



# A HUMAN RESOURCES STUDY OF THE HOME BUILDING AND RENOVATION SECTOR FOR NEWFOUNDLAND AND LABRADOR PHASE III

## Focus Groups – Summary of Findings

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## 1.0 Overall State of Business

Low interest rates, a somewhat stronger economy and migration from rural areas to the larger towns and cities are fuelling a sustained growth period in the home building and renovations (HB&R) sector in Newfoundland.

The industry has become much more of a year-round operation in these urban areas and several company spokespersons say that they could take on more work than they are currently doing if they had the skilled people to work for them.

## 2.0 Recruitment Issues

Industry spokesperson in all three focus groups were in agreement that they are having increasing difficulty finding the skilled and experienced workers they need.

They experience shortages in licensed trades (plumbers and electricians), journeyman carpenters and experienced labourers. The greatest need would appear to be for multi-skilled workers who can work on their own, manage a project independently.

There were several indications that there are skilled workers who also work ICI and are not available to HB&R sector during their off-times because of their high wage expectations, their preference to go on EI in the off-season, and their participation in the underground economy.

At the same time, several spokespersons commented that there were a lot of people coming into or available to the industry which does not have the skills and experience. Many are coming from other industries that are down-sizing, particularly the fishery, and are in their 30s or older. Most have no formal training, limited skills, and unrealistic attitudes towards their competencies and earning power.

*Note:* There were considerable disparaging comments about this sector of the labour force, but the industry does appear to depend on them. A program to upgrade knowledge and skills for this population might be an appropriate strategic response to address the skills shortages issue.



### **3.0 Raising Wages**

There was general agreement in the three groups that wages have gone up in response to labour shortages pressures. There was also agreement that they are not getting higher productivity out of their more costly labour force, and that the cost to output ration is increasingly out of balance.

### **4.0 Assistance with Recruiting**

There were mixed messages on this issue, and no clear sense of what kinds of supports would generate better outcomes for recruiting. There was interest in a program to promote careers for young people in the sector, and also mention of the need to cut back on underground economy activity to encourage more people to work in the legitimate sector.

### **5.0 Labour Supply Issues**

The focus groups generate findings that at first appear paradoxical: employers report shortages of workers but also indicate that there are many people available for work or moving into the industry. Closer questioning in the groups generated the following explanation: there are many people available to work during peak seasons and when there are downturns in the ICI sector and other industries, but there are critical shortages of skilled and experienced workers available for increasingly year-round work. Wage levels are another key factor – some potential employees from the ICI sector have expectations for wages and benefits that HB&R employers cannot meet.

Employers also say that they have the people now to do the projects they have undertaken, but could take on more business if they had more skilled and reliable workers to put on sites. Work is going to underground operators because legitimate builders are too busy to take it on right away.

Employers also describe being caught in a difficult competitive squeeze: they want to offer better-paying and more attractive jobs, but they have to compete with underground operators and this keeps their margins down and limits their abilities to offer better jobs.



## **6.0 Explanation for High Number of People on Employment Insurance (EI)**

There were two basic explanations put forward for this situation. First there was a high level of agreement that a lot of people go on EI when they get enough “stamps” and maintain the traditional seasonal rotation from work to EI. It was also felt that many of these people then work under the table and are counted as unemployed but are not available to legitimate employers. Participants were very critical of the lack of enforcement by the EI system.

The second general explanation, most strongly expressed in St. John’s, is that many of the unemployed people who say they are construction workers have no qualifications, skills or experience and are not the people who are needed on the job sites. They are unemployed because they are not employable.

## **7.0 Turnover Issues**

By and large most participants did not see turnover as a big issue. There is so much demand for labour that employers are trying their best to hang on to good people, and skilled people are never “between jobs” for very long. There again were several mentions of seasonal work/EI patterns and the impact of underground activity in pulling people away from legitimate work. In St. John’s people mentioned the increasing trend towards “raiding” where employers lure people away from each other with slightly higher wages.

## **8.0 Training Issues**

There was a widely-shared view that formal training programs in the community college system do have a great impact on the HB&R sector. Most of the participants were not familiar with what was available. There was some perception that the community college program was aimed at the ICI sector and did not prepare people for HB&R in terms of relevant knowledge and skills, proper attitudes and realistic wage expectations.

While there was general agreement on the need for building the knowledge and skills of both business operators/contractors and the employed labour force, most participants did not feel that much training was available, and were concerned about the high costs and lack of accessibility for available programs.



