Construction & Maintenance Looking Forward

Residential Highlights

Retirements loom large over the next decade

An Assessment of Construction Labour Markets from **2018–2027**

**Ottawa
April 23, 2018**

Annual outlook tracking construction market conditions, by province....

- **<u>Economic drivers</u>**: national / provincial, global, interest rates, population, etc.

- **<u>Demographics</u>** trends (aging workforce); implications of slower population growth and less youth entering the workforce

- Changing **investment**, household formation, housing starts, etc..

- The balance between the long term **<u>sustainable skilled workforce</u>** against changing demands and meeting peak requirements

- **<u>Industry consultations</u>** - input / validation of provincial / regional Committees ~ **provincial HBAs / National Residential Committee**

- **Annual Outlook Scenario:** *2018 – 2027 released January 2018 (highlights report, summary PowerPoints, data)*

Construction investment and employment

- Investment trends drives labour demand; assessed by sector for 34 construction trades and occupations

- **Residential:**
  - New housing (*single-detached, semi-detached, row, apartments & other*)
  - Housing renovation
  - Maintenance and repair

- Non-residential:
  - ICI Buildings
    - Institutional; commercial; industrial
  - Engineering
    - heavy industrial (*mining, oil and gas, and utilities*)
    - roads, highways and bridges
    - other engineering (*pipelines, water and sewer lines, transit systems, tunnels, and other civil work*)
  - Maintenance

Construction and Maintenance Looking Forward 2018 - 2027

- National residential highlights
- Provincial insights, 2018-2027
- Demographic trends

Construction and Maintenance Looking Forward 2018 - 2027
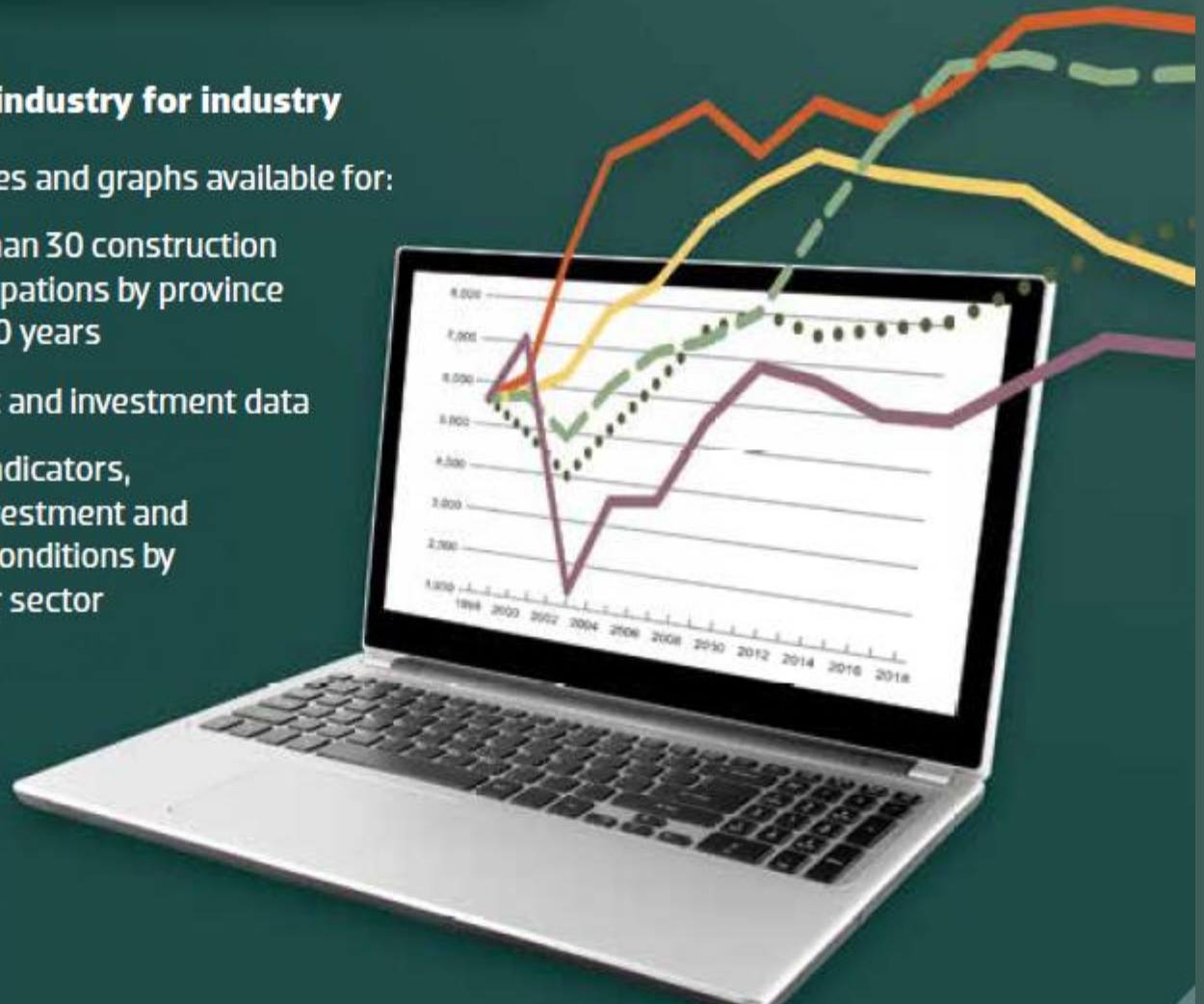
National Trends

Slower growth – a new normal?

Emerging National Trends

Construction investment

- **Non-residential** activity slows as **current major projects wind down** and uncertainty around new project approvals / final investment decisions (e.g. pipelines, resource developments, etc.); infrastructure projects picking up

- **Residential** construction sector enters a period of more **moderate growth**, with new housing employment requirements expected to cycle lower as population growth slows; renovation and maintenance activity increases and provides steady employment opportunities.

Construction Employment

- combined effect at the national level -- *first sustained period of slower growth in over 20 years* with employment mostly unchanged across the next decade.

- residential expected to **decline by 2%** as new housing slows compared to moderate gains in non-residential **up 5%** across the 10 year period to 2027.

Demographics

- **replacing an aging workforce** as over 20% of the current workforce is expected to retire.

Looking forward

- overall key themes are similar but conditions vary by province and in some cases regionally within a province (e.g., Greater Toronto Area, Vancouver).

