

The First

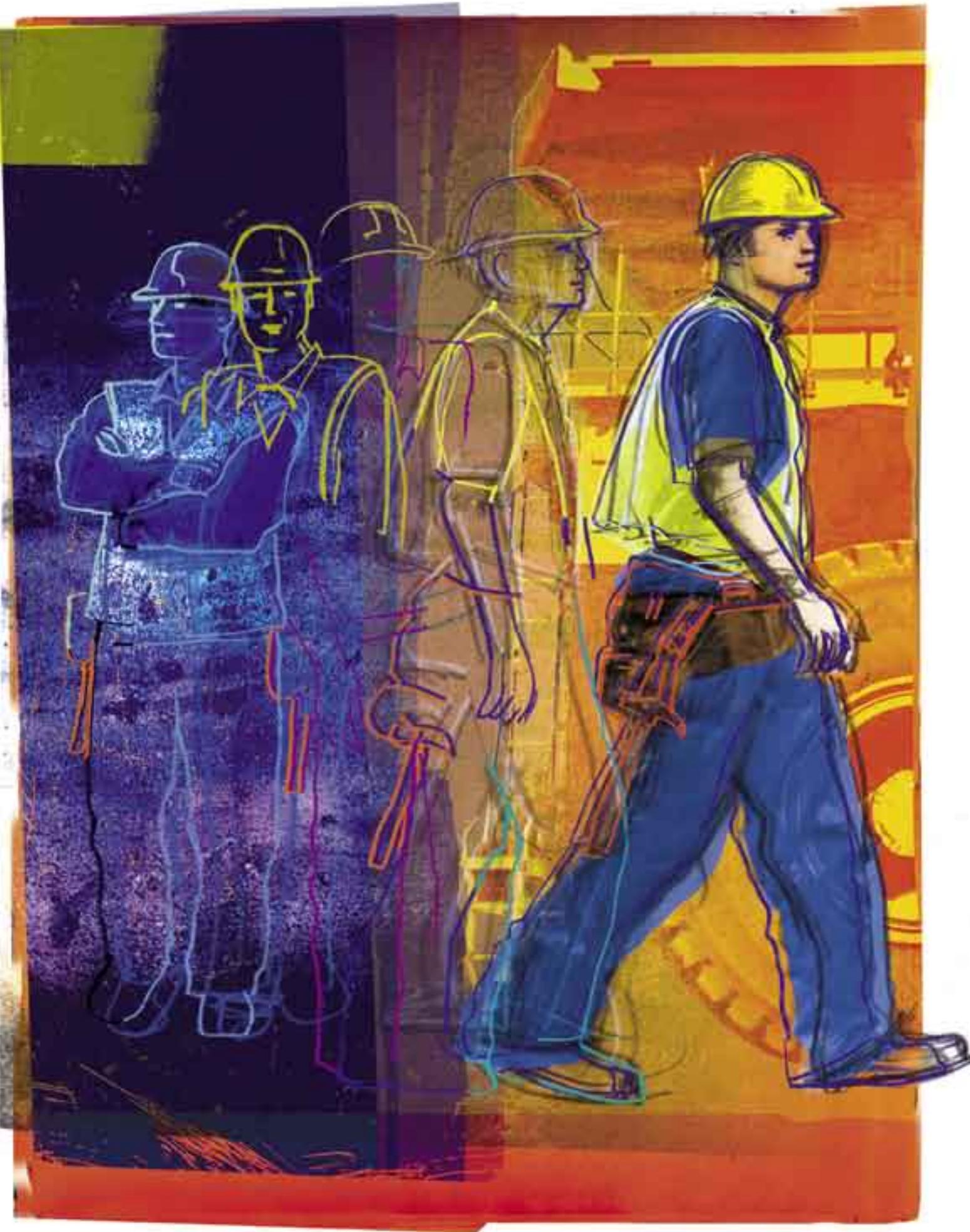
In the dark days of construction, traditionalists frowned at the open shop concept. Today, they see the light

BY JOEL THOMPSON

Years



Alberta's Merit Contractors Association celebrates its 20th anniversary this year. Comparing the construction scene in Alberta in 1986, the year of Merit's inception, to that of 2006 is a story of remarkable contrasts. This milestone provides a good vantage point to evaluate the profound changes that took place during those 20 years and to speculate on what might be in store for the industry over the next 20. ►



An intense construction boom fuelled by the oil and gas industry brought a frenzy of activity throughout the 1970s. The Edmonton and Calgary skylines seemingly rose overnight and jobseekers poured into Alberta from across the country. But by 1981, the bubble burst. Declining oil prices coupled with the National Energy Program devastated the province's economy. The symbol of the 1970s economy – tower cranes silhouetted above booming city centres – gave way to rust-stained, half-finished concrete structures looming forlornly over abandoned, weed-infested sites.

