

Open Mind 99 Article - Labour Shortages in Construction

No Reliable Answers to Crucial Questions

Recently, concerns have been raised by some in the construction industry about the future availability of manpower. Even the media, which usually gives scant coverage to the industry unless something under construction collapses, blows up, catches fire or floods, and more readily reports on the more glamorous high tech industries, has paid some attention to this issue. The question must be asked - are there serious manpower concerns in the construction industry?

This is an important question for everyone in the industry and one that is notoriously difficult to get good information on. We certainly don't lack for statistics. The Canadian economy is very thoroughly polled, measured and analyzed but because of the nature of the construction industry, this data does not give a precise reading on the construction labour market. It is even more difficult to make forecasts about manpower supply and demand.

Economists can report quite accurately how many teachers or doctors we presently have working and how many we will need in two, five or ten years time but attempting to provide the same information for carpenters, welders or electricians is a much different story.

Construction is labeled a boom and bust industry for good reason. It is subject to large, often rapid, fluctuations in market demand with corresponding swings in manpower needs. The Canadian climate also superimposes some seasonal cycles that can be as unpredictable as the weather. These characteristics of the industry present difficulties for both employers and employees but the industry has proven to be very adaptable in overcoming these problems. The construction labour market exhibits amazing elasticity. Swings in employment numbers that would cause chaos in other industries, are a normal feature of the construction business.

A good illustration was the construction activity that accompanied Alberta's oil boom of the late 1970's. Soaring oil prices supercharged Alberta's economy and produced perhaps the most intense construction boom the country has ever experienced. Construction dollar values nearly quadrupled in the last half of the seventies rising from \$3 billion to \$11 billion. Construction employment rose from 64,000 in 1975 to peak at 126,000 in 1981.

Manpower and equipment poured into Alberta from across the country making it possible to build the oilsands plants, refineries, office towers, pipelines, schools, houses and hospitals. Certainly, there were difficulties, but that period is a testament to the construction industry's ability to meet the demands of the market no matter how much those demands escalated.

The Alberta boom is an extreme example, but historically, the construction industry has been able to cope with steep rises and fall in activity. Is that situation changing? Is there a time approaching when there simply won't be enough people available to build the dams, powerplants, refineries and office towers as we have in the past? Will construction in Canada

become similar to that in many European countries where a foreign workforce must be imported to man building projects?

Is There a Labour Shortage?

The simple answer to that question is, no. Canada has for decades had a significant portion of the working population unemployed. There are many reasons for this which are subject to ongoing analysis and argument amongst economists, sociologists, and politicians. Why we have so many unemployed is a subject for another article but the fact remains that, even with strong economies in most parts of the country, the unemployment rate is over 8% and some one and a quarter million able-bodied Canadians are out of work.

Is there a construction labour shortage? That is an entirely different question for which there is no simple answer. There are so many different factors and unpredictable events at play that just about any answer might apply - Yes, no, maybe. A drywall contractor in Toronto might say that there is a severe labour shortage at the same time an industrial contractor in Vancouver is turning away high numbers of well qualified job-seekers. Answers change from region to region and over time. A rise or fall in commodity prices or interest rates or export markets can flip flop construction labour market dynamics in a matter of weeks.

Getting useful information on the supply and demand for construction labour can be a frustrating, nailing-jelly-to-the-wall kind of exercise and there is a temptation to throw up one's hands in resignation and just say, "We'll get by like we always have." With an industry the size and importance of ours though, that is not good enough, and it is a necessity that we get a better handle on labour market issues.

Modern construction requires skilled and knowledgeable people, not just bodies. To train those people typically takes 3 to 4 years. Only with better labour market forecasting can we be prepared for the future. Owners who may be considering multi-billion dollar investments need a reasonable understanding of what impact manpower issues may have on their projects and contractors need to know that if they take on a contract that they will be able to attract sufficient skilled personnel. (Or know that manpower **will not** be available, and have an understanding of what effort needs to be directed at training, recruitment or importing of workers.)

What is the Current Situation?

The reams of employment data can not tell an employer or owner if appropriate manpower is available, and a more accurate reading on the current situation is better gleaned from those close to the front lines and the day-to-day task of manning job sites. Willard Kirkpatrick is the current Chairman of the Canadian Construction Association. Heading the national construction association is often described as a traveling road show as it requires the chairman to crisscross the country dealing with construction issues. As Kirkpatrick gathers input from construction people in every province, there is probably no one better qualified to give a broad-based assessment of the current state of the industry. His impression of the construction labour market is that it is fairly well balanced. He explains, "With the exception of B.C., which is down a bit

now, and Calgary, which is very busy, there seems to be a pretty good match between supply and demand.”

To get additional information on the situation, we polled construction industry people across the country about the construction labour market in their areas. Along with asking for a general assessment, we posed a couple of hypothetical questions.

1. If I was an employer and came to your area as a new entrant to the market and had a contract in hand to complete a \$10 million dollar commercial project (office, store, warehouse) would I have difficulty in manning the project?
2. If I was a competent journeyman tradesman, how long would it take me to find employment in your area?

This informal cross country survey, (fall 1998), strongly confirms Willard Kirkpatrick’s impressions. The survey reveals a relatively healthy construction labour market with good supply and demand balance. It is difficult to generalize about the construction market because it is a big, diverse industry and Canada is a large country with many regional differences, but the responses to our questions indicate that there is not a shortage of construction personnel.

There are certainly reports of spot shortages for certain trades (drywallers, roofers) or in certain geographic areas (metro Toronto, Calgary) or for specific time periods (pre freeze-up) but there is no evidence that projects are not being built or are being significantly delayed because of manpower shortages.