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Construction Labour Market Trends
Total Industry Employment (Res + Non-Res), Canada

1996-2016:
Employment increased by 95%;
brief downturn in 2009

2017:
1,400,000

Forecast

1996:
712,000

2018-2027:
mostly unchanged !
- Res: -2%
- NonRes: +5%

Remain focused on attracting, training, and retaining new workers despite slower employment growth
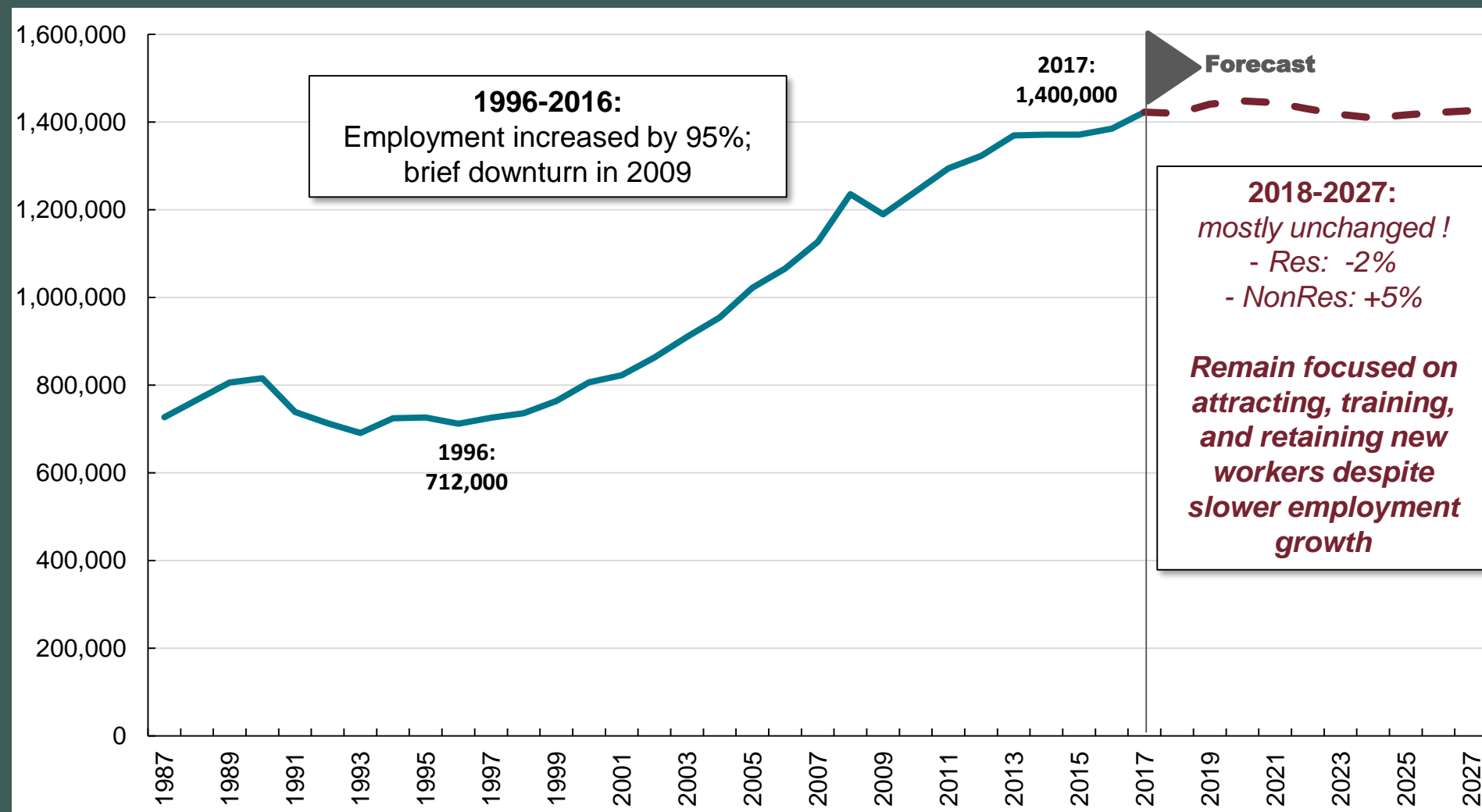
Source: Statistics Canada, BuildForce Canada (2017-2027)

Demographic trends, construction

RETIREMENTS

- Canada-wide, **21%** of the current construction workforce is expected to retire over the next decade, or an estimated *255,000* workers.
  - *122,000* **workers in residential !**
  - more significant challenges in Atlantic Canada
- This represents a significant loss of skilled workers and will require the transfer of knowledge to less experienced new entrants.

Aging Workforce, Total Construction Industry
Next Decade: cumulative retirements as a percentage of the 2017 workforce

