



# ATLANTIC COMPARISON OF CONSTRUCTION INDUSTRIES

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## Introduction

### 1.0 Introduction

This report provides a brief review of some key statistics for the construction industry and its workforce in Canada as a whole, Atlantic Canada and Prince Edward Island (PEI). The statistics also are presented for all industries and occupations to show trends in construction compared to those in the economy in general. Section 2.0 of the report documents the size and structure of the construction industry and its contribution to Gross Domestic Product (GDP). Section 3.0 documents the size and age profile of the construction industry along with Employment and Unemployment, Education and Training and Employment Incomes.

## 2.0 Industry

### 2.1 The Size and Structure of the Industry

The Business Register produced by Statistics Canada estimates that there were approximately 260,330 construction businesses in Canada as of June, 2003. Approximately 12% of all businesses in Canada were in the construction industry. Approximately 58% of the businesses in the construction industry worked in the trade contracting sector while 25% worked in residential construction. Service industries incidental to construction<sup>1</sup> accounted for 11% of the businesses while non-residential building and development<sup>2</sup> and industrial and heavy (engineering) construction industries each accounted for 3%. It is important to note that the latter two industry sectors are comprised of relatively large firms so their contribution to production and employment is larger than their numbers.

The Business Register estimates that there were approximately 15,580 construction businesses in Atlantic Canada as of June, 2003. The proportion of all businesses in Atlantic Canada that were in the construction industry was the same as estimated for Canada (12%). The proportion of firms in each sector of the construction industry in Atlantic Canada was virtually identical to the proportions for Canada as a whole. The sectoral breakdown of the roughly 1,100 construction firms on PEI in 2003 also closely approximated that in Canada. PEI had a lower proportion of businesses in non-residential building (2%) and service industries incidental to construction development (7%) and slightly higher proportion in industrial and heavy (engineering) construction (5%).

Eighty-four percent of the firms in the construction industry of Canada had fewer than five employees in 2003. Residential construction (87%) and trade contracting (83%) had the largest proportion of firms with less than 5 employees. Non-residential building and development (66%) and industrial and heavy (engineering) construction (64%) had smaller proportions of firms with fewer than 5 employees.

It is interesting to note that firms in the construction industry of Atlantic Canada appear to be slightly larger in terms of the number of employees than those for Canada as whole. Seventy-nine percent of the firms in the construction industry of Atlantic Canada had fewer than five employees in 2003. Residential construction (79%) and trade contracting (83%) had the largest proportion of firms with

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<sup>1</sup> This category includes project management and land development.

<sup>2</sup> This category includes manufacturing and light industrial building, commercial building and institutional building.



fewer than 5 employees. Non-residential building and development (52%) and industrial and heavy (engineering) construction (55%) had smaller proportions of firms with fewer than 5 employees.

Seventy-five percent of the firms in the construction industry of PEI had fewer than five employees in 2003. Residential construction (81%) and trade contracting (75%) had the largest proportion of firms with less than 5 employees. Non-residential building and development (37%) and industrial and heavy (engineering) construction (40%) had smaller proportions of firms with less than 5 employees. The last two percentages should be interpreted with caution as the number of firms in non-residential building and development and industrial and heavy (engineering) construction on PEI was low.<sup>3</sup>

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<sup>3</sup> The low numbers would result in a high degree of error for these estimates.



## 2.2 Gross Domestic Product

Gross Domestic Product (GDP) measures the unduplicated value of production originating within the geographical boundaries of Canada or its provinces. The Gross Domestic Product (GDP) of all industries in Canada in 2003 was \$1 trillion measured in 1997 Dollars.<sup>4</sup> It grew at a 4% rate between 1997 and 2003. The GDP of the construction industry in Canada was \$55 billion in 2000 – 5% of the Gross Domestic Product (GDP) of all industries. It maintained this proportion over the entire 1994-2003 period.

The Gross Domestic Product (GDP) of all industries in Atlantic Canada in 2003 was \$58 billion measured in 1997 Dollars. It also grew at a 4% rate between 1997 and 2003. The GDP of the construction industry in Atlantic Canada was \$3.3 billion. It accounted for about 6% of the Gross Domestic Product (GDP) of all industries over the last number of years.