Conditions country-wide cover a fairly wide spectrum with British Columbia at one end of the scale and southern Alberta at the other extreme.

B.C. reports the country’s only depressed construction market as a result of a recession in that province’s resource-based and Asian-influenced economy. There, contractors report that there would be no difficulty in manning any job. The B.C. situation also exemplifies an important feature of the construction labour market. While many describe the province’s construction downturn as severe, they also respond that a competent tradesperson would still be able to find work. To understand this paradox, we must recognize that ups and downs are old hat to the construction workforce, and tradespeople have adapted to those conditions. Unemployment in B.C. has of course gone up, but the general rule that “good people are working” still holds, as workers move to more active sectors of the industry, ply their trade in a different industry, become self employed or find work in an unrelated occupation.

The situation in Calgary represents the other end of the spectrum and building activity in that city could truly be described as a boom. When asked what it would be like for an outsider to come into the Calgary market and hire a crew from scratch, the assessments ranged from “with extreme difficulty” to “don’t even dream about it” to “suicidal”. To the question about how long it would take a good tradesman to find employment, answers included, “about 15 minutes” or “however long it takes to make a phone call.”

Despite those responses, even the intensely busy Calgary area does not present a simple-to-analyze labour market. Large, high profile commercial projects attract an abundance of qualified job seekers at the same time that short-term projects and much of the residential market experiences serious difficulty in recruiting. The superintendent on a down-town highrise would report that he is pleased with the quality of his crew when a small contractor is turning away work because he doesn't have sufficient forces and homebuilders may be reporting problems with quality control because of the overall lowering in skill and experience level in the workforce.

In the Maritimes, where high unemployment has been a fact of life, reports indicate healthy construction labour markets. Relatively strong regional economies together with some very large energy industry investments being injected into what are really quite small markets, have produced a construction market that no longer has pools of idle manpower.

The metro Toronto market, usually considered one of the country's main economic drivers, has seen construction activity rebound sharply enough that there are some pinch points in manpower supply, mostly in the residential sector.

While the consensus is that there is good supply/demand balance in the construction labour market there is no question that there is also a wide spread concern for the future. In virtually all market sectors and geographic areas, construction people identify the supply of skilled employees as an upcoming problem even though that concern is not based on hard data.

What do we know and what do we need to know?

An informal telephone poll of construction industry personnel might seem to be a simplistic method to establish important information about a complex industry. Unfortunately, a strong case can be made that, for our industry, purely anecdotal information is at least as useful as the most detailed statistical tools that exist.

The construction labour market is so elastic that we simply do not have a clear idea of what the limits are. The labour pool has been like a sponge that the industry has, at least until now, been able to squeeze whenever necessary and adequate manpower was wrung out. Occasionally, that flow of manpower would slow a bit and cause problems that would be addressed through wage boosts, recruiting, short term training or relocation assistance. Overall though, the industry has shown the ability to quickly expand, contract and shift its workforce whenever the market demanded.

This tremendous adaptability is a positive characteristic of a dynamic industry but it also presents a problem. We truly have no realistic understanding of what the limits of our workforce are. At what point will we try to squeeze that sponge only to discover that it is dry? When do we reach the point when the labour pool will stretch no further, when there are no more tradesmen willing to move across the country on short notice or to quit jobs in agriculture or manufacturing to return to construction? How can a construction purchaser with billions of dollars at stake in a project be assured that there will be manpower to build it on schedule and to acceptable standards.

This is a serious issue for the construction industry. Is there a solution? Certainly, there does not appear to be any easy answers but virtually everyone agrees that the potential difficulties are very large and that we need to be better equipped with labour market forecasts than we are at present.

A good example of the need and the difficulties is the project that has been undertaken by the Construction Owners Association of Alberta. This group of multinational natural resource companies are collectively planning huge capital investments in new and expanded facilities - in the order of 60 billion dollars. For expenditures of that magnitude, those owners must have at least reasonable assurance that sufficient skilled manpower will be available to build their projects.

In cooperation with other industry stakeholders, they have undertaken a construction labour supply/demand forecast. Despite considerable effort and expense, it has not been possible to develop the kind of forecasting tool they seek. Assembling credible figures for the demand side of the labour market has been a feasible undertaking but even that part of the project has been affected by a sudden drop in oil prices. Determining even approximations for the supply side of the equation is much more difficult. A forecasted welder shortage quickly evaporated as oil prices declined.

Canada Mortgage and Housing produces detailed analyses of the residential market. Here again, there is credible and reliable predictions for the demand side of the labour market but little information on labour supply.

What Does It All Mean?

What does all this mean and can any useful conclusion be reached? Quite simply, the conclusion must be that our industry has little more than a general idea about the supply side of the construction labour market. If a client comes to us with the question "If we were to build this plant (or mine or dam or highway or refinery) will there be sufficient manpower available?" Our response will likely be nothing better than guesses and wishful thinking based on the industry's past record of always being able to attract the necessary personnel.

It is not enough to hope that we can muddle through as in the past. There is an unavoidable demographic trend coming that will at some point bring us to the limits of a labour pool that until now always seemed to be able to stretch further. Construction is a

young person's game and the aging baby-boomer phenomenon is going to hit the construction industry hard.

The industry seems to have reached a collective conclusion that manpower is going to be a problem in the future, but that conclusion is based as much on intuition as hard data.

Trying to initiate action to address a poorly defined future problem is not easy but clearly the construction industry needs to confront this issue. At present, there is little indication that is happening.