

## **Residential Construction Industry Snapshot**

### ***Residential Construction Investment***

The residential construction industry on P.E.I. employs a significant number of islanders. In 2006, the construction industry on P.E.I., employed approximately 5700 workers.<sup>1</sup> Approximately half of these workers are employed in residential construction. The employment levels within the industry traditionally follow the growth and decline in housing starts annually.

PEIRCSC has used Industry Canada's financial performance tool Performance Plus, to identify 593 residential construction businesses which are totaled by combining NAICS numbers 238 Specialty Trade Contractors which includes sub trades such as Electrical Contractors, Plumbing Contractors, etc. with category 2361 Residential Building Construction and category 23721 Land Subdivision. This compares with PEIRCSC's employer database, that contains 593 businesses with fixed addresses, as of March 14<sup>th</sup>. We now have a total of 22 businesses and 1 employee registered with PEIRCSC. Please review the attached table which highlights on page 4 some of the key HR related findings and compares P.E.I. to Canadian averages.

Residential Construction investment on PEI was \$235.5 million in 2006 down 2.7% from 2005.<sup>2</sup> New housing starts declined to 738 during 2006 a decrease of approximately 14% from 2005.<sup>3</sup> New home prices increased by 2.4% on the Island compared to a national average increase of 8.9%.<sup>4</sup>

### ***Current Labour Market***

Initial interviews with employers indicate that there is a shortage of 2<sup>nd</sup> and 3<sup>rd</sup> year Apprentices in carpentry, electrical and plumbing trades. In addition there are a number of openings for licensed Journeymen Electricians and Plumbers. There does not appear to be a lack of unskilled labour or new entries to the trades. Many newcomers quickly lose interest due to aptitude, work environment, etc. or for a number of reasons they are not willing to commit to completing the Apprenticeship Program and move on creating a high turnover in entry level positions.

Businesses from Western Canada have been aggressively recruiting across the Atlantic region and on P.E.I. students have been targeted through Holland College by: informational sessions, job interviews, paid on the job training opportunities and on the spot job offers with starting wage rates and benefits close to double current island norms.

Employers are not only losing employees to Alberta and Ontario, they are also seeing employees jump to other industries on P.E.I. due to increased wage rates and additional year round employment opportunities.

Although a number of employers have indicated that they have turned down work due to a lack of labour, interestingly many businesses are not actively recruiting. Here is an opportunity for residential construction business owners to be more aggressive in promoting their employment opportunities, while analyzing their business structure to improve efficiencies in order to offer increased wage rates and benefits. Employers could also try imitating the successful practices of Western companies who are attending career fairs and arranging info sessions through the Holland College trade programs. College instructors have indicated that a number of students would prefer to work and live on P.E.I. if more opportunities were available.

According to PEI Job Futures the employment outlook through 2009 for Carpenters, Electricians, Plumbers and Cabinetmakers is good. Of note to those who are identifying future employment opportunities, 25% of Electricians are fifty years of age or older while upwards of 50% of Plumbers are over age fifty. Job opportunities in these skilled trades are more available for individuals who are skilled and experienced. For detailed information on current trends on occupations in the residential trades go to [www.pei.jobfutures.org](http://www.pei.jobfutures.org).

### ***Current Wage Rates***

The average hourly wage rate in Prince Edward Island for trades and related occupations was \$15.55 in January 2007. The average hourly wage for full-time employees from all industries on P.E.I is now \$17.52.<sup>5</sup> Weekly E.I. benefits on P.E.I average \$305.78 for those in receipt of regular E.I. benefits and \$371.49 for individuals receiving fishing benefits.<sup>6</sup> See on page 4 the attached table of selected residential construction occupational wage rates.

### ***Future Labour Shortage***

The Canadian Construction industry forecast in December of 2006 projects that P.E.I. will see a decline in residential construction investment of 10.8% and 6.0 % over the next two years. Even with growth in new home construction expected to decline before leveling off in 2009, a potential labour shortage is still expected due to the projected 930 or 24% of construction workers who are expected to retire on P.E.I. over the next seven years.<sup>7</sup> By applying the national average that 50% of constructions workers are employed in residential construction, this would indicate that the residential construction industry on P.E.I. will lose 465 workers by 2014.