The Gross Domestic Product (GDP) of all industries on PEI in 2003 was \$3.1 billion measured in 1997 Dollars. It grew at a 3% rate between 1997 and 2003. The GDP of the construction industry on PEI was \$161 million. It accounted for about 5% of the Gross Domestic Product (GDP) of all industries on PEI over the last number of years.

Gross Domestic Product (GDP) in the residential construction industry accounted for 36% of the construction industry in Atlantic Canada in 2003 and 43% on PEI. It grew at an annual rate of 8% in Atlantic Canada and 9% on PEI over the 1997-2003 period. Gross Domestic Product (GDP) in the non-residential construction industry accounted for 21% of the construction industry in Atlantic Canada in 2003 and 23% on PEI. It grew at an annual rate of 6% in Atlantic Canada and only 0.5% on PEI over the 1997-2003 period.

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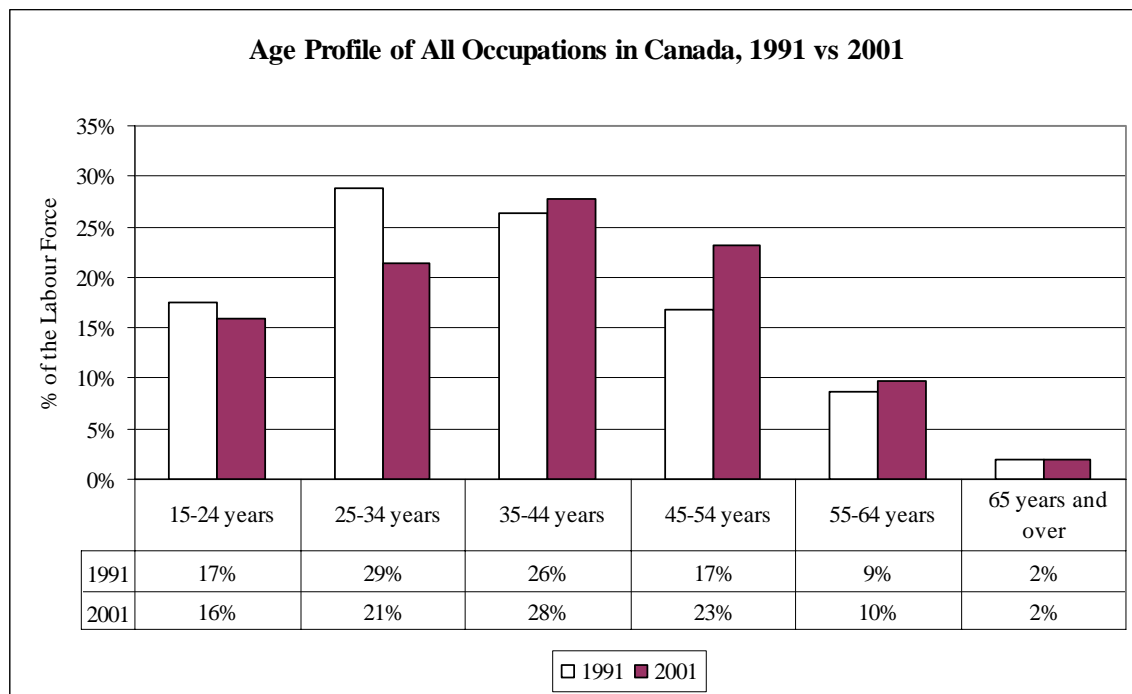
<sup>4</sup> Data on Gross Domestic Product are from Statistics Canada, CANSIM.



