Building Ontario's Post-COVID Economy:

The Vital Role of Construction Employment and Wages

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Introduction and Summary

Ontario's economy, like every other province, experienced unprecedented turmoil as a result of the COVID-19 pandemic and resulting recession. In the early weeks of the crisis, consumer-facing industries had to be closed down entirely to prevent human interaction and limit contagion. The damage soon spread through other parts of the economy: via supply chains (many of which were disrupted due to restrictions on transportation and international trade) and economic spillover effects. Soon, what started as a supply shock concentrated in a few service sectors evolved into a massive, economy-wide recession: the fastest and deepest decline in provincial GDP since the Great Depression of the 1930s. Over 15% of Ontarian workers lost their jobs within weeks, and millions more lost most of their hours of work. Consumer spending was hammered: suppressed by lost wages, retail closures, and shattered consumer confidence. Business capital spending also contracted, along with Ontario's vital exports. Later in 2020 the economy began to slowly get back on its feet, as health restrictions eased and large government fiscal stimulus kicked in. But even now, 18 months after the first infections, Ontario's economy is still afflicted by historic uncertainty and underutilization.

Amidst these dramatic events, however, one sector of Ontario's economy has been an oasis of stability. Ontario's construction industry maintained its economic footprint, continuing to perform its vital leadership role powering investment, infrastructure, and expansion. After adjusting to new requirements for enhanced on-site health and COVID-19 safety protocols, the sector quickly got back to work. Indeed, construction is just one of three major industry groupings in Ontario which expanded its real output in 2020, despite the pandemic. Hundreds of thousands of direct jobs, and hundreds of thousands more indirect jobs, were preserved. The construction sector thus provided a vital source of economic leadership when Ontario needed it most. On top of the immediate buttressing effect on work, incomes, and purchasing power through the pandemic, the construction sector continues to make an essential long-run contribution to provincial economic progress: supplying the physical structures (homes, other buildings, and infrastructure) that Ontario needs to function.

This report reviews the dimensions of the construction sector's contribution to Ontario's economic recovery, during and beyond the COVID-19 pandemic. The first section presents empirical data attesting to the stability of construction activity through the pandemic, and the vital role construction (and construction workers) played in stabilizing Ontario's economy through this unprecedented crisis. We consider several indicators including GDP, investment, and employment. The second section takes a deeper look at wages: the earnings of construction workers, reflecting their training, skills, and productivity. We evaluate the trajectory of construction wages across dozens of specific trades, and compare that to overall trends in wages and consumer prices. The third section delineates the amplified final impact of construction work and wages on Ontario's broader macroeconomic performance. It confirms that every direct job in construction work supports more than one other additional job elsewhere in Ontario's economy: both "upstream" in supply chain industries which feed construction with vital inputs, and "downstream" through an equally far-reaching network of consumer goods and services industries. Future expansion of both jobs and wages in construction can thus be expected to continue driving the next stages of Ontario's post-COVID-19 recovery.

The major findings of the analysis include:

- Ontario's construction industry recovered quickly from initial health lockdowns and restrictions, and was able to increase real output in 2020 despite the pandemic.

- The resulting job creation has played a disproportionate role in leading Ontario's economic recovery from the initial lockdowns. Construction directly accounts for one in ten jobs recreated since spring 2020 – and indirectly supported tens of thousands more in upstream supply chains and consumer goods and services industries.

- Recent data on building permits, housing starts, and capital spending all indicate continued strong expansion in provincial construction activity. The industry will continue to make an outsized contribution to Ontario's post-COVID-19 recovery.

- Wages in the construction industry are higher than average in the broader labour market, reflecting many factors: more reliance on full-time jobs, higher skills and qualifications, and the demanding nature of construction work. But wage growth for construction workers in recent years has lagged behind traditional norms.

- Relative to consumer prices, the real purchasing power of construction wages has been relatively stagnant in recent years. This occurred even though real labour productivity in Ontario's construction sector has grown very strongly. Workers are not receiving a proportionate share of the additional value-added that they are creating through their labour.

- Every direct job in Ontario construction supports between 2.1 and 2.7 jobs in total in the economy, including "upstream" jobs in the construction supply chain, and "downstream" jobs in consumer goods and services businesses which benefit from the spending power of construction workers.

- The continued prosperity of the construction industry – including strong future wage gains for construction workers – will have a multiplied positive impact on overall economic growth and well-being in the province.

I. A Pillar of Stability

The construction industry played a unique and vital role in stabilizing Ontario's overall economic output through the onset and initial stages of the COVID-19 pandemic. The industry had to make quick adjustments to protocols regarding physical distancing, mask wearing, infection prevention, staggered shifts, and other practices, on the basis of evolving scientific advice. But with cooperation from all sides, construction activity and employment quickly rebounded. Over 2020 as a whole, the provincial construction industry actually expanded.