There was strong interest in the expanded provision of locally delivered short courses focused on specific skills and on raising standards around workplace safety, quality control, the building code and consumer protection.

Under current labour market conditions, employers are concerned about spending a lot of money to train their people and then losing them because of higher wage demands, expanded employment options.

## **9.0 Apprenticeship**

Again there was very limited knowledge of and experience with apprenticeship. Those who were familiar with the program felt that it was not geared to HB&R conditions and needs, that it was too costly and that in general it was not working well in the sector. The clear call was for a new apprenticeship model geared specifically to conditions and needs in the sector. There were thoughtful comments about the need to link the development of an effective apprenticeship system to larger efforts to professionalize the industry and create a more attractive career model to market to young people.

## **10.0 Compulsory Licensing and Certification**

There was a clear divide in opinions on the issue of licensing of carpenters. It appears that Newfoundland has not embraced trades certification in the construction industry as much as other jurisdictions, with lower standards for electricians and plumbers in rural regions to protect the traditional patterns of residential construction activity. The informal economy culture was seen as still well entrenched across the province and some participants argued that there would be very strong opposition to efforts to regulate the trades more vigorously.

Another area of concern that led participants to oppose mandatory licensing of carpenters was the fear that it would make an already tight labour market even worse. Given the existing shortages of skilled and experienced people, many employers are resistant to any new regulations that might limit the available labour force and push up labour costs. There was also a fear that certification will encourage out-migration in that once people have formal qualifications they will be able to compete for higher paying jobs in other regions.



There was much stronger support, but no consensus, on mandatory licensing of contractors. This was seen as a way to reduce underground economy activity and to bring up overall standards for home construction and renovation.

## **11.0 Industry Organization and Professionalization**

The core area of concern for most participants, and the key to improving overall business and labour supply in the sector, was the need to control and reduce underground economy activity. A comprehensive professionalization program, including licensing of contractors, was seen as a viable approach. There were widely varying levels of familiarity with this idea, with a few industry leaders already passionately committed to the idea while others are just learning about it.

Among those who supported this idea there was agreement on the need for a multi-partner approach with government regulators, the banks and insurance companies and the municipal inspector system all heavily involved from the outset.

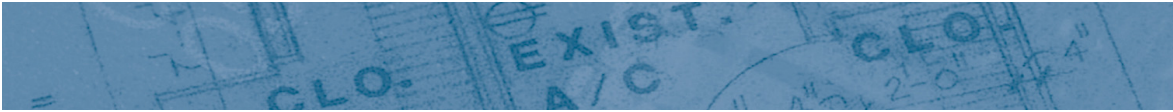
Another priority was consumer education and the involvement of consumer organizations in the professionalization program.

## **12.0 Conclusions**

The point that emerged most powerfully from the focus groups in three large centres of HB&R activity in Newfoundland is that the underground economy is seen as the greatest barrier to improving labour supply conditions in the province.

Builders believe that more effective regulation and enforcement of the EI and building permit systems will result in a significantly more positive business climate that will, in turn, make it possible for them to pay higher wages and invest more in developing the knowledge and skills of their employees. By the same token, many feel that all efforts to improve labour supply and worker knowledge and skills will not be successful or worthwhile as long as the underground economy continues to generate such powerful competition to legitimate professional builders and renovators.





For many of the focus group participants the more effective control of underground activity is the absolute prerequisite. Other initiatives in recruitment, training and apprenticeship are of some interest, but are not generally seen as meaningful unless there is a more positive working environment for legitimate professional builders and renovators.

While there was no consensus on the question of mandatory licensing for carpenters, there was a general interest in the idea of a comprehensive professionalization program provided that it was tied in with larger efforts to reduce underground economy activity.

There was unanimity on the existence of critical shortages of skilled and experienced tradesperson for the HB&R sector. There was no clear sense that industry leaders see the formal training system as a significant part of the solution to this problem: it does not now have a great impact on their sector and they are not very involved with it. At the same time, they agree strongly on the benefits of training for contractors and employed people if it is affordable, accessible and geared to specific knowledge and skills for HB&R.

There was considerable evidence of the existence of a large population of workers in the construction field generally who lack knowledge and skills for HB&R work and maintain links to informal and underground economy activities and work patterns. Given the limited numbers of young people coming into the industry out of formal training systems, a key strategic priority in Newfoundland might be to develop appropriate programs to professionalize participants in this “reserve” labour force.