

# Labour Market InSight

## Strength in the construction sector

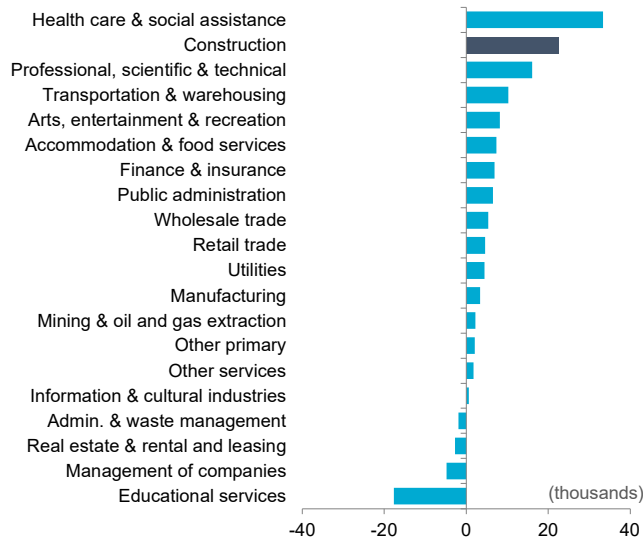
Alberta's construction sector is a major contributor to the province's thriving economy. The sector currently employs almost 250,000 Albertans, or 10% of the province's total workforce, and is one of the largest employers in the province. The sector is also one of the better paying industries, with construction workers earning roughly 25% more than the provincial average. With construction activity picking up, demand for workers has surged in the province. However, employment gains have failed to keep up with the growing demand. This Labour Market InSight examines the current state of the construction sector.

### Strong demand for construction workers

The demand for construction workers has picked up alongside the large number of homes under construction and ongoing major non-residential projects. Compared to before the pandemic, construction sector labour demand, measured by the number of employees and vacancies, has risen by 23 thousand positions, or 21% of the increase in Alberta's labour demand (Chart 1).

### CHART 1: LARGE INCREASE IN DEMAND FOR CONSTRUCTION WORKERS

Change in labour demand from Q4-2019 to Q3-2023



Sources: Statistics Canada and Haver Analytics

The surging demand for construction workers has outstripped existing supply, and job vacancies have swelled. In the third quarter of 2023, there were approximately 14,000 vacancies in the construction sector, roughly triple the vacancies prior to

the pandemic. The large increase in vacancies has raised the construction sector job vacancy rate to 6.7% (Chart 2). This is the second highest vacancy rate among the 20 industries and much higher than the 4.2% job vacancy rate across all industries.

### CHART 2: HIGH JOB VACANCY RATE IN THE CONSTRUCTION SECTOR

Job vacancy rate (%)



Sources: Statistics Canada and Haver Analytics

### Supply of construction workers is limited

The inability for the construction sector to fill vacancies is due to the lack of labour supply. While having rebounded from the pandemic, Alberta's construction labour force is down from its peak in 2015. It has been limited by many factors. Aging of the existing labour force and less youth entering the sector have played a large role. In addition, lower immigrant participation, limited wage growth in the construction sector and people lacking the desired skills are also contributing factors. These trends have limited both the supply of workers to fill labour demand and the number of self-employed construction workers.

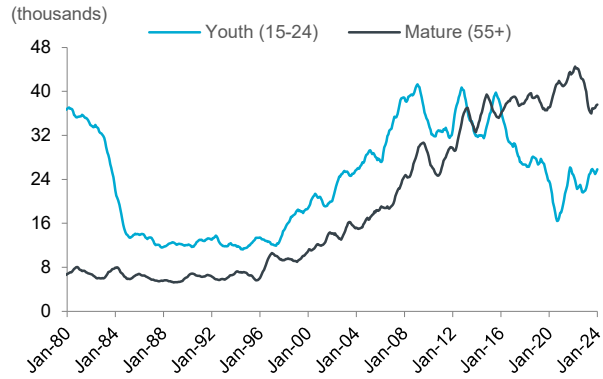
### Aging reducing existing labour supply

While the aging workforce is weighing on all industries, its impact is especially pronounced in the construction sector. A significant number of construction workers have recently retired or are approaching retirement. Over the previous decade, the number of construction workers retiring has doubled. At the same time, young workers are not entering the sector at a fast enough pace to offset the impact of retirements. Youth construction employment peaked in 2009 and has been declining ever since (Chart 3). Similarly, construction related apprenticeships peaked in 2014 and are

now below the 2005 level. This is resulting in an increasing share of mature workers (aged 55+ years old) in the industry. Mature workers made up 16% of employment in 2023, up significantly from 11% in 2007.