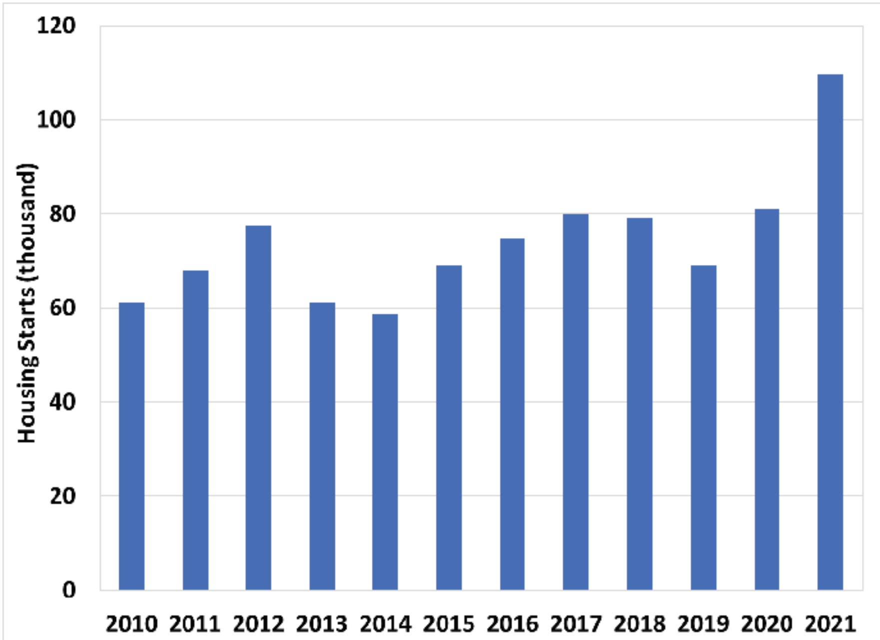
Indeed, Ontario's construction sector was one of only three non-agricultural industries (out of a total of 19 sectors defined at the 2-digit level) which experienced an increase in real GDP in 2020, compared to year-earlier levels (see Table 1). The other two industries that expanded were finance and real estate: both boosted by the unprecedented upsurge in home purchases and mortgage lending sparked by record-low interest rates. Most sectors, in contrast, experienced large drops in real output. As a result, real GDP across Ontario's economy declined in total by 5% in 2020: the steepest one-year decline since Statistics Canada began reporting provincial GDP accounts. The arts and entertainment sector led the way down, with a 46% contraction; other hard-hit sectors included hospitality, transportation, and other services.

Table 1 Growing and Contracting Sectors Ontario, 2020	
Growing Sectors	**Contracting Sectors**
Finance Real Estate Construction	Public Admin. Wholesale Information, Communications & Technology Professional & Technical Utilities Retail Education Health Care Mining Manufacturing Administration Management Other Services Transport Hospitality Arts & Entertainment
Overall Change Real Provincial GDP: -5.0%	
Source: Author's calculations from Statistics Canada Table 36-10-0402-01. Non-agricultural industries only.	

Of the three expanding sectors, construction is the largest employer: an average of 515,000 Ontarians were employed in the industry in 2020, According to Statistics Canada's labour force survey. The fact that construction was able to maintain its economic footprint despite the uncertainty and disruption caused by the pandemic was therefore critical to the ability of hundreds of thousands of Ontario families to traverse this historic crisis as well as possible.

The relative stability of provincial construction activity reflects strong demand for new building and engineering work, in addition to the industry's success in adapting to COVID-19 health requirements. Demand conditions for construction remained strong, in all sub-sectors: including residential construction, other buildings, and engineering and infrastructure work. For example, Figure 1 illustrates the trend in housing starts in Ontario. Housing starts increased by 18% for 2020 as a whole, reaching an all-time record of over 80,000 units. And over the first 7 months of 2021 (to July, latest data available), that torrid pace has only accelerated. Housing starts are on track (if first-half trends continue) to reach over 100,000 units this year. In this light, the contribution of construction to Ontario's economic recovery after COVID-19 is becoming even more important.

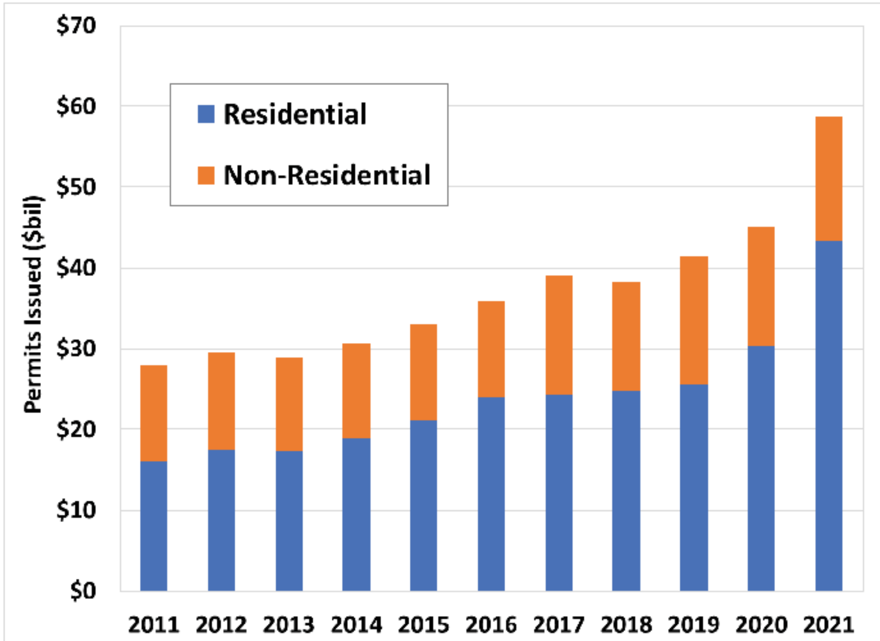
Figure 1. Annual Housing Starts, Ontario, 2010-2021