## 3.0 The Workforce

### 3.1 The Size and Age Profile of the Construction Trades Workforce

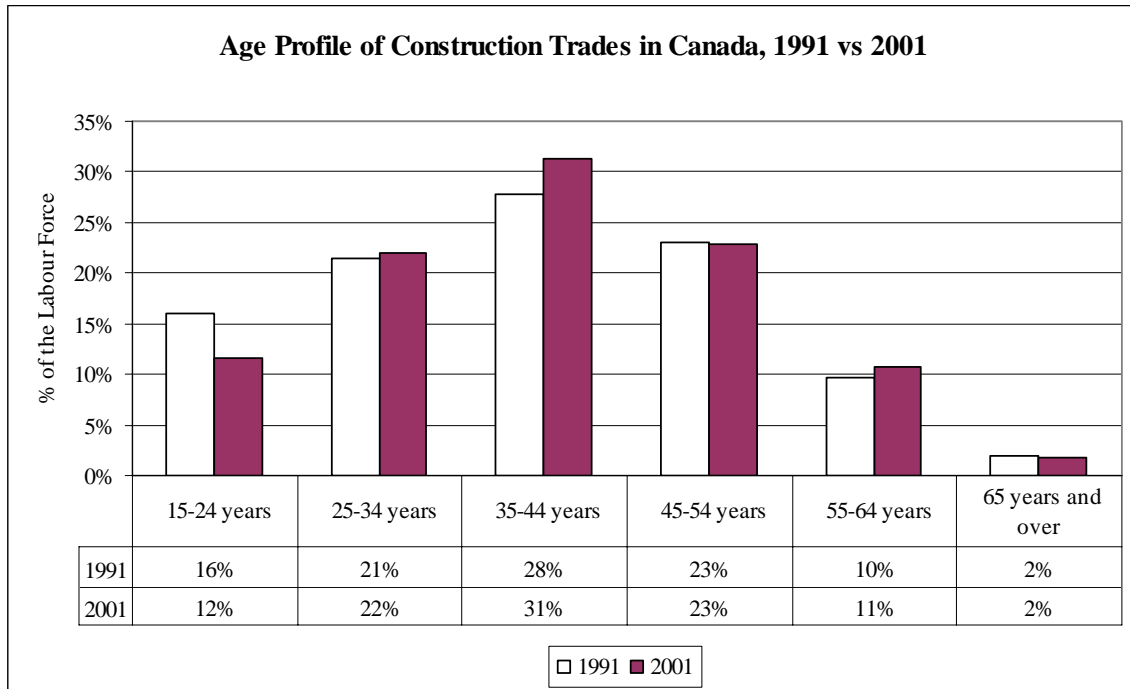
The total workforce in Canada grew by 10% from 14.2 million in 1991 to 15.6 million in 2001.



Source: 1991 and 2001 Census, Statistics Canada

The exhibit shows that there was a large jump in the percentage of the workforce in the 45-54 age group from 1991 to 2001. The proportion of workers in Canada that was 45 years and older increased from 28% in 1991 to 35% in 2001 as illustrated in the above exhibit. The exhibit also shows that the percentage of the workforce in the 15-24 age group experienced only a slight decline while that in the 25-34 age group dropped significantly. As a result, the proportion of workers under 35 in Canada dropped from 46% in 1991 to 37% in 2001.

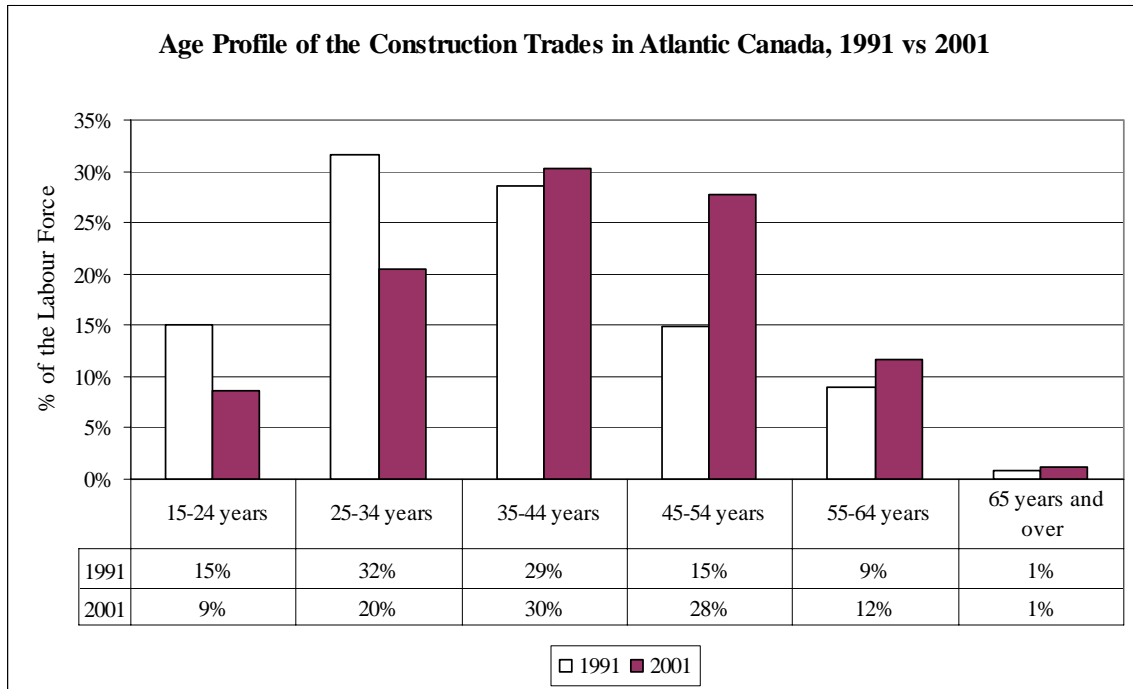
The construction trades workforce in Canada grew by 7% from 328,200 in 1991 to 351,400 in 2001. The age profile of the construction trades workforce in Canada experienced significantly different changes than the age profile for all occupations as illustrated in the following exhibit.



