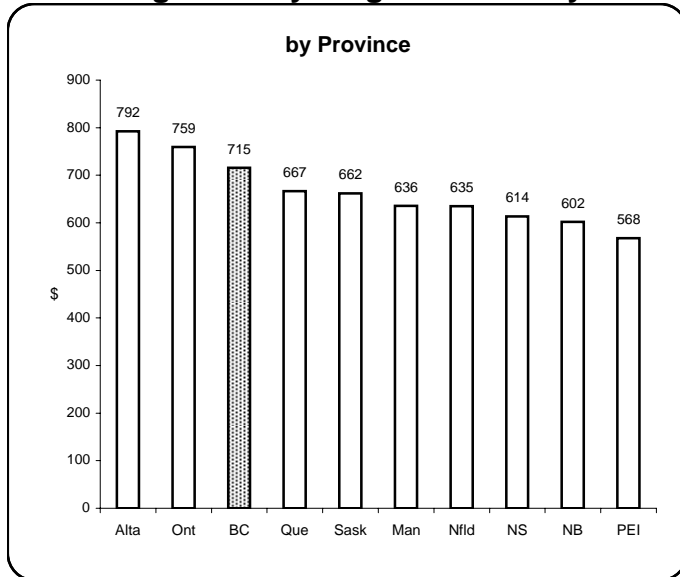
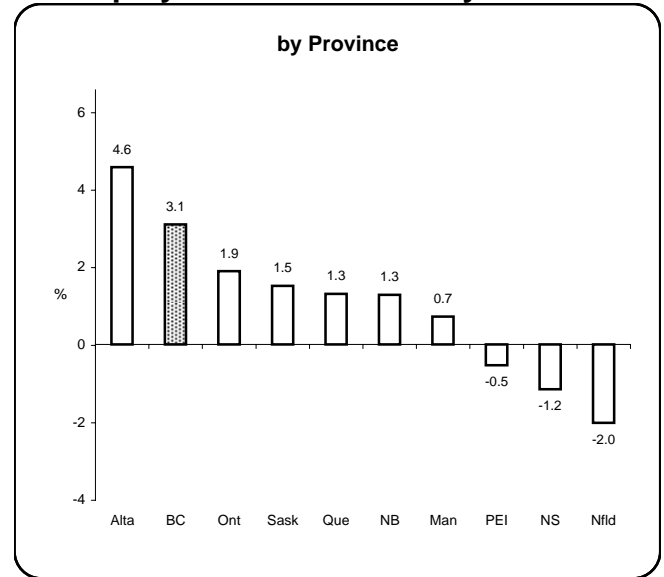