Source: Statistics Canada Table 34-10-0158-01.

Similar strength in the sector is also evident in data regarding building permits – both residential and non-residential (Figure 2). The value of permits for residential projects grew 19% in 2020 relative to 2019, despite the pandemic – reaching an all-time record of over $30 billion. Data for the first half of 2021 suggests a continued, even larger expansion in residential work: the value of total permits issued in the first seven months surged by 40% relative to year-earlier levels. Non-residential permits have remained stable throughout the pandemic, at about $15 billion per year. While non-residential work has not grown as vibrantly as in residential projects, the stability of the overall flow of work on those projects has nevertheless been critical to the performance of the overall sector (and, by extension, the provincial economy).

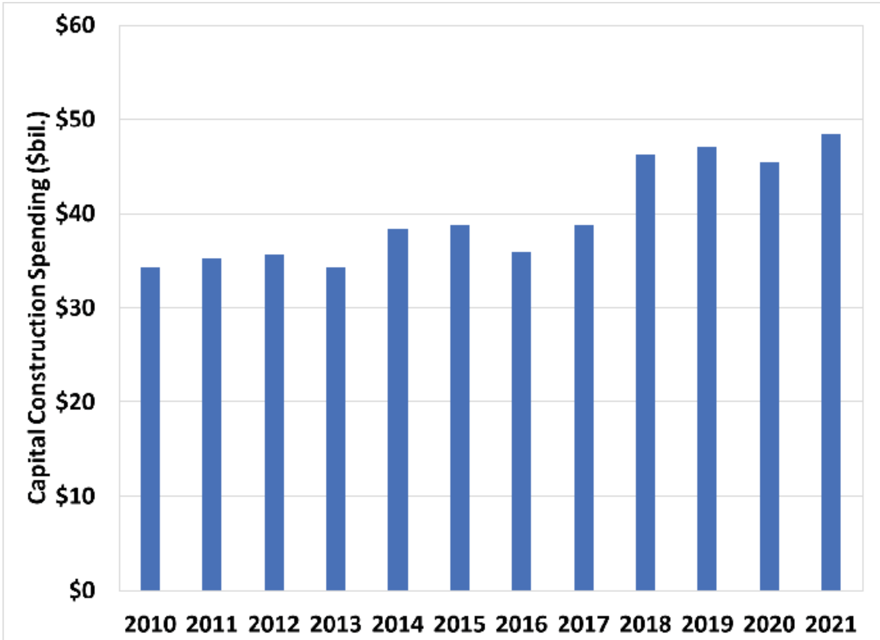
Figure 2. Value of Building Permits, Ontario, 2010-2021



Source: Statistics Canada, Table 34-10-0066-01.

Another important driver of growth in provincial construction has been strong capital spending by Ontario businesses and governments. As indicated in Figure 3, non-residential capital construction spending grew strongly in Ontario in 2018 and 2019, surpassing $45 billion in each year. Capital construction abated only slightly with the pandemic in 2020, falling 3.5% (less than the decline in overall business investment). Now, in 2021, capital construction spending in Ontario is projected to grow by 6.5% – surpassing the pre-COVID-19 peak, and establishing a new record of over $48 billion.