Region	Percentage (Number)
CA	21% (254,800)
NB	28% (7,100)
NS	25% (8,200)
NL	24% (6,100)
QC	23% (46,500)
PEI	23% (1,300)
BC	22% (40,800)
ON	20% (87,300)
SK	19% (9,300)
MB	19% (8,200)
AB	19% (40,000)
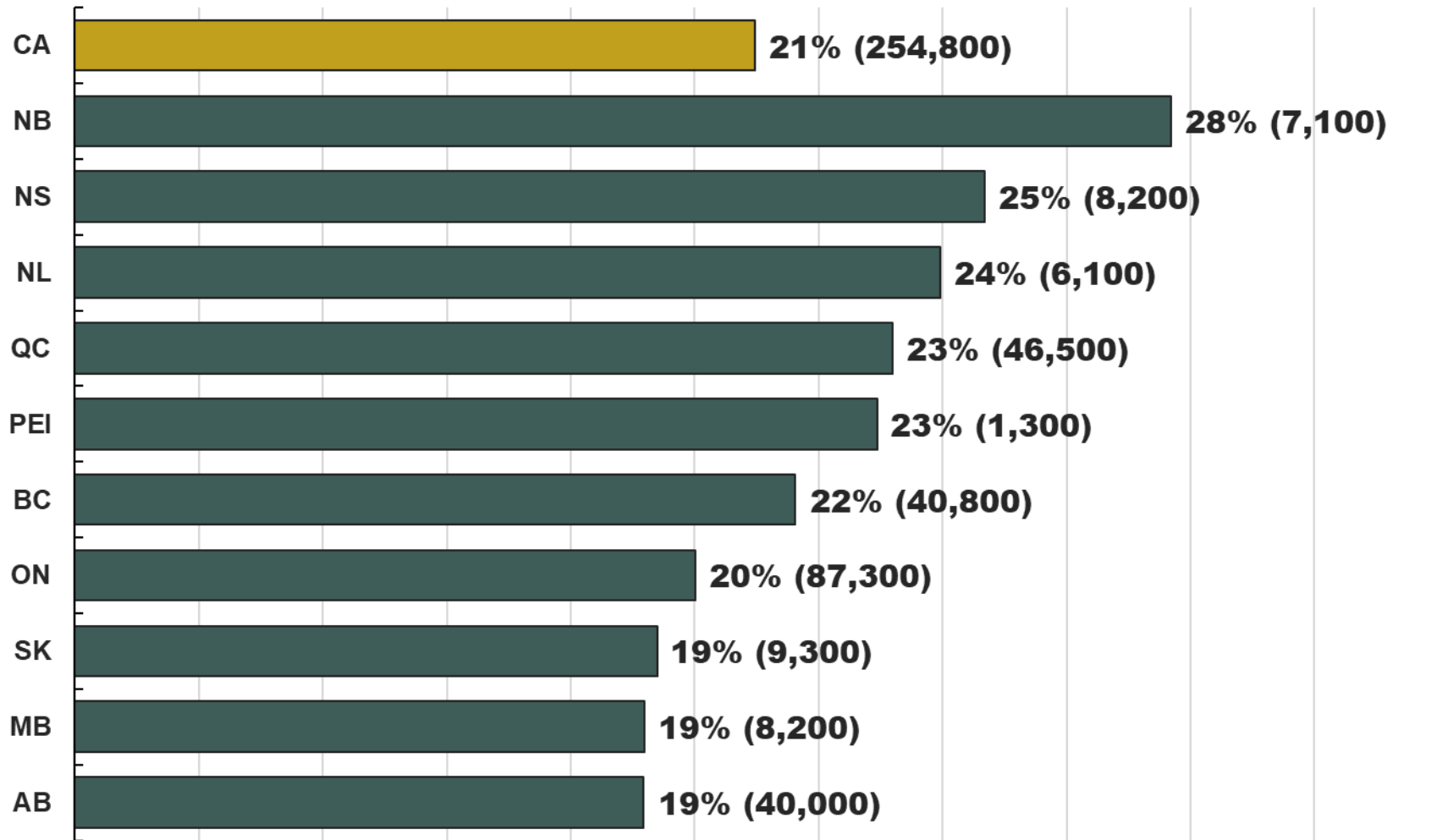
Source: BuildForce Canada

Aging Workforce, Construction Industry by Sector
Next Decade: cumulative retirements as a percentage of the 2017 workforce

(21%, 122,100)	**CA**	(21%, 132,700)
(20%, 23,100)	**BC**	(24%, 17,700)
(20%, 16,900)	**AB**	(18%, 23,100)
(23%, 3,500)	**SK**	(18%, 5,900)
(19%, 3,000)	**MB**	(19%, 5,200)
(19%, 44,400)	**ON**	(21%, 42,900)
(23%, 20,600)	**QC**	(23%, 25,900)
(29%, 3,500)	**NB**	(26%, 3,600)
(24%, 4,800)	**NS**	(25%, 3,400)
(30%, 1,700)	**NL**	(22%, 4,400)
(21%, 700)	**PEI**	(24%, 600)

■ **Residential**   ■ **Non-residential**
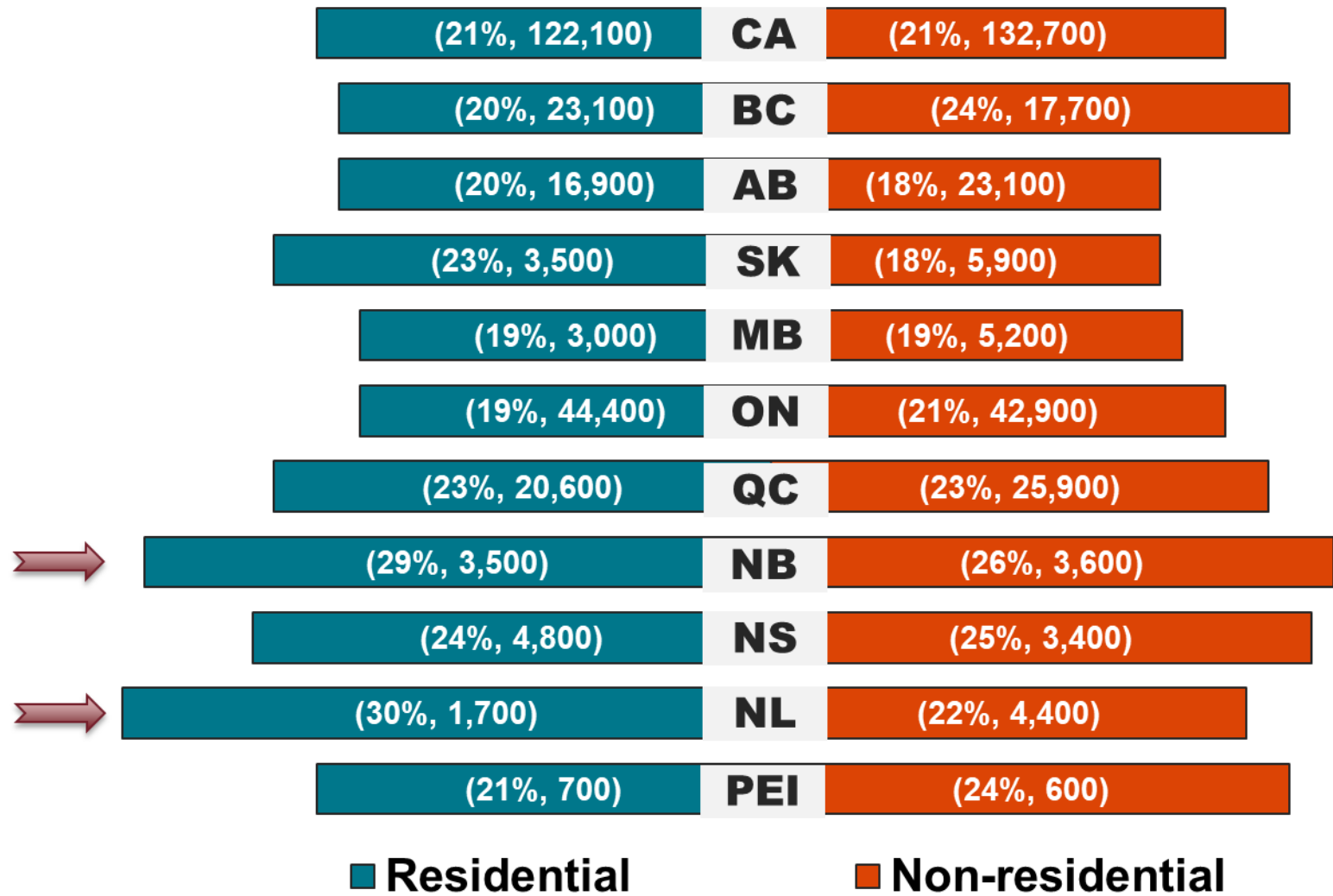
Risks as growth slows....