Up and down cycles are typical in construction, but the crash in Alberta set records for its severity. The volume of construction in 1980 peaked at \$14 billion. By the mid-'80s, the volumes hit \$7 billion. Industry employment numbers tumbled too, reaching 65,000 from a high of 120,000. These figures translated into bankruptcies, foreclosures, devastating unemployment and a massive exodus of workers.

DURING ALBERTA'S BOOM PERIOD, THE COMMERCIAL AND INDUSTRIAL CONSTRUCTION MARKET WAS ALMOST ENTIRELY UNIONIZED. BUT IN A SEVERELY DEPRESSED MARKET WHERE PEOPLE SCRAMBLED FOR WORK, OPEN SHOP CONTRACTORS EMERGED FROM THE INTENSE, COMPETITIVE ENVIRONMENT.

The turmoil resulted in drastic changes to the industry. During Alberta's boom period, the commercial and industrial construction market was almost entirely unionized. But in a severely depressed market where people scrambled for work, open shop contractors emerged from the intense, competitive environment. Construction unions unable, or unwilling, to adjust to the new economics left their signatory employers in a position where it was difficult for them to win tenders. The result was an industry that flip-flopped from 80% union to 80% non-union in the span of a few years. This transition was similar to a process that began in the U.S. approximately 20 years earlier, however the change happened almost overnight in Alberta.

A small group of 14 Alberta contractors came together in 1986. The group concluded that bad times could not last forever and growth and prosperity would eventually return to the industry. As open shop employers, they knew that for the industry and their own companies to prosper, they needed to supply their workforce with health, dental and insurance benefits, retirement programs, training and job placement services. In an earlier era, construction unions provided these programs. The small group of contractors realized that as individual employers, providing these services would be prohibitively expensive. Even though they were competitors, they shared a common workforce and goal. In the end, they felt it would be feasible for them to co-operatively disperse the cost of these services by forming an open shop organization called the Merit Shop Contractors Association, later changed to Merit Contractors Association in the late 1980s.

Traditionalists viewed Merit and the emergence of open shop construction as a temporary aberration, a product of unusual mar-

ket conditions. They predicted the association would disappear when healthy construction markets returned, and the industry moved back to its union-only model.

This was not to be the case. The building trades unions did not regain their market dominance. In fact, as construction rebounded, union market share continued to decline, even in the industrial construction sector. Where owners once relied traditionally on union-only project agreements as the labour supply model for industrial mega-projects, following a series of painful cost overruns, investors began aggressively pursuing non-union or alternative union participation.

Merit's membership grew steadily, mirroring developments in the recovering construction marketplace. The founding group of 14 contractors in 1986 grew to 96 by 1990, and by 2000 its membership reached 500. By 2005, that number changed to 1,000. The number

of hours worked by member contractors' employees also reflected a similar trajectory. In 1986 Merit employees worked just over 2 million hours. In 2005, they clocked in more than 50 million hours.

Merit's activities and programs have expanded in step with its membership growth. The scope of coverage under the basic health and dental plan introduced in 1986 has been significantly enhanced. The association now sponsors one of the largest multi-employer benefit plans in the country, providing comprehensive coverage to over 30,000 employees and their families. The flagship plan is now accompanied by numerous other programs, such as group retirement programs, management training, discount programs, promotion of youth employment and apprenticeship tuition rebate initiatives. Merit is also active in public policy advocacy and is regarded as an influential player in the industry.

Merit's leadership comes at a critical time. Twenty years later, Alberta's construction scene is dramatically different. Fuelled again by energy industry investment, the current volume of construction activity eclipses anything previously experienced. Alberta Economic Development's roster of major projects totals a mind-boggling \$116 billion. With an economy strong in all sectors, rapid population growth, government coffers filled with cash, and increased oil, natural gas and oilsands resource development, Alberta is again the centre of construction activity. This rapid growth is straining the industry's capacity and unlike in 1986, the number one challenge is a shortage of workers.