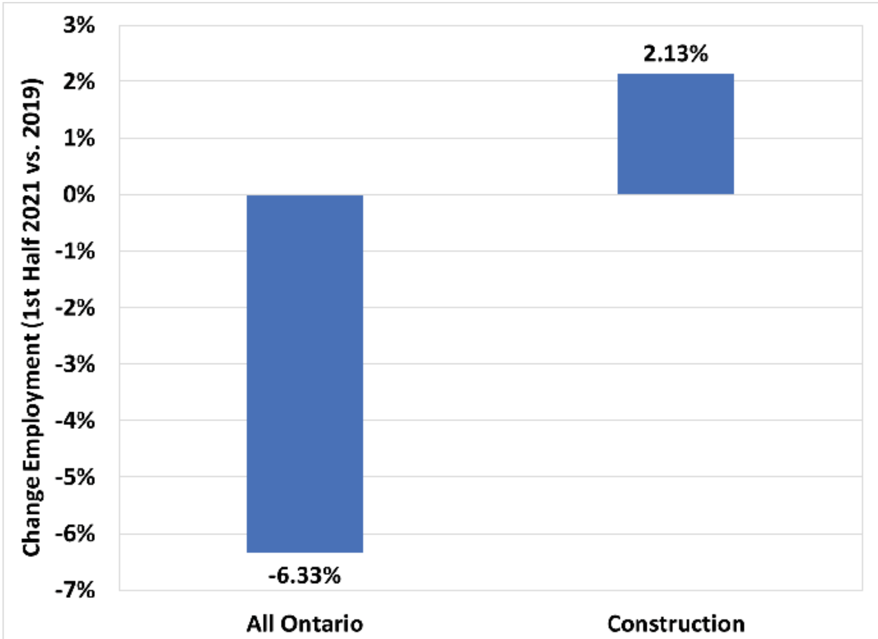
Figure 3. Non-Residential Capital Construction Spending, Ontario



Source: Statistics Canada, Table 34-10-0035-01.

The strength of the underlying drivers of construction activity – residential demand, and capital commitments by businesses and governments – has supported employment levels in Ontario's construction sector. Indeed, the construction industry has been a bright light for the provincial labour market through a very challenging time. Payroll employment in construction dipped during the first months of the pandemic, although less severely than for other sectors. By July, construction employment in Ontario had regained its pre-COVID-19 level, as construction activity adapted to health restrictions and protocols. And then the sector kept hiring. By the first half of 2021, on average, construction employment was significantly higher than the similar period of 2019 (before the pandemic started). This stands in contrast to the trend in total employment over the same period in the overall provincial labour market, which fell by 6% compared to pre-pandemic levels (Figure 4). Again, this evidence attests to the importance of this sector in supporting a provincial employment recovery. By June 2021, one in ten of the payroll jobs recreated in Ontario's entire economy since the worst part of the initial COVID-19 lockdowns was in the construction sector. That is close to twice as large as construction's share of total employment before the pandemic – so the industry has made a highly disproportionate contribution to the jobs recovery in Ontario.

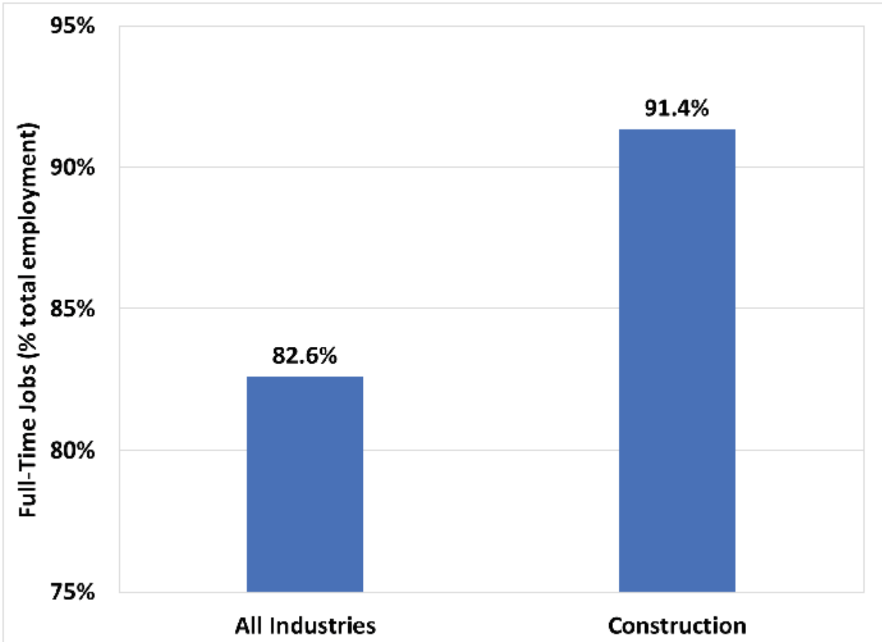
Figure 4. Employment Growth, Construction and Other Sectors, 2019 to 2021



Source: Calculations from Statistics Canada Table 14-10-0201-01. Payroll employment, compares first half of each year.

It is not just the *quantity* of jobs in construction that is so crucial: the *quality* of construction work is also critical, and explains the industry's capacity to support hundreds of thousands of Ontario families. Construction work provides better-than-average pay, reflecting the specialized training and skills of the workforce, as well as high and growing labour productivity. (We discuss the trajectory of construction wages further below.) Construction jobs are also more likely to be full-time positions, and – thanks to the efforts of construction unions – provide quality benefits such as health care and pensions. As illustrated in Figure 5, the incidence of full-time employment in Ontario's construction sector is significantly higher than the broader provincial labour market: over 91% of construction jobs are full-time, and part-time jobs are half as common as in other sectors. The existence of quality, full-time employment thus reinforces the value of construction work for the prosperity and economic security of families and communities.