- Declining activity may give a <u>false impression of weaker labour markets</u>, when in fact, markets are expected to be generally balanced across most provinces.
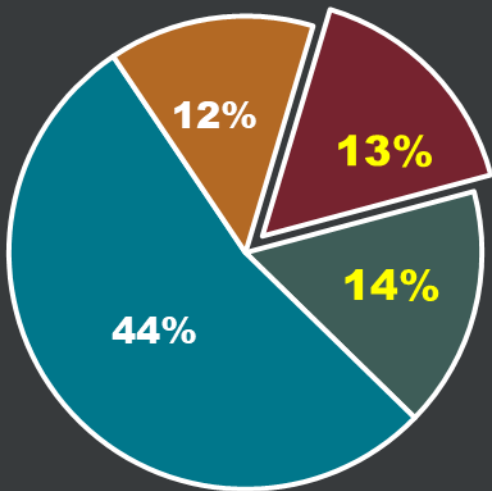
  – difficulty finding experienced workers in some regions.

- Some workers may drop out of the work force or move outside construction

  – <u>younger</u> to other industries; significant loss of training investment as younger workers exit.

  – older workers may accelerate retirement decision; lost of accumulated skills and opportunities to transfer skills to new entrants.

- Industry challenges:

  – retirements are a reality

  – slower population growth translates into less youth available to enter the workforce

  – competing against other industries facing similar age demographics

  – may need to increase initiatives to engage youth, women, Indigenous Canadians and new immigrants to construction as a career choice

Population age distribution, Canada

Percent (%)

Legend: 15-24 · 25-54 · 55-64 · 65+

2007
- 12% (55-64)
- 13% (65+)
- 14% (15-24)
- 44% (25-54)

2017
- 14% (55-64)
- 17% (65+)
- 12% (15-24)
- 41% (25-54)

2027
- 12% (55-64)
- 21% (65+)
- 10% (15-24)
- 40% (25-54)
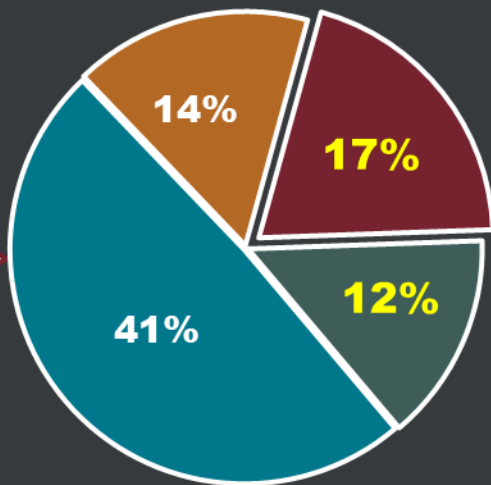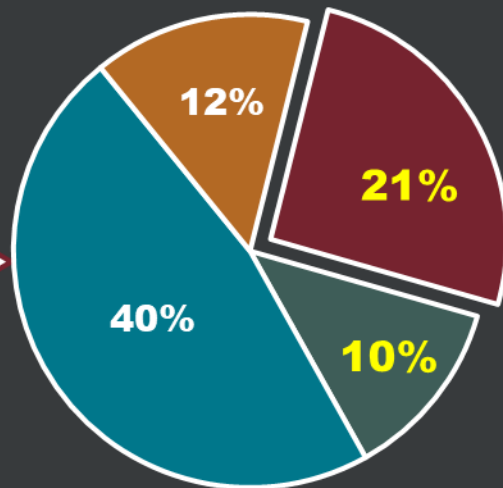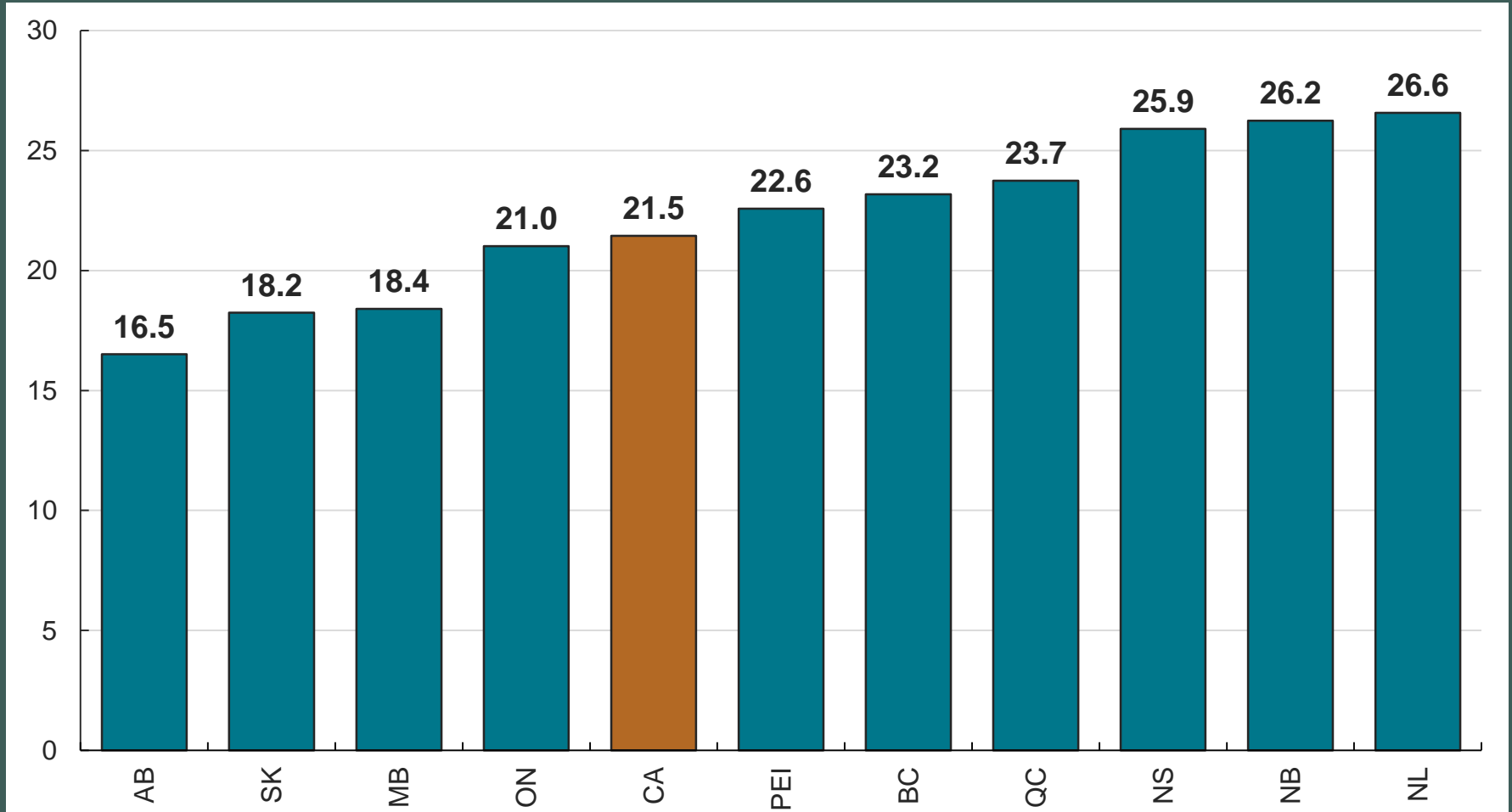
Share of the population 65 years and older (2027) by province