The labour force, within the residential construction industry is unique in that approximately 25% of trade workers on Prince Edward Island are self-employed. The typical age of trade workers in the province are older than in other provinces in Canada,

with approximately 40% of workers over the age of fifty. Historically employment in the industry is highly seasonal but employers have indicated that recent market conditions and milder winters have increased the number of full time positions.

### ***Skills & Training***

There are 18 Red Seal trades related to the residential construction sector on P.E.I. The Red Seal Program encourages the standardization of provincial and territorial apprenticeship training and certification programs. The trades recognized include: Bricklayer, Cabinetmaker, Carpenter, Concrete Finisher, Construction Craft Worker, Construction Electrician, Floor covering Installer, Glazier, Insulator (Heat and Frost), Oil Burner Mechanic, Painter and Decorator, Plumber, Roofer, Refrigeration and Air Conditioning Mechanic, Sheet Metal Worker, Sprinkler System Installer, Mobile Crane Operator and Tiler.

On P.E.I. there exists a strong Apprenticeship Training Program, which in 2006, had 133 registered Apprentices. The Apprenticeship Training branch of the PEI Department of Education sponsors training in various residential construction trades. Training takes place both on-the-job (approximately 80%) and in school technical training (approximately 20%) which results in certification under the National Red Seal Program. For more information on Apprenticeship training on P.E.I. visit [www.apprenticeship.pe.ca](http://www.apprenticeship.pe.ca)

Training in five of these trades is available on P.E.I. from Holland College including: Carpentry, Electrical, Heating Ventilation & Air Conditioning Technology, Plumbing and Wood Manufacturing-Cabinetmaking. Holland College enrollment has increased in the carpentry, cabinet making, plumbing and electrical programs. For example the carpentry program had 140 applicants for 36 seats in 2006. For more information on trades programs from Holland College visit [www.hollandc.pe.ca](http://www.hollandc.pe.ca)

**Residential Construction Occupations  
2006 Wage & Salaries Survey**

<b>Nation Occupational Classification</b>	<b>Avg. General Wage</b>	<b>Avg. Starting with Experience</b>	<b>Avg. Starting</b>
7271 Carpenters	<b>\$14.40</b>	\$14.02	\$12.18
7251 Plumbers	<b>\$14.64</b>	\$14.32	\$11.05
7241 Electricians	<b>\$17.75</b>	\$18.13	\$14.66
0711 Construction Managers	<b>\$18.23</b>	\$17.70	\$16.77
7611 Construction Helpers and Labourers	<b>\$11.40</b>	\$11.00	\$9.90
8612 Landscaping & Grounds Maintenance Labourers	<b>\$10.83</b>	\$10.64	\$9.62

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**P.E.I. Residential Construction  
Industry Data  
2004**

<b>NAICS Heading</b>	<b>Average Revenue</b>	<b>Percentage Profitable</b>	<b>Wages &amp; Benefits as a % of Revenue (PEI)</b>	<b>Wages &amp; Benefits As a % of Revenue (CAN)</b>	<b>Gross Margin (PEI)</b>	<b>Gross Margin (CAN)</b>
Residential Building Construction	\$521,300.00	72.50%	19%	18%	24.30%	32.10%
Specialty Trade Contractors	\$409,700.00	74.90%	29.80%	29.40%	42.20%	41.70%
Land Subdivision	\$229,800.00	67.90%	10.40%	12.60%	62.70%	50%
Electrical Contractors	\$391,300.00	70.50%	34.10%	33.70%	39.70%	38.10%
Plumbing & H.V.A.C.	\$503,400.00	76.40%	29.20%	29.30%	35.50%	35.90%
Finish Carpentry	\$316,600.00	80.30%	23%	24.90%	35.30%	40.20%

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- <sup>1</sup> Stats Can Cansim Table 282-0008
  - <sup>2</sup> The Daily, Stats Can March 5<sup>th</sup>, RCI Investment
  - <sup>3</sup> Housing Starts By Province, Stats Can Cansim table 027-0008
  - <sup>4</sup> PEI Economy Progress Report 2006 PEI Dept. of Provincial Treasury
  - <sup>5</sup> Stats Can Cansim Tables 282-0069 and 282-0073
  - <sup>6</sup> Stats Can Cansim Table 276-0016
  - <sup>7</sup> Canadian Construction Industry Forecast
  - <sup>8</sup> 2006 Wage & Salary Survey, Economic Service Branch of Service Canada PEI Region
  - <sup>9</sup> Industry Canada's Performance Plus Small Business Profiles Stats Can