Source: 1991 and 2001 Census, Statistics Canada

The exhibit shows that the 15-24 age group in the construction trades experienced a significant decline, dropping from 16% of the total labour force in 1991 to 12% in 2001. In absolute numbers, the number of 15-24 year olds dropped from 55,500 in 1991 to 40,700 in 2001. The much larger decline in the 15-24 age group in the construction trades compared to the overall Canadian labour force indicates that a recruitment problem exists in construction trades.

The construction trades workforce in Atlantic Canada decreased by 7% from 32,900 in 1991 to 30,600 in 2001. The 15-24 age group in construction trades workforce in Atlantic Canada experienced an even larger decline than in Canada as a whole, dropping from 15% of the construction trades workforce in 1991 to 9% in 2001. In absolute numbers, the number of 15-24 year olds dropped from 5,000 in 1991 to 2,700 in 2001. The proportion of the labour force in the 25-34 age group also dropped significantly. As a result, the number of construction trades workers under 35 in Atlantic Canada dropped by 42% from 15,300 in 1991 to 8,900 in 2001. These trends are illustrated in the following exhibit.

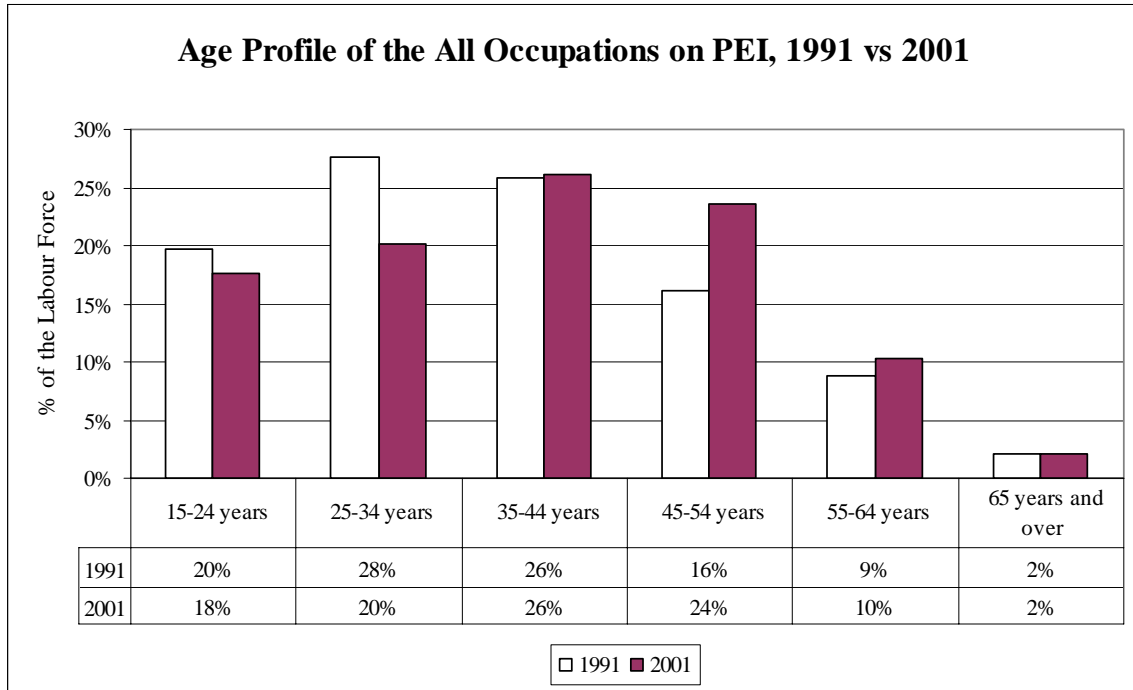


Source: 1991 and 2001 Census, Statistics Canada

The exhibit shows that the proportion of the construction trades labour force in Atlantic Canada that was under 35 experienced a dramatic drop from 47% to 29% between 1991 and 2001. Over this time period the proportion of workers over 45 increased from 25% to 41%.

Analysis of the size and changing age profile in the construction trades in Atlantic Canada shows that the trades recruitment problem being experienced in Canada is more serious in Atlantic Canada.

The labour force for all occupations on PEI grew by 8% from 67,465 in 1991 to 72,930 in 2001. Changes in the age profile of this labour force are illustrated in the following exhibit.

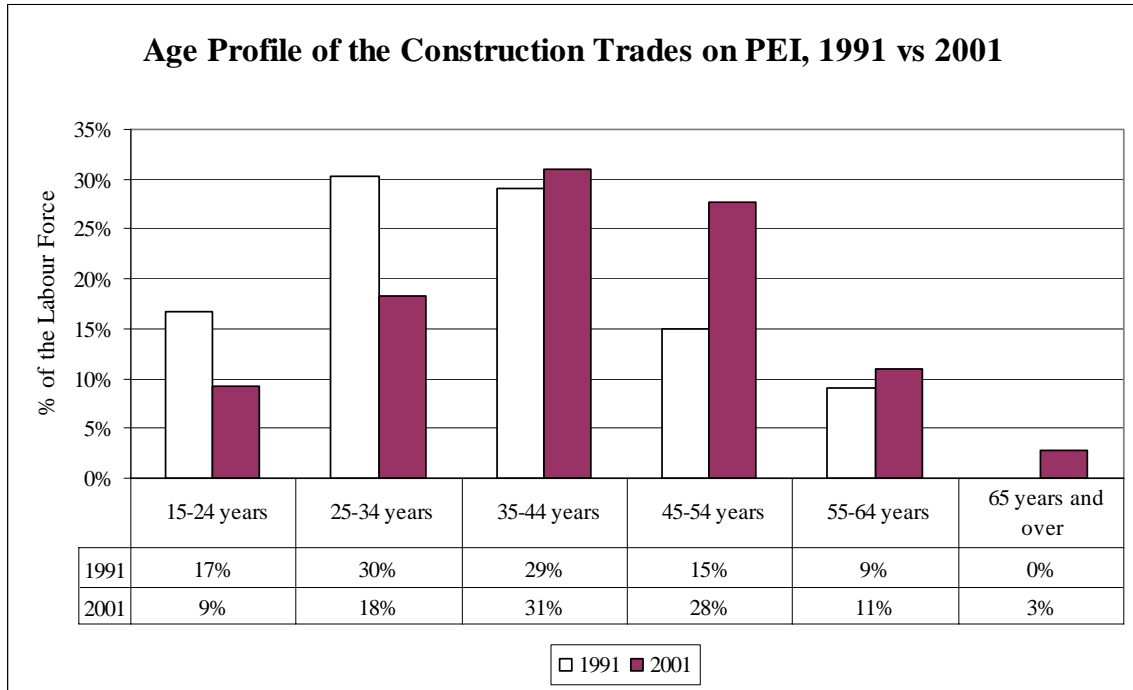


Source: 1991 and 2001 Census, Statistics Canada

The exhibit shows there was a slight drop in the percentage of the labour force between 15 and 24 and a larger drop in the percentage of workers aged 25-34. By contrast, there was a significant increase in the proportion of workers in the 45-54 age group.