Percent (%)

Source: Statistics Canada, BuildForce Canada (2018-2027)
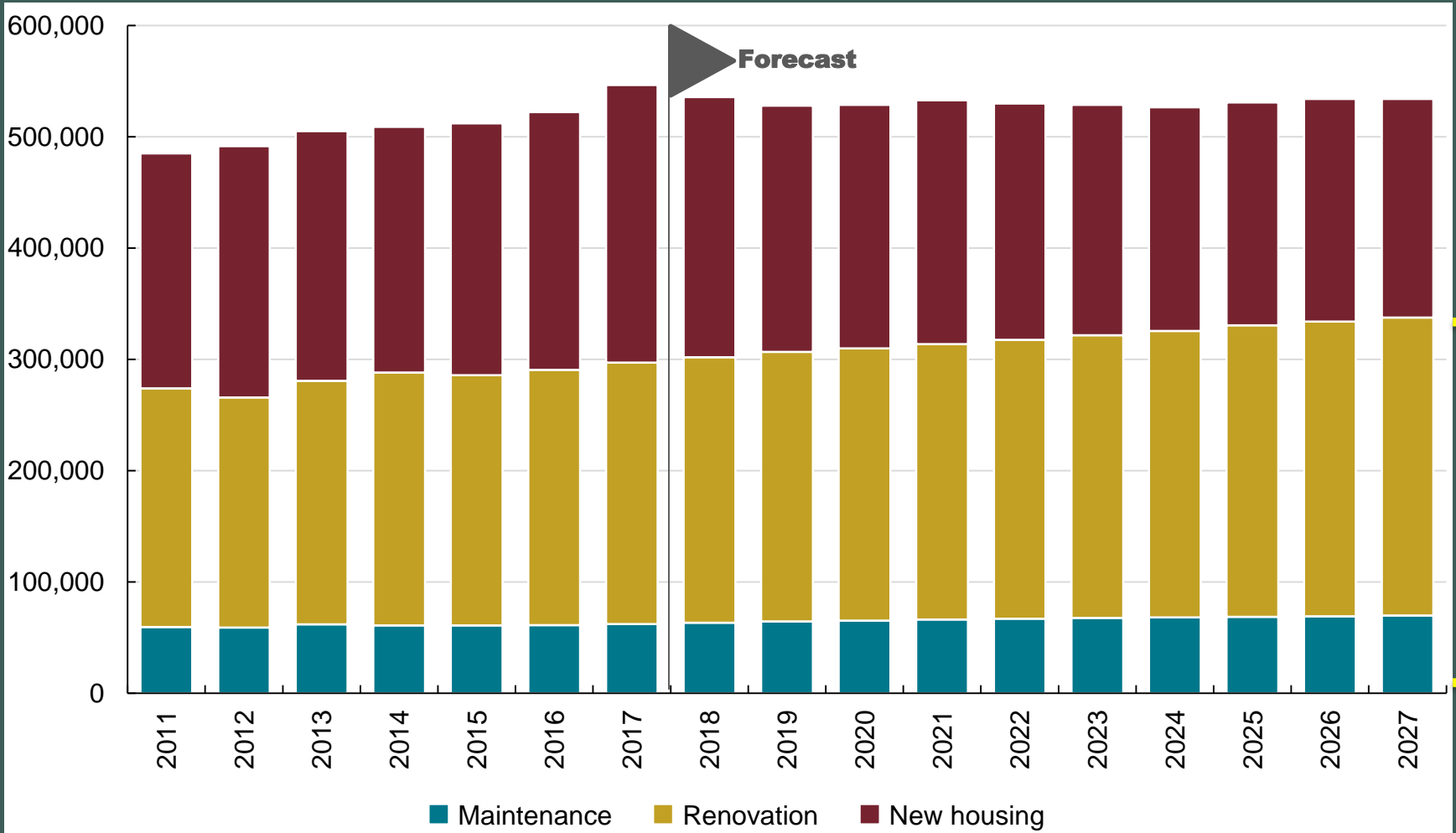
Market Trends

Residential Construction

Residential construction employment, Canada

(Total direct trades and occupations)

Source: Statistics Canada, BuildForce Canada (2018-2027)

Change in employment, residential 3-year average annual (2018-2020)

New housing recedes from very strong 2017 levels as population growth slows; renovations grows steadily.

