

Business Indicators ♦ November 2006

BC's Construction Industry Since 1990

This article is adapted from the Guide to the BC Economy and Labour Market, which provides an overview of the provincial economy and the characteristics of its workforce for the period from 1990 to 2005. Written for students and career practitioners, the Guide focuses on provincial industries with an emphasis on their human resource side. The complete document is available at: http://www.bcstats.gov.bc.ca/pubs/econ_gui.asp

During the early 1990s, BC had the fastest-growing population in Canada. Record numbers of people were moving here from other provinces and countries, providing a stimulus for economic growth and boosting the population by nearly 15% between 1990 and 1995. However, the influx of people into BC slowed at the end of the decade. BC slipped back to third place (after Alberta and Ontario) among the provinces in terms of population growth in the late 1990s. More recently, the pace has begun to pick up and BC is once again attracting residents from other parts of the country, as well as new immigrants to Canada.

Since 1990, the number of people living in BC has increased by nearly a third (29%), making BC the fastest-growing province over the period. The Canadian population grew a little more than half as much (17%).

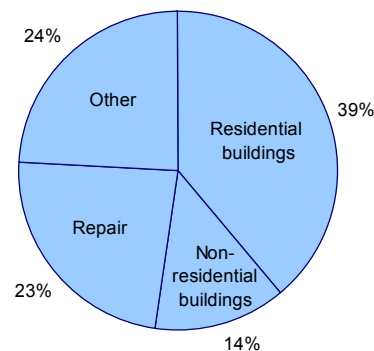
An expanding population is one factor that has contributed to strong growth in the construction industry in recent years, but other forces, such as general economic conditions and special events, also play a role. For example, the Olympics will be held in the Vancouver/Whistler area in 2010. As part of the preparations for this event, major upgrades of the Sea-to-Sky highway will be made, and there will be substantial investment in new venues for Olympic events.

Transportation infrastructure (such as the RAV line) in Vancouver is being put into place, and work on other Olympic-related projects is already underway, and the industry is seeing an increase in the demand for its services.

What's included in this industry?

The construction industry includes establishments that are primarily engaged in constructing, repairing and renovating buildings and engineering works, and in subdividing and developing land. They sometimes work under contract to other firms, and produce both complete projects and parts of projects.

The construction industry includes a lot more than just houses and other buildings



GDP in 2004: \$7.5 billion

Data Source: Statistics Canada
Figure 1

More than half of the GDP¹ in the construction industry comes from putting up buildings, such as houses, condos, office towers and shopping centres. Residential buildings account for about 39% of total GDP in the industry, while non-residential buildings make up 14%.

There are a lot of other activities in the construction industry. About a quarter of its GDP is generated by engineering construction. This includes building roads, highways and airstrips; gas and oil facilities; dams and irrigation projects; railways, telegraph and telephone lines; and other types of engineering projects. Repair construction (on buildings as well as roads, highways and other projects) makes up about a quarter of the value added to the economy by this industry.

What's happened since 1990?

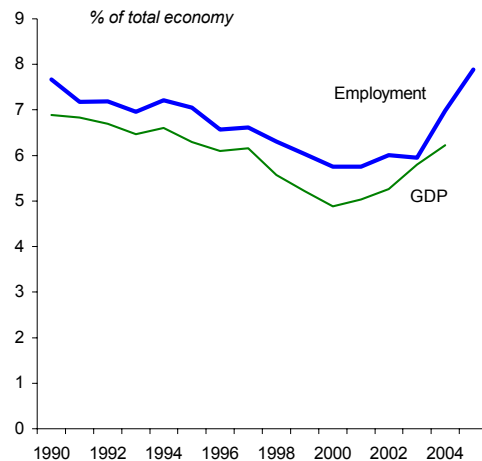
When the economy is booming, the construction industry usually booms too, but when times are tough, new construction projects tend to be put off. Builders often borrow money to finance big projects (and homeowners usually have to take out a mortgage to pay for their home), so changes in consumer confidence and the cost of borrowing also have a big effect on this sector, as do increases in the price of materials such as lumber that are used in construction.