**CHART 3: CONSTRUCTION SECTOR AGING**

12-month average employment in construction, selected age groups



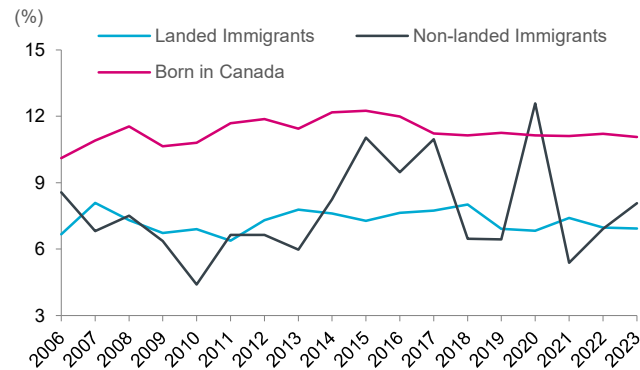
Sources: Statistics Canada and Haver Analytics

**Immigrants less likely to work in the construction sector**

While immigrants have boosted labour supply in the province, they tend to work in industries other than construction. Overall, immigrants are less likely to work in the construction sector than native-born residents. This has been the case since data was first collected in 2006 and in 2023, only 6.9% of landed immigrants and 8.1% of non-landed immigrants (which include non-permanent residents) worked in the construction sector (Chart 4). In comparison, 11% of those born in Canada worked in construction. Meanwhile, there are a high number of vacancies and opportunities in other industries such as health care and accommodation and food services that immigrants have gravitated to in the past,

**CHART 4: IMMIGRANTS LESS LIKELY TO WORK IN CONSTRUCTION**

Share of employment in construction sector by cohort



Sources: Statistics Canada and Haver Analytics

making it more difficult for the construction sector to attract newcomers into the workforce.

**Mismatched skills**

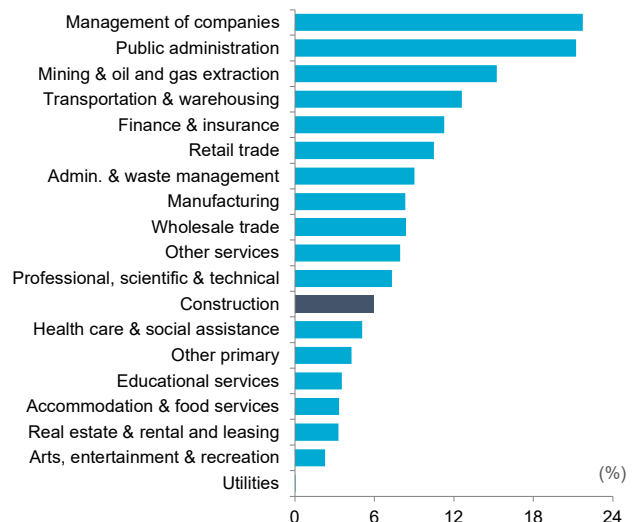
The growth in job vacancies in the construction sector has been further amplified by a mismatch in skills. According to Statistics Canada’s Job Vacancy and Wage Survey, job vacancies have surged in the more skilled, harder to fill construction occupations. Skilled trades such as electricians and carpenters have seen vacancies more than triple compared to before the pandemic. At the same time, workers that are unemployed are disproportionately of a lower skill set. Some employers have lowered their requirement for the number of years of work experience to try to fill vacancies, with 38% of trades related vacancies requiring less than a year of experience.

**Hourly wage growth has been muted**

While demand for construction workers has been strong, the wage response has been muted. Coming out of the pandemic, average offered wages increased by 5.9% in the construction sector, compared with an increase of 8.3% for all industries (Chart 5). The muted wage growth has reduced the wage premium of Alberta’s construction sector relative to other provinces. Average hourly construction wages were 15% higher in Alberta than the national average in 2016, but have fallen to 6.3% higher, reducing the attractiveness of Alberta’s construction sector. With the wage growth for Alberta’s construction workers lagging growth in other industries, inflation and other provinces, the construction sector has failed to attract more workers.