BC -3.0%

AB 1.0%

SK -0.6%

MB -0.5%

ON -0.8%

QC -1.4%

NL -3.6%

PEI -1.9%

NB -0.5%

NS -1.1%

Recedes from 2017 peak but remains at high levels of activity

Recedes from 2017 peak but remains at high levels of activity

Average employment growth (2018-2020)

-3.6%   1.0%
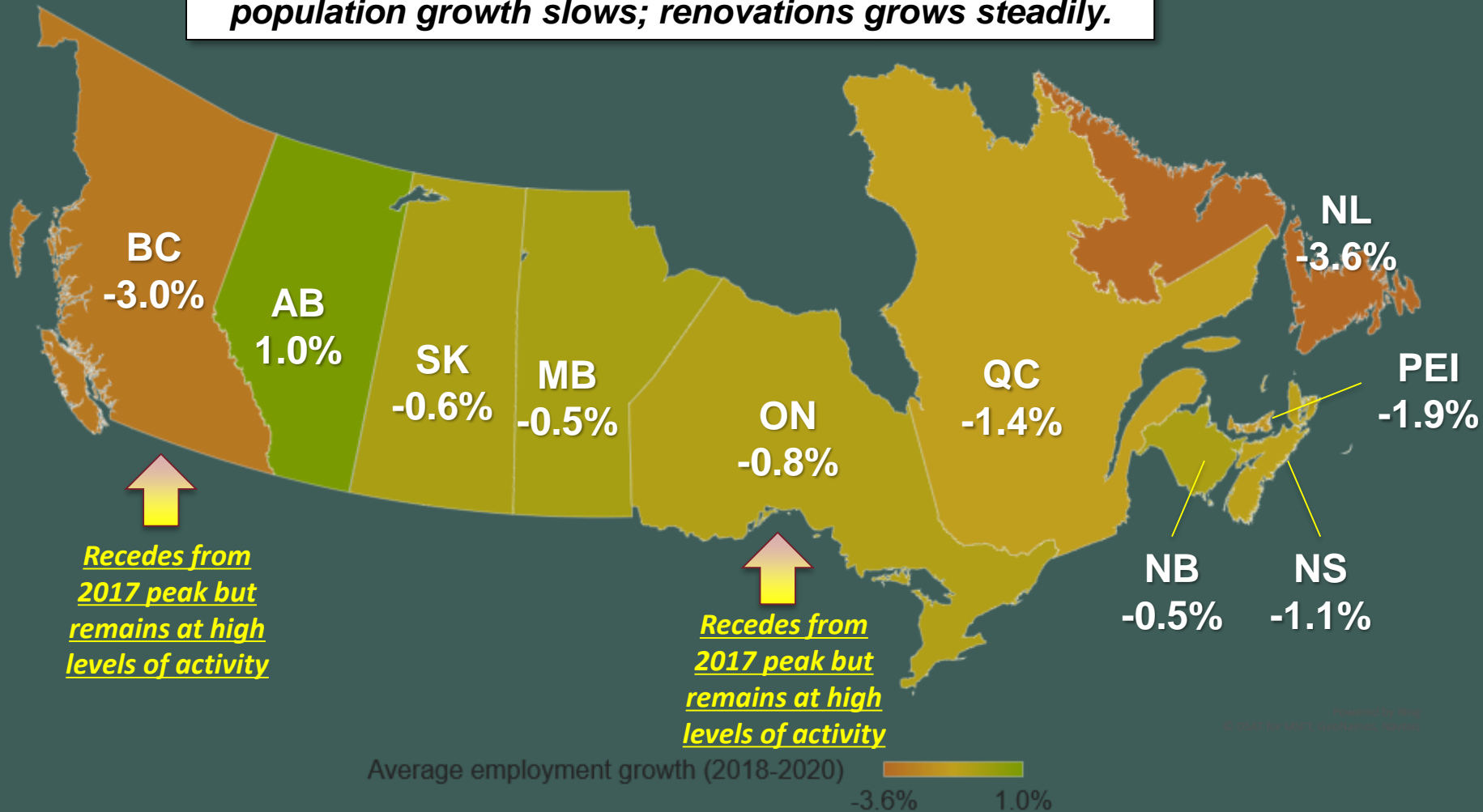
Source: Statistics Canada, BuildForce Canada (2018-2027)

Residential employment growth, 3-year average annual growth (2018-2020)

NL
-3.6%

PEI
-1.9%

NB
-0.5%

NS
-1.1%

Average employment growth (2018-2020)

-3.6%   -0.5%
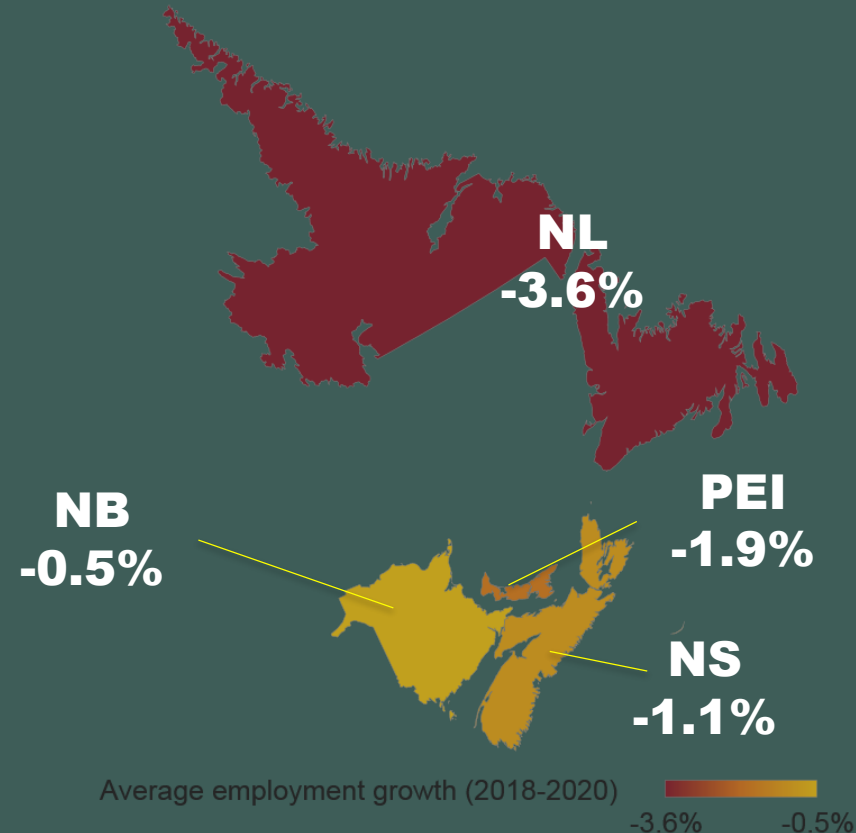
Newfoundland and Labrador:
−The worst may be past but moderate new housing employment declines persist over the near term before recovering over the long term as overall economic conditions improve.

Nova Scotia:
−Weaker population growth leads to a prolonged new housing down-cycle that is expected to extend across the outlook period, but renovation work rises steadily.

New Brunswick:
−Declines in new housing draws down employment across the period but modest growth in home renovation work helps sustain demands near current levels.

Prince Edward Island:
−In-migration propelled housing starts to record levels in 2017, momentum is expected to sustain construction activity into this year but then slow.

Age demographics and expected retirements dominate hiring requirements!