Figure 5. Full-Time Employment, Ontario, 2020



Source: Calculations from Statistics Canada Table 14-10-0022-01.

II. The Modest Trajectory of Construction Wages

Construction work is generally regarded as relatively well-paying, and for good reason. Most trades involved in construction work require years of training and apprenticeship to achieve full certification and capability. The work is mentally and physically demanding, and in some cases dangerous without the proper training. Construction work also typically involves disruptions and interruptions in employment, reflecting the cadence of project commencement and completion, as well as macroeconomic swings in overall building activity. This makes it all the more important for construction workers to earn decent wages when they are employed – because most will experience repeated spells of unemployment over the course of their careers. In recent years, the emergence of shortages of skilled labour in some construction trades should be expected to add additional upward pressure to wage levels.

However, despite these numerous factors explaining (and necessitating) decent wages for construction workers, statistical evidence suggests that construction wages have followed a surprisingly modest trajectory in recent years. Nominal average wages in the construction sector have barely kept up with consumer prices in Ontario – and have lagged far behind housing prices (ironically so, since construction workers make housing!). The result has been a stagnation in real construction wages, which have changed very little over the past decade. That stagnation stands in sharp contrast to strong and ongoing improvements in real labour productivity in construction – which has grown many times faster than real wages. Construction workers are thus not capturing a proportionate share of the real value added with each hour of their labour. Perhaps most surprising, despite the relatively strong economic performance of the construction sector, and evidence that shortages of skilled labour are arising in some segments of the industry, construction wages have lagged behind wage growth in the broader labour market. This indicates that wages in the sector need to be strengthened: both to address skills shortages and elicit stable labour supply, and to ensure that construction workers share fairly in the industry's productivity and prosperity.

Hourly wages in the construction sector vary widely across specific construction trades, reflecting differential levels of training and certification required, and varying supply-and-demand conditions. Table 2 provides a summary of base hourly wages (before overtime) in collective agreements covering 20 major construction trades in Ontario.[1] An average construction wage is then calculated, as a weighted average based on hours worked (reported in the last column) of wages for each trade. Table 2 also reports the average annual increase in wages in each trade (and for the sector as whole) experienced since 2015.

Across all trades, weighted-average hourly base rates reached just over $40 per hour by 2020. That represented an annual average increase (in nominal terms) of 1.9% over the preceding five years. Wage rates in some specific trades grew more quickly than that (reflecting particular labour supply conditions and contract provisions), while wages in other trades grew more slowly. Across the industry, it is clear that wages have grown at a modest rate over the most recent labour contract cycles.

Of course, that modest increase in nominal wages must be weighed against the ongoing increases in consumer prices for the goods and services which construction workers and their families must purchase. Over the same 5-year period, average consumer prices in Ontario grew at an annual rate of 1.7%. As indicated in Figure 6, this confirms that nominal wages for construction workers barely kept pace with consumer prices. The net result was a very slight increase in real wages over this period. Real (after-inflation) wages grew by just 0.2% per year, or about 1% in total over the five-year period. Relative to long-term historic trends, that constitutes a very weak trajectory in the real purchasing power of construction worker incomes.

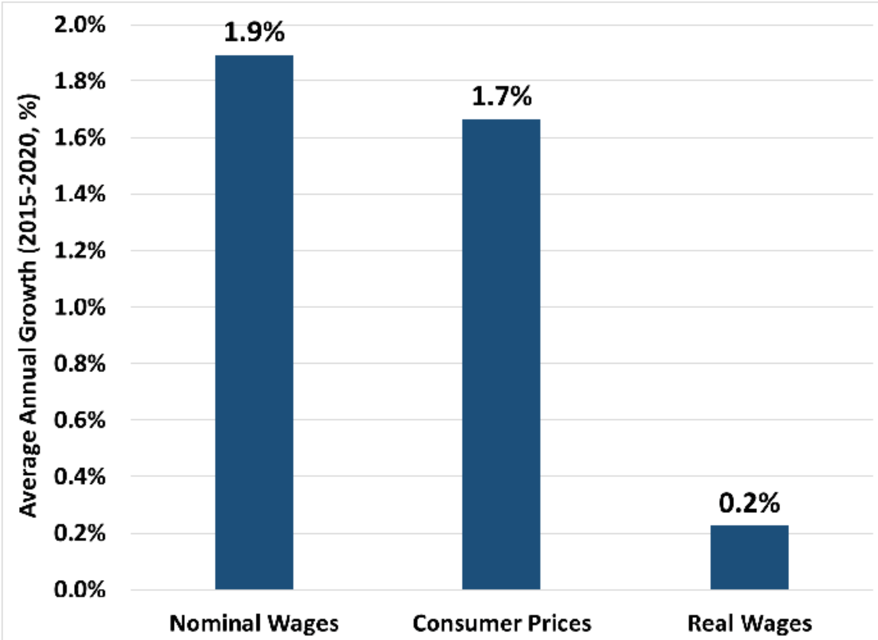
[1] Table 2 is based on collective agreement data compiled by the Ontario Construction Secretariat.