The labour force for the construction trades on PEI grew by 3% from 1,775 in 1991 to 1,830 in 2001. Changes in the age profile of this labour force are illustrated in the following exhibit.



Source: 1991 and 2001 Census, Statistics Canada

The exhibit shows there was a steep drop in the percentage of the labour force between 15 and 24 and the percentage of workers aged 25-34. The proportion of construction trades workers who were under 35 dropped dramatically from 47% in 1991 to 27% in 2001. Conversely, the proportion of workers over 45 jumped from 24% in 1991 to 42% in 2001.

The serious construction trades recruitment problem experienced in Atlantic Canada between 1991 and 2001 was even more serious on PEI.



### **3.2 Employment and Unemployment**

The Labour Force Survey produced by Statistics Canada estimates that employment in all occupations in Canada grew at an average annual rate of 2% from 1994 to 2003 while employment in the construction trades increased at a rate of 3%. The unemployment rate for all occupations in Canada dropped from 10.4% in 1994 to 7.6% in 2003 while the unemployment in the construction trades dropped from 18.5% in 1994 to 9.7% in 2003.

The Labour Force Survey estimates that employment in all occupations in Atlantic Canada also grew at an average annual rate of 2% from 1994 to 2003 while employment in the construction trades increased at the same 3% rate recorded for Canada as a whole. The unemployment rate all occupations in Atlantic Canada dropped from approximately 15% in 1994 to 11% in 2003 while the unemployment in the construction trades fell from 30% in 1994 to 23% in 2003.

The average annual growth rate for employment in all occupations on PEI was the same as that experienced in Canada and Atlantic Canada between 1994 to 2003 (2% annual increase). Employment in the construction trades increased at 5% rate from 1994 to 2003 – significantly higher than the rate recorded in Canada and Atlantic Canada. The unemployment rate all occupations on PEI dropped from approximately 17% in 1994 to 11% in 2003 while the unemployment in the construction trades fell from 28% in 1994 to 16% in 2003.

The Labour Force Survey data indicate that employment growth in the construction trades on PEI was more robust than in Atlantic Canada as a whole from 1994 to 2003 and the unemployment rate in the construction trades in 2003 was significantly below that for Atlantic Canada as a whole.

The significant decline in unemployment rates in the construction trades in all jurisdictions is a direct indicator of a tightening labour market. The decline shows that the balance of labour demand and supply in the construction trades has moved towards a greater degree of labour shortages since the early 1990s.



Seasonality is a major issue that affects the labour market in the construction industry. Seasonality reduces the number of weeks worked per year and contributes to frictional unemployment.<sup>5</sup> It also negatively affects recruitment into the construction industry. The average number of weeks per year worked in all occupations in Canada in 2001 was 43 according to the 2001 Census. The average number of weeks worked per year for construction trades in Canada as a whole was 41. In Atlantic Canada, the average number of weeks per year worked in all occupations in 2001 was 40 according to the 2001 Census while the average number of weeks worked per year for construction trades in Atlantic Canada was 35. For PEI the average number of weeks worked per year in 2001 in all occupations was 38 – the same as that for construction trades.