Residential employment growth, 3-year average annual growth (2018-2020)

ON
-0.8%

QC
-1.4%

Average employment growth (2018-2020)

-1.4%   -0.8%
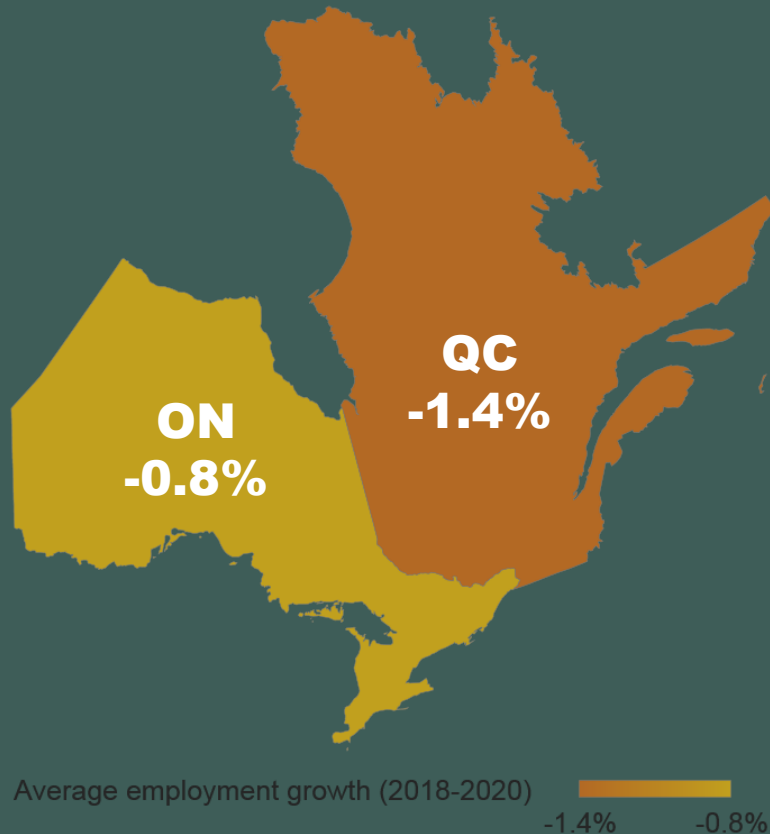
Quebec:

−Following strong markets in 2017 that carry into 2018, housing starts are expected to decline steadily over the outlook period as population growth slows, with decreases concentrated over the near term.

−Steady increases in residential renovation activity partly offset declines in new housing.

Ontario:

−Unprecedented growth in Ontario's residential construction sector pushed employment to record levels in most regions as industry struggled to keep pace with housing demands.

−Increased activity strained against the availability of qualified workers leading to **project delays and tight market conditions especially in and round the *Greater Toronto Area.***

−Activity is expected to slow over the outlook period but employment is sustained near current levels across most regions.

# Residential employment growth, 3-year average annual growth (2018-2020)

SK
-0.6%

MB
-0.5%

Average employment growth (2018-2020)

-0.6%   -0.5%
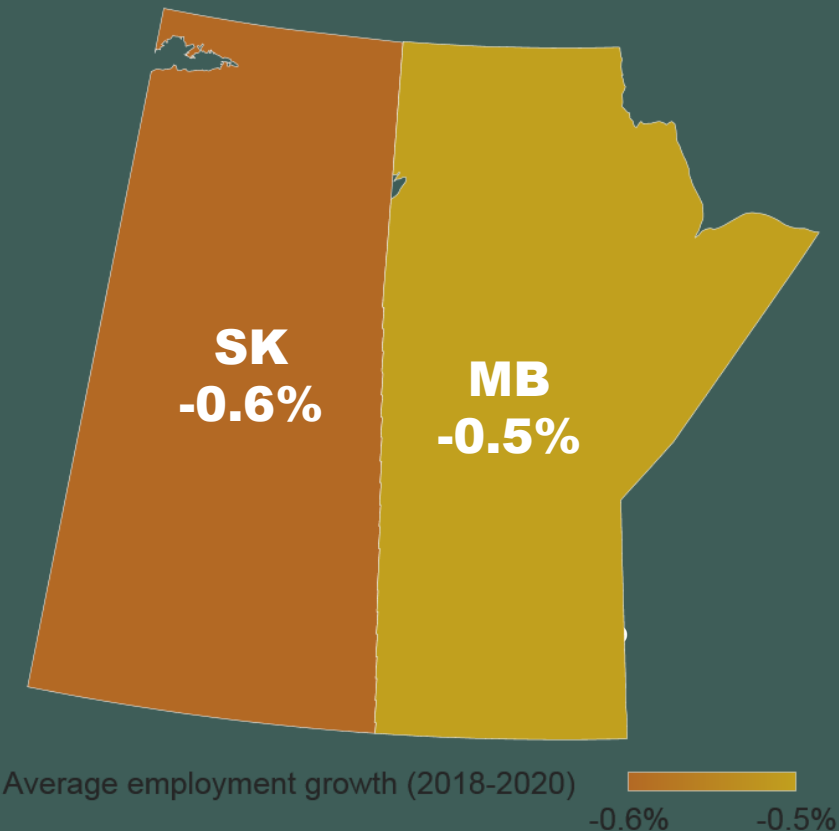
Manitoba:

−Following strong levels of activity and employment growth, new housing is expected to cycle down from the 2017 peak as population growth slows with lower levels of new housing starts.

−Renovation work adds to employment opportunities.

Saskatchewan:

−Moderate declines in Saskatchewan's residential construction over the next few years.

−An up-cycle in housing construction is expected later in the period, as overall economic conditions are expected to improve.