Figure 2 shows how output and employment in the construction sector have varied relative to the rest of the economy since 1990. As the figure shows, the industry didn't do as well as the rest of the economy during the 1990s, and its share of both GDP and employment declined.

The last few years have been very good ones for the construction industry. Just under 8% of the province's workers have jobs in construction. That's significantly higher than the average during the 1990s, but at

about the same level as in the early 1980s, when there was also a building boom in BC.

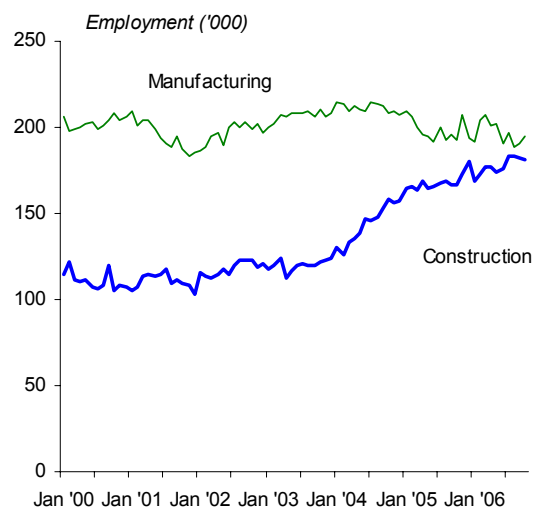
BC's construction industry has been booming in recent years, as it continues to recover from a slump in the 1990s



Data Source: Statistics Canada

Figure 2

Employment in the industry has increased significantly and now rivals that in manufacturing



Data Source: Statistics Canada

Figure 3

There is no doubt that the construction industry has been a big source of employment and GDP growth in the BC economy during the last few years. However, the very strong

¹ GDP data is used here, since employment figures are not available at the same level of detail

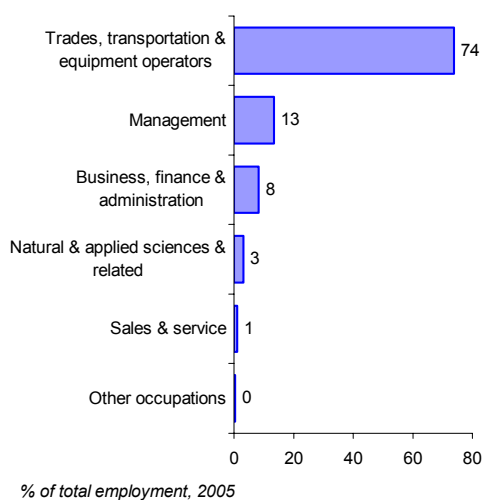
growth that has been seen in recent years has to be viewed in the context of what happened during the 1990s, a period when the industry was in decline.

Construction is a boom and bust industry. The current strength of the industry is a reflection of general economic conditions, pent-up demand for new housing and other structures in some areas of the province, and investment in new infrastructure that is taking place in order to prepare for the 2010 Olympics. Whether the strong growth will continue in the future, at least past 2010, is an open question, but it is likely that the next few years will be good ones in this industry.

What are the most common occupations?

Like most industries, construction employs people in a wide range of occupations involving different types of skills. Three out of every four people who work in this industry are tradespeople, contractors, and others who have special skills related to construction. They may also be labourers, or equipment operators.

Three-quarters of the workers in this industry are tradespeople or operators of transportation equipment



Data Source: Canadian Occupational Projection System estimate

Figure 4

Twenty-eight percent of workers in this industry are in construction trades: they are plumbers, carpenters, bricklayers, cabinet-makers, painters and so on. Another 13% are contractors and supervisors of these tradespeople and 7% are electricians or other workers in similar occupations.

Other common occupations in the construction industry include management (13%), business, finance and administration (8%), and workers in natural and applied sciences and related activities (3%) (architects, engineers, construction estimators, building inspectors and so on).

How many people work in construction, and how much do they earn?