Table 2
Base Wages and Hours Worked by Trade
Ontario, 2020

Trade	Base Wage, 2020	Avg. Ann. Growth, 2015-20	Total Hours Worked, 2020 (million)
Boilermaker	$45.77	2.4%	1.2
Bricklayer	$42.76	1.7%	1.7
Carpenter	$39.09	1.6%	14.3
Cement Mason	$36.06	0.6%	0.1
Demolition Labourer	$33.56	2.3%	2.3
Electrical Worker	$45.87	1.7%	18.2
Elevator Constructor	$56.01	2.0%	0.4
Glazier	$35.26	2.0%	1.4
Insulator	$42.38	1.2%	1.4
Labourer	$31.90	1.3%	7.6
Millwrights	$43.02	1.6%	2.2
Operating Engineer	$44.84	2.5%	4.8
Painter	$31.96	1.7%	2.8
Plasterer	$36.74	1.6%	0.2
Plumber	$44.45	1.8%	9.5
Refrigeration Worker	$50.64	2.2%	0.7
Rodworker	$42.08	2.0%[1]	2.1
Roofer	$38.79	1.7%	2.9
Sheet Metal Worker	$41.87	1.7%	4.4
Sprinkler Fitter	$46.79	2.5%	3.0
Tile Terrazzo Marble	$39.76	1.7%	0.4
AVERAGE / TOTAL	**$40.55**	**1.9%**	**87.2**

Source: Calculations from OCS data. Some trades excluded due to lack of data. Hourly wage for all construction weighted by hours. 1. 2016-20 average growth.

Figure 6. Nominal and Real Construction Wages, Ontario, 2015-2020



Source: Calculations from OCS data and Statistics Canada Table 18-10-0004-01.

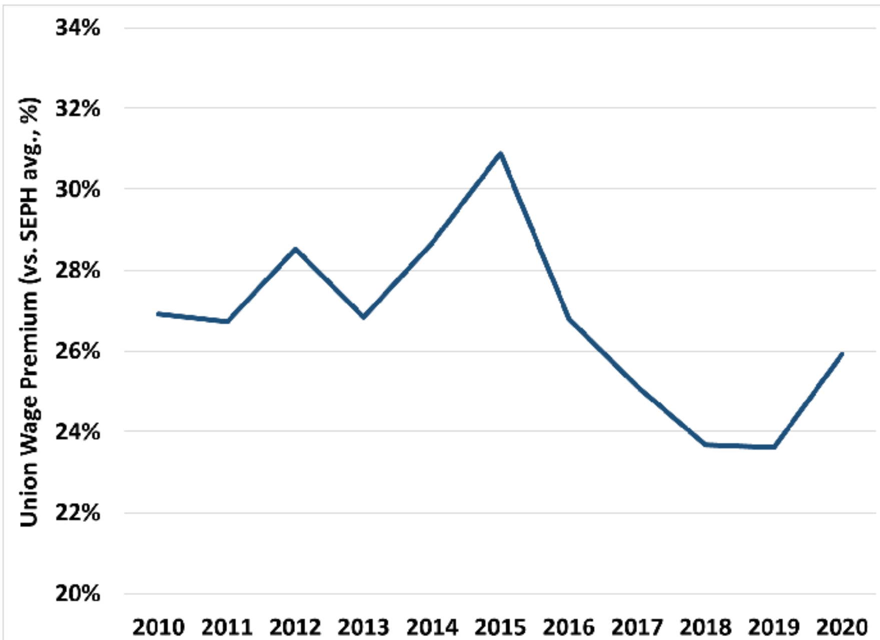
Moreover, that 1.7% recorded annual increase in consumer prices likely understates the true impact of rising prices on real living standards in Ontario – particularly with respect to rapidly-escalating housing costs. Statistics Canada reports that the total cost of shelter across Ontario grew 2.2% per year on average between 2015 and 2020; and the cost of new homes grew by 3% per year.[2] In major centres, housing prices have grown much faster – for example, increasing by half in Toronto in the five years to 2020[3] (and by much more since then). Housing prices have grown far faster than wages for construction workers. Therefore, relative to the cost they pay for the very homes they build, the real purchasing power of construction worker wages in Ontario has declined.