Earnings & Employment Trends ♦ July 2006

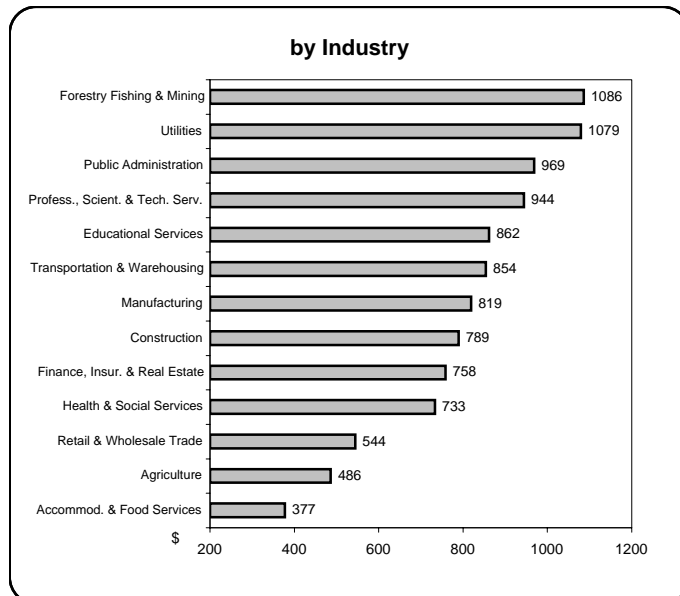
Average Weekly Wage Rate* - July 2006



Employment Growth* - July 2006

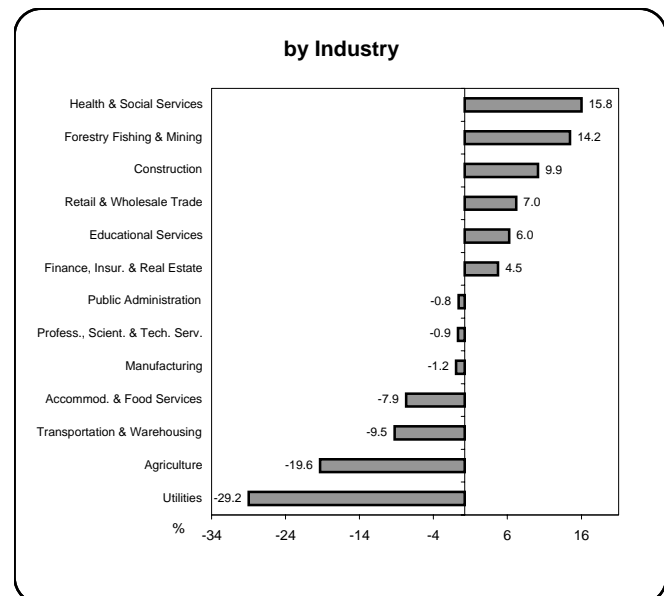


by Industry



* Latest 12 month average

by Industry



* Month over same month previous year (unadjusted)

Prepared by: BC STATS

Source: Statistics Canada Labour Force Survey

Feature Article: BC's Construction Labour Boom

BC's Construction Labour Boom

By Martin Monkman

Two and a half years of growth in construction labour

A doubling of housing starts in BC in from 2001 to 2005¹ and a 25% jump in investment in non-residential building construction during 2005² are two clear signs that BC is in the midst of a construction boom. Across BC, news outlets are reporting that significant construction projects are experiencing delays and cost pressures for a single reason: a shortage of skilled construction trades workers.³

In 2005, the number of people employed in the construction industry rose 16.7% to 168,000. This followed an even bigger jump of 20.2% in 2004.

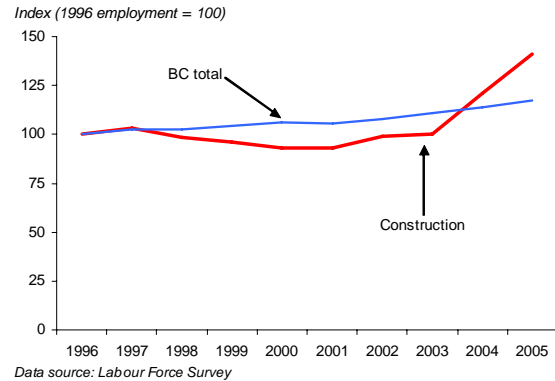
This growth is continuing in 2006. July again saw a year-over-year increase in the number of BC residents working in the construction industry. This was the 33rd consecutive month with an increase over the same month of the previous year.

Construction: nearly half of all new jobs in BC

The construction boom is playing a huge part in BC's total job growth. In 2004 and 2005, new jobs in the construction industry accounted for 42% of the new jobs in the provincial economy.

Since 2003 the number of people working in the construction industry has boomed, but the long-term trend in BC is quite a different tale.

After a decade-long slump, construction employment in BC has boomed



The number of people employed in the construction industry grew modestly to 123,000 in 1997, but then fell year-over-year from 1998 to 2001. That year the number of construction workers employed in the industry bottomed out at just under 111,000.

In 2002 and 2003 growth was modest, but since then, double-digit growth has swelled the number to 168,000.

Construction earnings and hours stall

In spite of the rapid expansion in the number of workers in the construction industry in 2005, average weekly earnings fell slightly (-0.7%) to \$779. This drop was due entirely to the third consecutive annual decline in the average hourly wage (to \$19.57), with the length of the work week remaining unchanged at 36.2 hours.

¹ Canadian Housing & Mortgage Corporation, *Residential building activity – 2005*, April 2006, p.16.

² BC Stats, *Infoline*, Issue 06-21, May 26, 2006, p.1.

³ "Skills shortage hampers Jubilee upgrade", *The Daily Courier* (Kelowna), Page A01, May 29, 2006.

The construction industry is growing largely through the introduction of young, relatively inexperienced workers. Since 2000, the proportion of workers aged 15-24 has grown from 9.8% of the industry to 17.1%. In absolute terms, the number of young workers has jumped from 10,900 to 28,800 in the past five years, and they account for almost one out of every three new workers in the industry.

It is important to note that young workers in the industry are paid approximately 35% less than their older counterparts. As the proportion of lower-paid young workers grows, the overall average earnings drops.