Residential employment growth, 3-year average annual growth (2018-2020)

BC -3.0%

AB 1.0%

Average employment growth (2018-2020)

-3.0%   1.0%
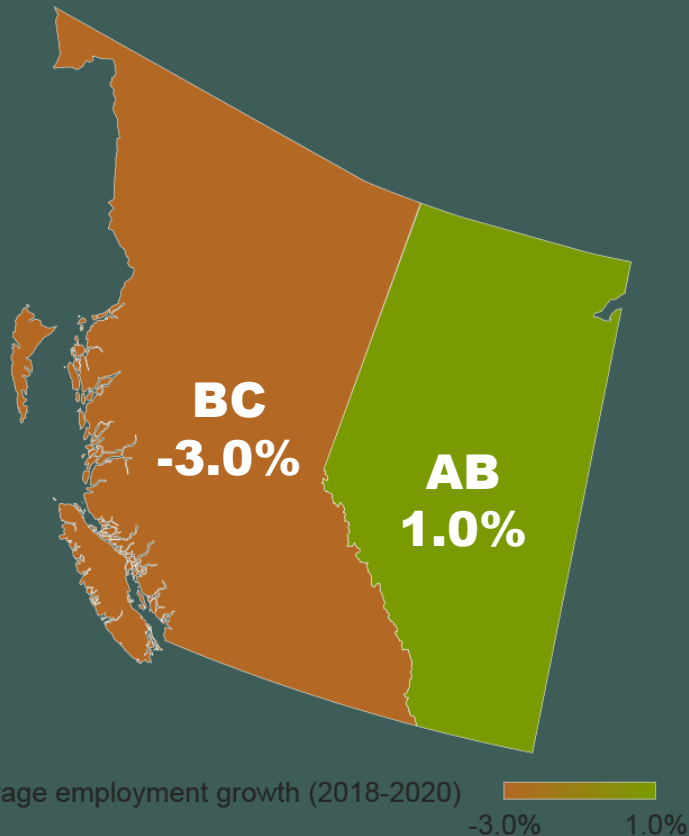
Alberta:

−The new housing decline showed signs of recovery in 2017 that carries into 2018.

−Housing starts recover but not expected to surpass previous peak levels. Renovations rise steadily, adding employment opportunities across the outlook period.

−More steady pace of growth maintains generally balanced labour market conditions compared to much tighter conditions over the last decade.
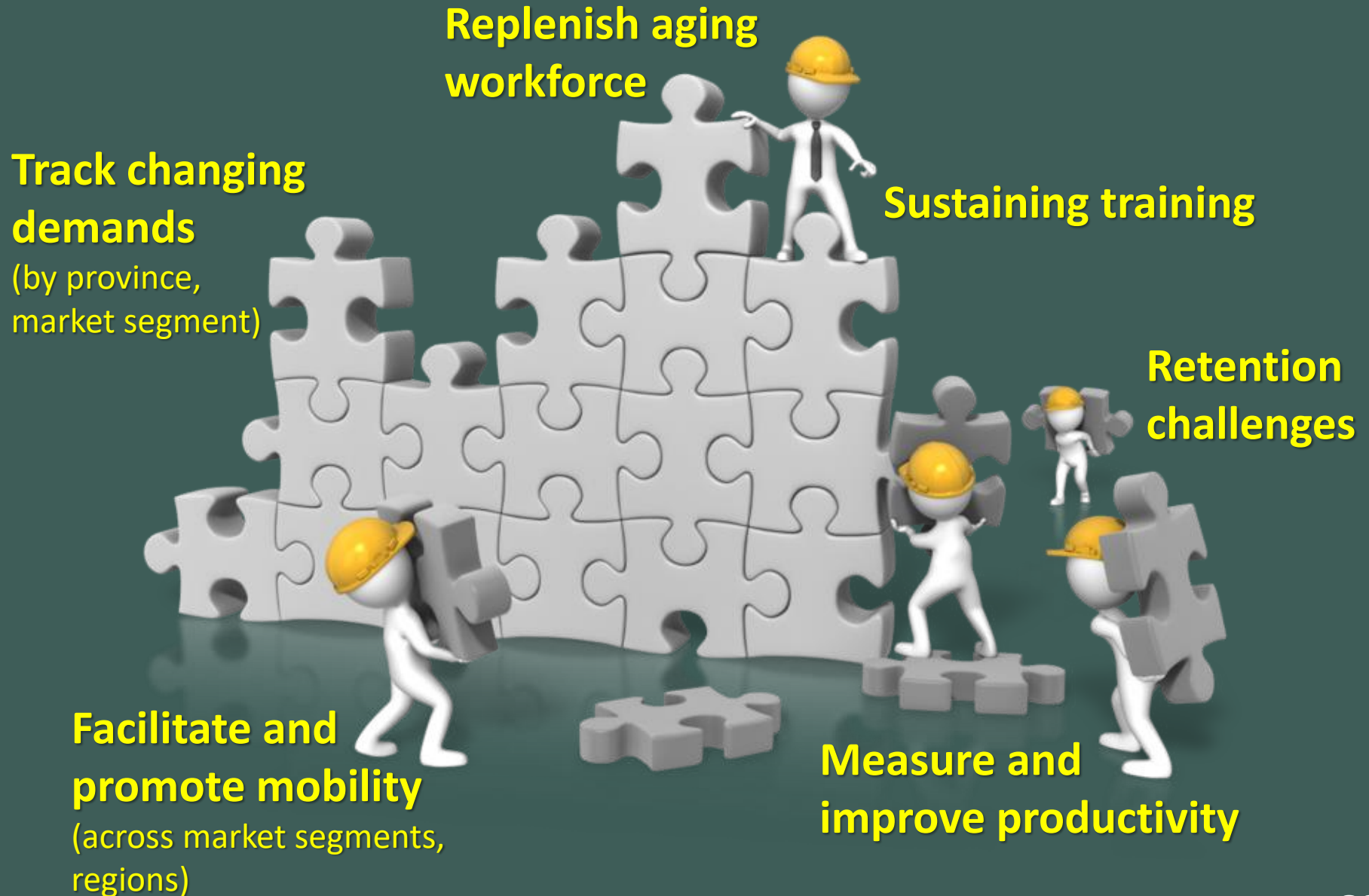
British Columbia:

−Strong economic growth, employment prospects, and high levels of immigration led to peak levels of residential activity and labour market challenges in 2017.

−The housing market is expected to moderate in 2018, as a modest new housing down-cycle across the period, but losses are mostly offset by strong growth in renovation activity.

−The Vancouver area may be the exception where activity remains strong in 2018 with tight market conditions.

Key Messages

- Canada's construction industry enters a **new normal, marked by slower employment growth** compared to the previous expansionary period.

- Weaker population trends dampen demand for new housing, but also limits labour force growth; less youth entering the workforce.

- Expected **retirements (*122,000 residential workers)*** represents a significant loss of skills, industry must remain focused on **attracting, training, and retaining** new workers despite projected slower employment growth.

- Construction industry will be **competing with other industries** from a limited pool of youth.

- Attracting new entrants will require industry **to better engage underrepresented sources of labour supply** including women, Indigenous Canadians and new immigrants.

Staying focused on industry needs....

Replenish aging workforce

Track changing demands (by province, market segment)

Sustaining training

Retention challenges

Facilitate and promote mobility (across market segments, regions)

Measure and improve productivity

THANK YOU

For More Information Contact:
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