The modest growth of wage rates in Ontario's construction industry can be further described with comparison to broader wage trends in the provincial labour market. For example, the wage data above describes labour compensation in the unionized sector of construction. But less than half of all construction workers in the province are covered by a union contract. Union-negotiated wages can be compared to wages paid across the whole industry; the extra amount received by union members reflects a "premium"

[2] Calculations from Statistics Canada Tables 18-10-0004-01 and 18-10-0205-01.
[3] See Daren King, "Teranet-National Bank House Price Index," August 2021, https://www.nbc.ca/content/dam/bnc/en/rates-and-analysis/economic-analysis/economic-news-teranet.pdf.

attributed to the value of collective bargaining, as well as superior productivity in unionized sections of the industry (which tend to use more capital-intensive building methods, and require higher levels of training and certification from employees). Figure 7 illustrates the apparent premium received by unionized building trades workers in Ontario, measured relative to average hourly wages for all payroll employees across the provincial construction sector.[4]

Figure 7. Apparent Union Premium in Construction Wages, Ontario, 2010-2020



Source: Calculations from OCS data and Statistics Canada Table 14-10-0201-01.

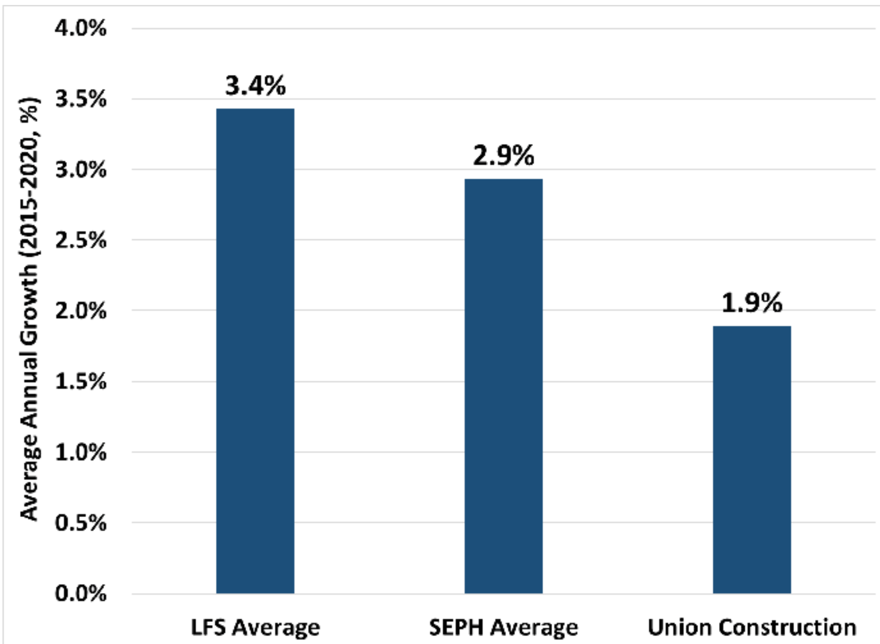
Relative to overall wages in provincial construction, average base wages specified in union agreements have moderated since 2015. The apparent union premium declined from about 30% in 2015 to around 24% by 2018 and 2019 – rebounding somewhat in 2020. This confirms that the pace of wage gains in recent collective agreements has been modest, even compared to wages paid in non-union workplaces.

The trajectory of union wage rates in Ontario construction has also been modest compared to wage gains experienced across the broader provincial economy. Figure 8 illustrates annual average increases in nominal wages for unionized construction workers (as calculated above) compared to average

[4] Industry-wide wages are reported by Statistics Canada through its Survey of Employment, Payrolls and Hours.

earnings in the provincial economy. In the broader provincial labour market, nominal wages grew by about 3% per year on average from 2015 through 2020. Figure 8 provides two measures of broad wage growth: based on Statistics Canada's household-based Labour Force Survey, and the enterprise-based Survey of Employment, Payrolls and Hours. By either measure, overall provincial wage growth considerably exceeded base wage increases in the unionized construction sector over this period – by 1 percentage point or more per year.

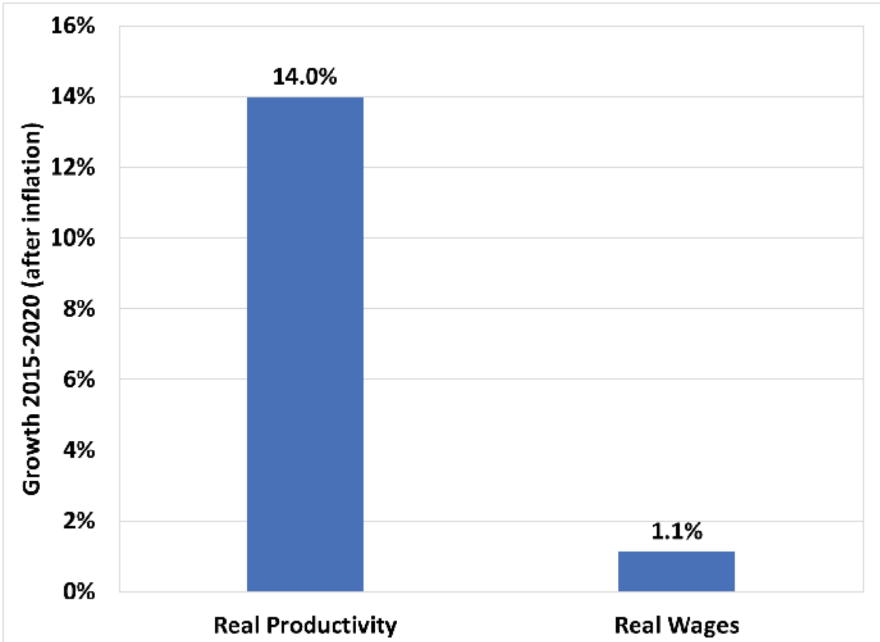
Figure 8. Wage Growth Measures, Ontario, 2015-2020



Source: Calculations from OCS data and Statistics Canada Tables 14-10-0063-01 and 14-10-0205-01.