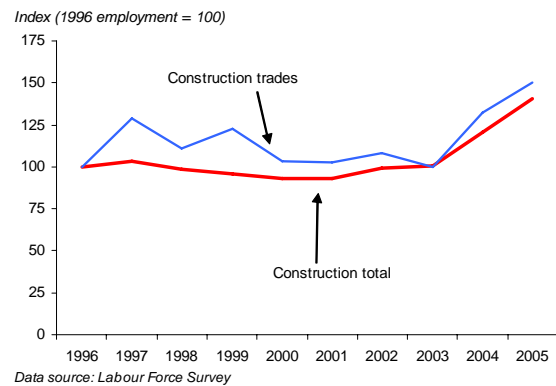
Young workers are paid significantly less



Skilled workers in construction

A substantial part of the construction industry is made up of skilled workers in construction trades. During the current boom the proportion of construction trades workers employed in the industry has grown only slightly slower than the overall increase in employment.

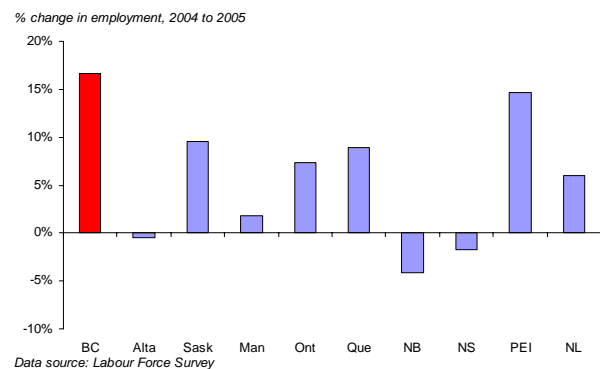
Growth in construction trades employment keeping pace with the industry as a whole



BC's boom leads Canada

BC's 16.7% growth in construction employment in BC led Canada during 2005. The next-largest increase was recorded in PEI, with growth of 14.2%.

BC's growth leads Canada



During 2005, employment in construction in Alberta fell slightly (-0.5%) after seven consecutive annual increases. BC is also the only province where the increases have been greater than 10% in the past two years.

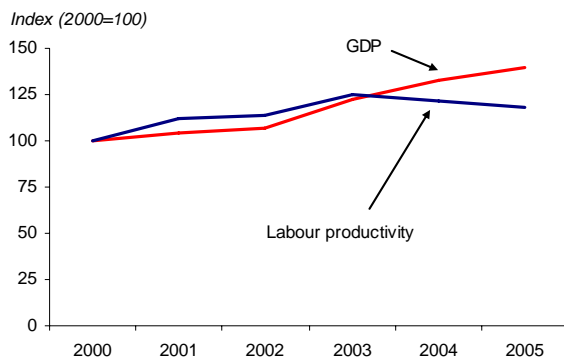
In spite of the drop in average weekly earnings, BC construction workers earn more per week than any others in Canada except those in Alberta and Ontario.

On an hourly basis, the earnings of construction workers in Ontario led the country (\$21.26/hour), while those in Newfoundland & Labrador had the longest average work week (43.2 hours). By comparison, BC workers were fourth in hourly wage rate, and only construction workers in Quebec worked a shorter week.

Output climbs, but productivity falls during the construction boom

The construction industry in BC has created increased value, as measured by Gross Domestic Product (GDP), over the past five years, coinciding with the increases in construction employment. In 2005, GDP generated by the construction industry stood 39% higher than in 2000.

GDP rises, productivity falls



Data source: Labour Force Survey & BC Stats

In the past three years, however, labour productivity—the total output (GDP) created by an hour’s labour—has fallen. This decrease in efficiency coincides with the increase in the proportion of workers aged 15-24 in the construction industry, suggesting that—as we might expect—inexperienced workers are not as productive as their more experienced counterparts.

Is a bust looming on the horizon?

The near-term forecast is for continued growth in the construction industry, with a combination of a strong real estate market driving new housing construction and the infrastructure and facilities associated with the 2010 Olympics continuing to increase demand for construction workers. One forecast indicates that during 2006 and 2007, 26,000 more workers will be added to the industry.⁴

The continued boom will, however, put pressure on the labour market, with a very real possibility of labour shortages. These shortages could dampen potential growth, and “BC will have to find the solution in attracting more people, encouraging more people to enter the labour force or using its workers more efficiently.”⁵ The outstanding question for the construction industry is can the downward trend in labour productivity be reversed?

⁴ Economic Analysis of British Columbia, *BC Labour Market Outlook 2006-2007*, vol.26 no.1, February 2006.

⁵ P. White, M. Michalowski and P. Cross, “The West Coast Boom”, *Canadian Economic Observer* (Statistics Canada, cat. #11-010), May 2006, p.3.11.