**CHART 5: MODEST INCREASE IN CONSTRUCTION WAGES**

Change in 4 quarter average offered wage by industry, Q4-2021 to Q3-2023



Sources: Statistics Canada and Haver Analytics

### Self-employed less available to fill gaps

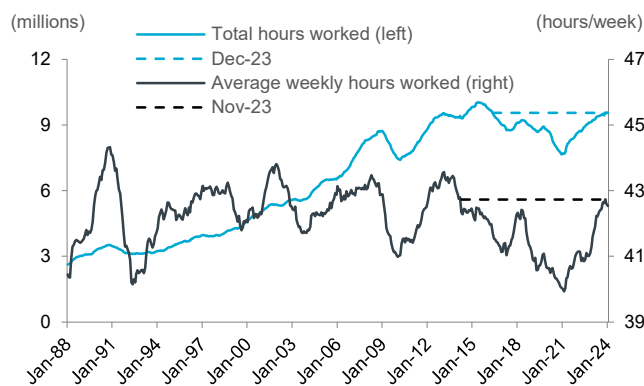
The number of self-employed construction workers has also declined despite the strong labour demand. On a 12-month moving average, the number of self-employed construction workers fell in January 2024 to the lowest level since May 2006. As the self-employed can smooth out gaps in labour demand between different companies at different periods of time, fewer self-employed construction workers reduces the ability of supply to respond to changes in labour demand.

### Capacity constraints in the sector

There are signs that the construction sector is bumping up against capacity constraints. With difficulty finding new labour supply, existing construction employees are working more hours. In fact, average hours worked in a week has grown considerably and is near the highest level since 2013, while total hours worked is approaching the 2015 peak (Chart 6). The increase has occurred even though the self-employed are working fewer hours. Actual hours worked in a week for the self-employed averaged 34.8 hours over 2023, down 2.3% from 2022 and well below that of employed workers. With declining hours and fewer workers, total hours worked by self-employed construction workers declined 12% in 2023. Additionally, older construction workers, while typically having more skills and experience, tend to work fewer hours per week than their younger counterparts. Construction workers between 20 and 29 years old worked an average of 42.4 hours a week during 2023, much higher than the 37.6 hours for those 55+ years old. These factors are limiting the ability of the existing workforce to meet the increased demand.

#### CHART 6: HOURS WORKED SURGE WITH STRONG DEMAND

Average weekly hours and total hours worked in Alberta's construction sector over the past 12 months



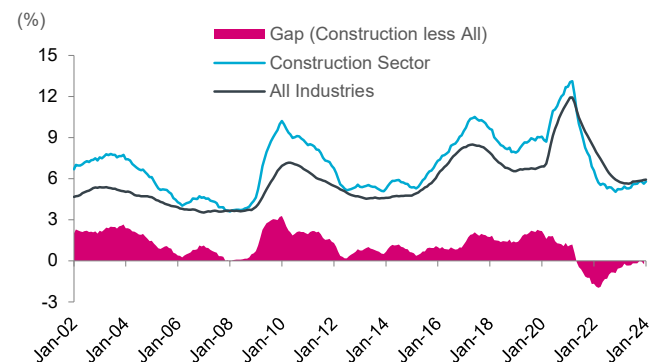
Sources: Statistics Canada and Haver Analytics

### Conditions tight

With all these factors limiting supply, the labour market for construction workers has tightened. On a 12-month moving average, the unemployment rate for the sector has been below 6% since the start of 2022. This is a level only experienced in the boom years around 2006 and 2014. Even more notable, the unemployment rate for the construction sector has fallen below the overall unemployment rate, which has never happened previously, given the cyclical and seasonal nature of the industry (Chart 7). Meanwhile, as companies struggle to find workers, they have reduced layoffs. The construction sector's involuntary separation rate is among the lowest levels since 2014.

#### CHART 7: CONSTRUCTION UNEMPLOYMENT BELOW PROVINCIAL RATE

12-month moving average of Alberta's unemployment rate



Sources: Statistics Canada and Haver Analytics

### Hourly wages starting to respond

Despite the muted wage growth since the pandemic, there are signs that the tight conditions are starting to impact wages. Wage growth in the January 2024 Labour Force Survey was 7.6% year-over-year (y/y), almost double the growth in average wages (4.1% y/y). Meanwhile, when smoothed for seasonality, construction sector hourly wages recorded in payrolls rose 1.4% from June to December 2023, while average overall wages increased only 0.3% over the same period.

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 For current snapshot of Alberta indicators [Alberta Economy - Indicators at a Glance](#)