Employment in Alberta's construction industry currently exceeds 170,000 workers. Even at this impressive employment level, many employers and most projects are operating short-handed. This situation is only likely to worsen and intense efforts are under-



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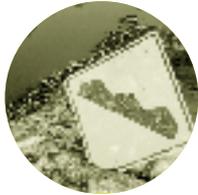
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Somewhere in



1981

Construction in Alberta peaks with record levels of industrial, residential and commercial construction.

1985

Construction activity remains low.

1988

The Alberta government introduces changes to Alberta's Labour Code, ensuring workers have a secret ballot vote on matters of union certification.

1992

Merit reaches a healthy financial position and expands services to its members, in spite of difficult market conditions in the construction industry.

1982

Alberta's construction industry crashes. Construction volumes shrink drastically. Employment and wages drop.

1986

Merit forms and offers HR services such as employee benefit plans and supervisor training programs.

1990s

Merit expands its courses and seminars to include a variety of management and worker upgrading programs.

1993

Open Mind, Merit's annual magazine, is published.

1996

Merit celebrates 10 years and further growth in the open shop sector. The increase in memberships is attributed to an improving construction market and acceptance of the open shop approach to construction. Merit has 227 member companies with 6,000 member employees.

way to find solutions.

Despite the challenges, it is important to note that construction owners are no longer opting to return to previous monolithic union-only labour supply models. The open shop model continues to dominate the commercial marketplace and is making steady inroads in the industrial sector. The result is that the whole industry now operates under a healthier, more diverse competitive labour supply system. Non-union, alternative union and building trades union contractors and their employees all have abundant work opportunities. Today, it's not uncommon to see personnel from different camps working side-by-side on the same project – something unheard of when the industry operated as a union-only closed shop. Similar changes have occurred across the country with the exception of Quebec where open shop construction is legislatively banned.

Transforming the industry's labour supply model was likely the most significant change to take place over the past 20 years. Given current economic and demographic dynamics, the most pressing issues and debate over the coming 20 years will likely revolve around finding skilled workers, as a large percentage of the core workforce retires.

Just as Alberta was a focal point for developing a new labour relations model, it seems likely that leading-edge responses to labour shortage challenges will come from here also. Past labour demand spikes were traditionally met through inter-provincial migration, but this strategy is currently proving less effective than it once was. Baby boom demographics and strong provincial economies across Canada have drastically reduced the pool of mobile workers who were once willing to travel long distances to build major projects.

Domestic labour markets are drying up and Alberta employers are reluctantly considering looking outside Canada for construction personnel. In doing so, they face a complex web of regulations concerning immigration policies and the recognition of workers' credentials. These regulatory barriers, combined with the logistical difficulties of travel and language, make importing foreign workers a daunting task. The industry has little experience or expertise with international labour, and it is slowly realizing that this is an option to consider. Even the building trades unions, despite their shrill campaign against foreign workers, are recruiting outside Canada.

Foreign recruitment, however, brings its own challenges and may not be the "silver bullet" solution. Global economic growth is pushing up construction demand worldwide. Other international

Time



2000
Merit's member companies grow to 500 and 15,000 Merit member employees.

2006
Merit celebrates its 20th anniversary with over 30,000 member employees and more than 1,000 member companies.

mega-projects are similar in scale to those happening in the Fort McMurray region, intensifying the global competition for skilled foreign workers.

Industry veterans, who have survived previous recessions, have ingrained cautionary instincts telling them "what goes up must come down." The reality, however, is that current, and anticipated future demands for construction exceed present capacity. There is clearly no hidden pool of unemployed workers that will suddenly appear to solve the problem.

The issues confronting Merit companies for the first 20 years were simple business survival, managing a transition to a non-union workforce and selling the open shop concept to employees and construction owners. Now, open shop construction is established and the struggles between union and non-union camps are essentially over.

This does not mean that our industry is entering a period of calm and tranquility. Unprecedented demand, skilled labour shortages, the entry of foreign workers to Canada and the retirement of many workers means that the construction industry must again reinvent itself over the next 20 years. On Merit's 40th anniversary we will surely look back on another period of tremendous change for the construction industry. ☐

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