In 2005, there were 168,000 people working in the province's construction industry. These workers earned an average hourly wage of \$19.57 for a usual work week of 40 hours. The average wage for workers in construction trades (including those employed in industries other than construction) was \$18.96 in 2005. Trades helpers and construction labourers earned an average wage of \$16.50.

What are the characteristics of the work force?

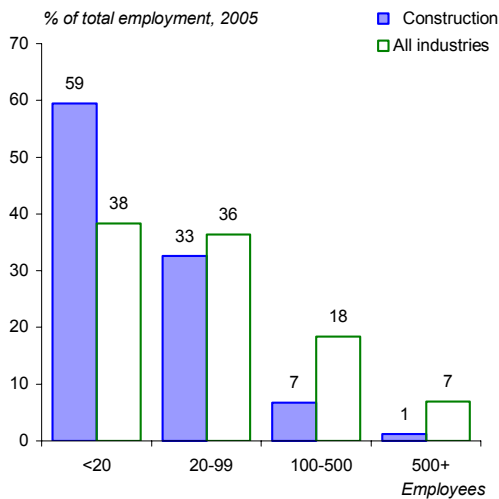
The construction industry continues to be male-dominated, with men outnumbering women nine to one. Similarly, nine out of ten workers are employed full-time.

Just under a quarter (24%) of the workers in this industry have union coverage, considerably less than the provincial average of 33%.

Construction workers have a higher-than-average chance of finding themselves unemployed at some point. Between 1990 and 2005, the unemployment rate in this industry averaged 11.3%, three percentage points higher than the provincial average (8.4%) during this period.

Self-employment is much more common in construction than in most other industries. Four out of every ten workers are self-employed, double the average for all industries in the province. The construction industry is well-suited to self-employment, since many of the required skills can be used on small self-directed projects as well as large ones. This means that it is relatively easy for an individual who has the know-how and the equipment required to do construction projects to start up his or her own company, if the prospect of working for a larger organization is not appealing.

Construction establishments are often small businesses with fewer than 20 workers



Excludes self-employed
 Data Source: Statistics Canada
Figure 5

Construction firms tend to be somewhat smaller than firms in other industries. This is partly a reflection of the relatively high incidence of self-employment in this industry. Fifty-nine percent of the people working in the industry are employed at establishments with fewer than 20 workers. Most of the other workers (33% of the total) in the construction industry had jobs in mid-sized firms, with more than 20 but less than 100 employees.

It should be noted that these figures do not include self-employed workers. Self-

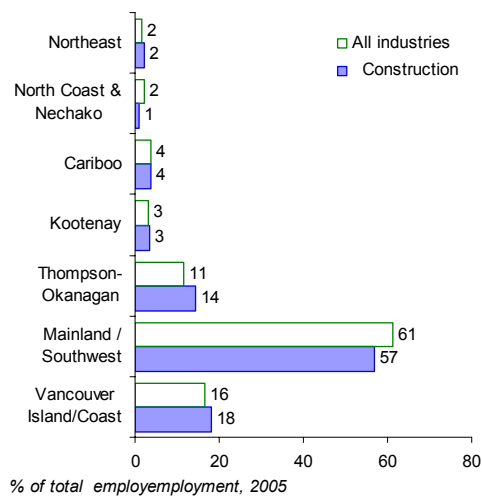
employment is a significant factor in the construction industry. About 64% of self-employed construction workers have no paid help. It is likely that most of the other self-employed workers in this industry operate small businesses with fewer than 20 workers.

Where are the jobs located?

Construction activity occurs in all parts of the province. Residential, commercial and institutional buildings are most likely to be built in the more densely populated areas of the province, but many heavy or engineering construction projects occur in more sparsely populated areas. Factories, gas distribution facilities, power generating stations, and dams, for example, are built near a source of water, or near gas fields, or wherever the raw materials used in production are located.

Fifty-seven percent of workers in this industry are located in the Mainland/Southwest Region, with the Vancouver Island/Coast area having just under a fifth of the work force.

Three out of four construction jobs are in the Lower Mainland and Vancouver Island/Coast regions



Data Source: Statistics Canada
Figure 6