



Highlights

- Ontario's construction wage index continues trending up
- Ontario has highest year-to-date index growth of all regions in Canada
- Large portion of the growth driven by structural trade workers
- Despite wage increases aimed at attracting qualified workers skilled labour shortages on worksites persist

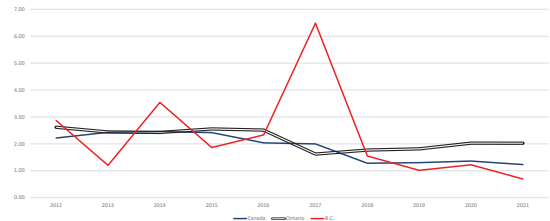
Lack of skilled trades on worksites pushes construction wage index up

New home construction activity has been strong in 2021 despite the pandemic at times slowing down activity in the sector due to increased public health restrictions at the onset of the crisis and more recently persistent issues caused by supply chain issues and labour shortages. Over the first half of the year new housing starts in Ontario are up 30.0 per cent in all areas with at least 10,000 residents particularly due to strong growth in low-rise housing. Moreover, there is a significant backlog of unfinished units. Over the first half of the year there are over 132,000 units under construction with 75.0 per cent of those units being condo apartments. This share is in line with the trend over the last three years but now the share of low-rise housing is also increasing slowing down completions.

Labour shortages have been a major issue for the construction sector and wages have increased to try and entice qualified workers into the sector or back into the sector. Given the health-related dangers of the pandemic until vaccines were approved many workers likely stepped to the sidelines only now trickling back in as the per cent of Ontarians fully vaccinated is high thus relative risks are more manageable.

Recent data on the construction union wage rate index across Canada points to Ontario have the highest year-to-date wage growth compared to all other provinces including British Columbia. Moreover,

Construction Union Wage Index, YTD growth comparisons, 2012 to 2021

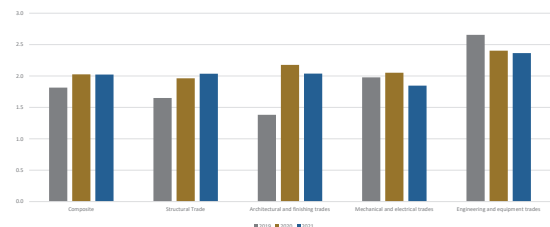


Source: Statistics Canada, Central 1 Credit Union. Latest: Jun.-21

while most other regions have seen the wage index rate of growth slow down considerably Ontario's has remained relatively unchanged.

Most of the growth in the wage index in Ontario is coming from structural trade workers. These are occupations such as carpenters, bricklayers, cement finishers, key workers essential to finishing projects on a timely manner but for which there is a real shortage now as home developers not only compete with other home developers but also commercial, industrial, and institutional developers.

Construction Wage Rate Index by Specialty, YTD growth, 2019 to 2021, Ontario



Source: Statistics Canada, Central 1 Credit Union. Latest: Jun.-21

A lack of interprovincial migration and international migration, until the pandemic is firmly in the rear view mirror and travel flows return closer to normal, will only continue to accelerate the wage growth in the construction sector, especially in key trades areas, as developers try to draw out skilled workers back or attract new workers.

Certainly, part of the current skilled labour shortage in construction, especially in Ontario, as seen by the upward trend in wages, has roots prior to the pandemic (i.e., new home construction boom since 2012). For several years the construction sector has seen skilled workers retire and those exiting the sector have not been replaced by enough new entrants. Many young people still do not see a trade as a very viable and at times lucrative career path instead opting for universities and community colleges still.

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