019 and Q3/2021. In British Columbia, the vacancy rate increased from 5.3% to a country-leading 8.9%, highlighting that B.C. has the most acute shortage of skilled construction workers in the country.

Over the same period, offered wages in B.C. construction of residential investment, well ahead of the +7.2% for the country as a whole. Statistics Canada has noted that vacancies for skilled trades, such as carpenters, have increased at a higher rate than for less skilled helpers and labourers.

Quebec has the second most severe shortage of construction workers with a job vacancy rate of 6.3% in Q3/2021, up from 3.9% two years prior. This shortage of workers appears to be due in large part to strong gains in starts of single-family dwellings (+37%) and of multiples (+26%). Over the past two years,

offered wages in construction in Quebec have risen by +11.6%, from \$25.60 to \$28.05.

In Ontario, the number of job vacancies in construction has risen from 14,000 to a record high of 25,000 over the past two years. As a result, the job vacancy rate in the industry now stands at 6.2%, the third highest in Canada. As in Quebec, the surge in job vacancies appears to have been driven by the increased staffing needs of firms involved in the construction of single-family dwellings.

A recovery in economic activity following an extended hiatus appears to have caused construction in Alberta to steadily gain momentum since early in 2021. Increased hiring in the industry more than doubled the number of job vacancies in the province. Since Q3/2019, the job vacancy rate in construction has jumped from 2.5% to 5.4%. At the same time, offered wages have climbed by +13%, from \$24.65 to \$27.90.

Omicron unlikely to hit construction as hard

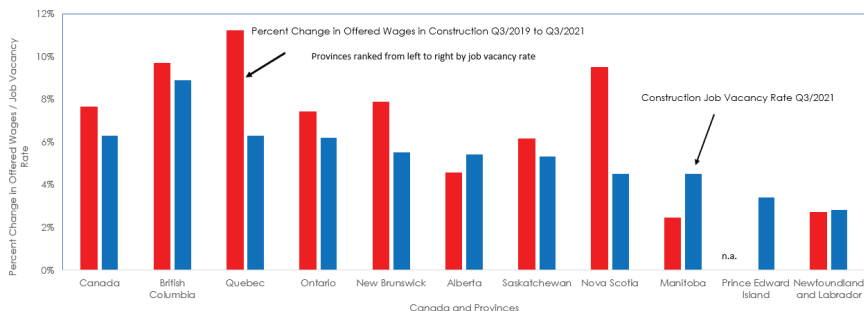
After posting strong growth during the first quarter of 2021, the third wave of COVID-19 caused firms in the construction industry to scale back their activities and reduce their staffing needs. Reflecting this cutback, construction employment declined from 1,468,000 jobs in March to 1,421,000 in September.

Ahead of the recent onset of the Omicron variant of COVID-19, there were signs that the late-year (2021) rise in housing demand (on the back of low interest rates and sustained growth of disposable incomes) was fuelling a rebound in residential construction and an accompanying increase in construction employment. Non-residential building has flatlined since mid-2020.

The non-increasing evidence that Omicron causes less-severe symptoms and outcomes implies it will not dampen economic activity in general and housing demand in particular as much as previous variants. This view is reinforced by the solid increase in the *Canadian Federation of Independent Business'* short-term construction index in December. In our view, sustained hiring by firms either directly or indirectly in residential construction will cause the job vacancy rate in the industry to remain high and likely increase pressure on wages into the second half of this year.

John Clinkard has over 35 years' experience as an economist in international, national and regional research and analysis with leading financial institutions and media outlets in Canada.

Construction Job Vacancy Rate vs Change in Offered Wages



Data Source: Statistics Canada/Chart: ConstructConnect — CanaData.