### **3.3 Education and Training**

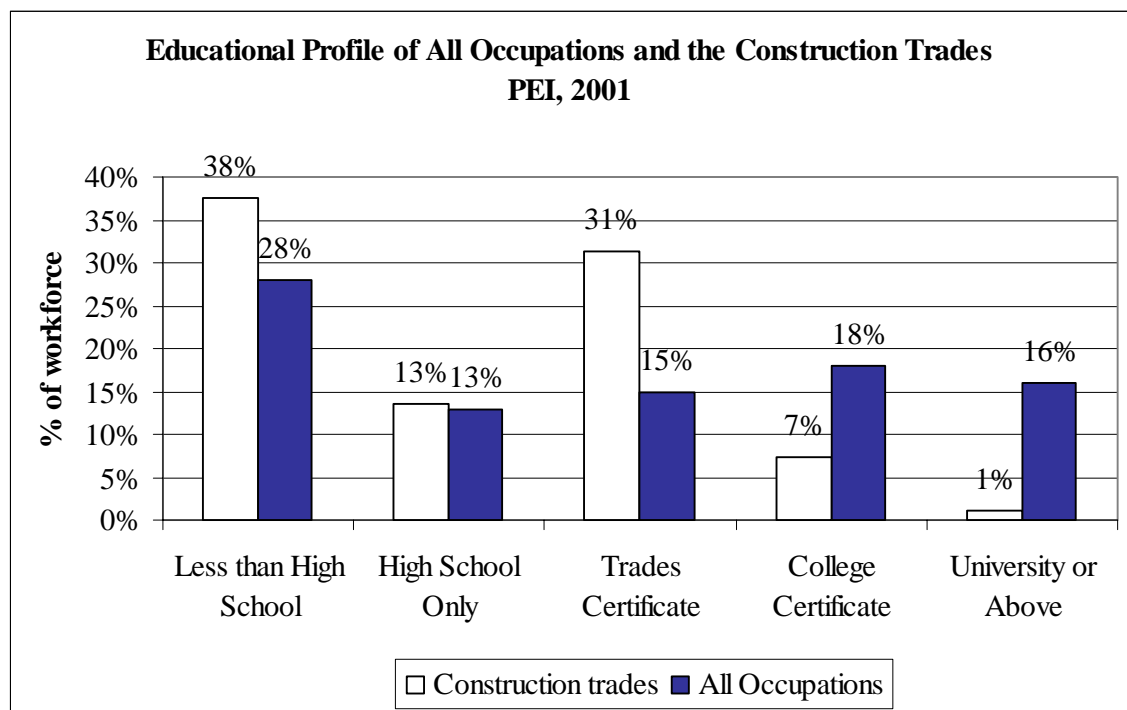
Twenty-one percent of the labour force in all occupations in Canada had less than a high school education compared to 24% in Atlantic Canada and 28% on PEI. Thirteen percent of the workforce in all occupations had a high school graduation certificate in Atlantic Canada and PEI compared to 15% in Canada. Thirteen percent of the workforce in all occupations in Canada had a trades certificate compared to 15% on PEI and 17% in Atlantic Canada. Eighteen percent of the workforce in all occupations in Canada and PEI had a community college certificate – virtually identical to the rate of 17% for Atlantic Canada.

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<sup>5</sup> Frictional unemployment is unemployment that occurs when people are temporarily unemployed while looking for work. Vacant positions are available for these workers but time is required for the workers seeking jobs and the employers recruiting workers to find each other. Frictional unemployment is associated with the normal turnover of the labour force and exists even when the economy is operating at full employment.



The educational profile of the construction trades labour force is very different than that for all occupations. The following exhibit illustrates the differences for PEI.<sup>6</sup>

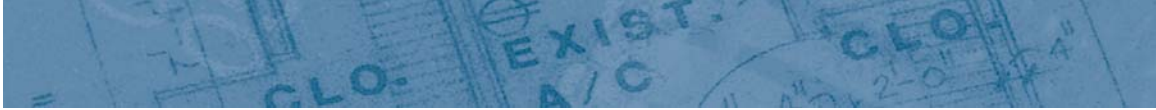


Source: 2001 Census, Statistics Canada

The exhibit shows that a significantly larger percentage of the construction trades labour force had less than a high school education compared to all occupations on PEI. Similarly, a significantly larger percentage of the construction trades labour force held a trades certificate compared to all occupations on PEI. Conversely, the proportion of the labour force in all occupations that held community college certificates and university degrees was dramatically higher than for construction trades.

<sup>6</sup> Nine percent of the construction trades labour force, and 11% of the labour force in all occupations, were classified as having some postsecondary education and were not included in the exhibit.





### **3.4 Employment Income**

The average employment income for all occupations in Canada in 2000<sup>7</sup> was approximately \$32,000 per year. This was substantially higher than average levels of \$25,500 for all occupations in Atlantic Canada and \$22,500 on PEI.

The average employment income in the construction trades in Canada in 2000 was approximately \$28,600 per year – or 89% of the average income for all occupations. The average employment income in the construction trades in Atlantic Canada in 2000 was approximately \$28,600 per year – or 90% of the average income for all occupations. The average employment income in the construction trades on PEI in 2000 was approximately \$21,850 per year – virtually equal to average incomes for all occupations.

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<sup>7</sup> Source: 2001 Census