A final comparison that is critical to analyzing wage trends in the construction sector is the difference between wage growth and productivity performance. In the long run, strong productivity improvements are essential to supporting ongoing improvements in real wages. Productivity growth allows improvements in real purchasing power of wages without impact on profit margins. Growth of labour productivity in Ontario construction has been very healthy in recent years. Real value added per hour of labour in the provincial industry increased by 14% from 2015 through 2020 – rising at a very strong annual rate of close to 3% (see Figure 9). In contrast, the real value of union construction wages increased barely 1% in total over that five-year period. So real wages are not even remotely keeping up with the increasing real productivity of construction workers in Ontario. That perverse combination of strong productivity growth with stagnant real wages produces a decline in unit labour costs in the industry, contributing to strong profit margins.

Figure 9. Real Productivity and Union Wages, Ontario Construction, 2015-2020



Source: Calculations from OCS data and Statistics Canada Tables 18-10-0004-01 and 36-10-0480-01.

In order to reestablish a healthy and sustainable balance between construction wages, productivity, consumer prices, and overall labour market benchmarks, it is clear that future wage increases in the sector need to be significantly stronger in the coming years.

III. Spreading Prosperity Through the Province

As described above, the relatively stable footprint of Ontario's construction sector has been a critical source of strength as the provincial economy grappled with the impacts of the COVID-19 pandemic and resulting recession. This was obviously of benefit to construction workers, who were able to preserve and then expand overall employment and thus contribute disproportionately to the recovery of the provincial labour market. But it also benefited the whole provincial economy, thanks to the spillover benefits from a strong construction sector that are enjoyed in other sectors and occupations.

The expansion of construction work provides a strong stimulus to output, employment, and incomes in other industries, through two distinct channels. First, more construction activity stimulates demand for purchases of the numerous goods and services which serve as inputs to construction work: everything from construction materials (like lumber and cement), to machinery and parts, to services (such as transportation, utilities, and business services). These "upstream" benefits extend up through the construction sector's complex and far-reaching supply chain.

A second class of spillover benefits is termed "downstream" effects. These occur when workers employed in the construction sector – and its numerous supply industries – then spend their wages on the full range of consumer goods and services needed to sustain themselves and their families. These downstream industries include retail, housing, consumer services, and even public services (supported, in part, by taxes paid by construction workers). Particularly during times of macroeconomic stress and unemployment, the incremental consumer spending supported by more employment and more wages in the construction sector (one of Ontario's most important "base" industries) has a magnified final impact on total economic activity.

It is possible to quantify the scale and reach of these indirect spillover effects from construction activity, using input-output statistics prepared by Statistics Canada. Table 3 summarizes the multiplier impacts of both upstream and downstream linkages, through which construction activity translates into increased output and employment in other sectors of the provincial economy. These spillover effects vary between different types of construction activity, because of differential degrees of reliance on inputs and supplies produced by other sectors. Multiplier effects are strongest in engineering work, because of its greater proportional need for purchases of specialized equipment and supplies. But in all kinds of construction, multiplier effects are strong. Moreover, the vast majority of supported jobs (around 90%) are located in Ontario. This confirms that the strong stimulative impact of provincial construction work on other industries is experienced close to "home."

Table 3
Multiplier Impacts of Construction Activity
Ontario, 2017

Jobs per $1 million Construction Output

Stage of Activity	**Sector** **Residential Building**	 **Non-Residential Building**	 **Engineering Construction**
Direct Production	4.326	4.784	3.177
"Upstream" (supply chain)	3.062	2.765	3.285
"Downstream" (consumer spending)	1.947	2.340	2.223
Total	**9.336**	**9.890**	**8.685**
Multiplier	2.2	2.1	2.7
Share in Ontario	89.8%	92.0%	89.6%

Source: Calculations from Statistics Canada Table 36-10-0113-01, based on 2017 input-output coefficients.

Each million dollars of construction activity[5] in Ontario supports between three and five direct construction jobs; this direct employment intensity is highest in non-residential construction, lowest in engineering. On

[5] Measured by the value of total sales.

average, about three more jobs are supported per million dollars of activity throughout the upstream supply chain. These supply chain purchases are most important in engineering work. Finally, another two jobs, on average, are supported in downstream consumer industries by the spending power of construction workers (and those employed in their supply chain).

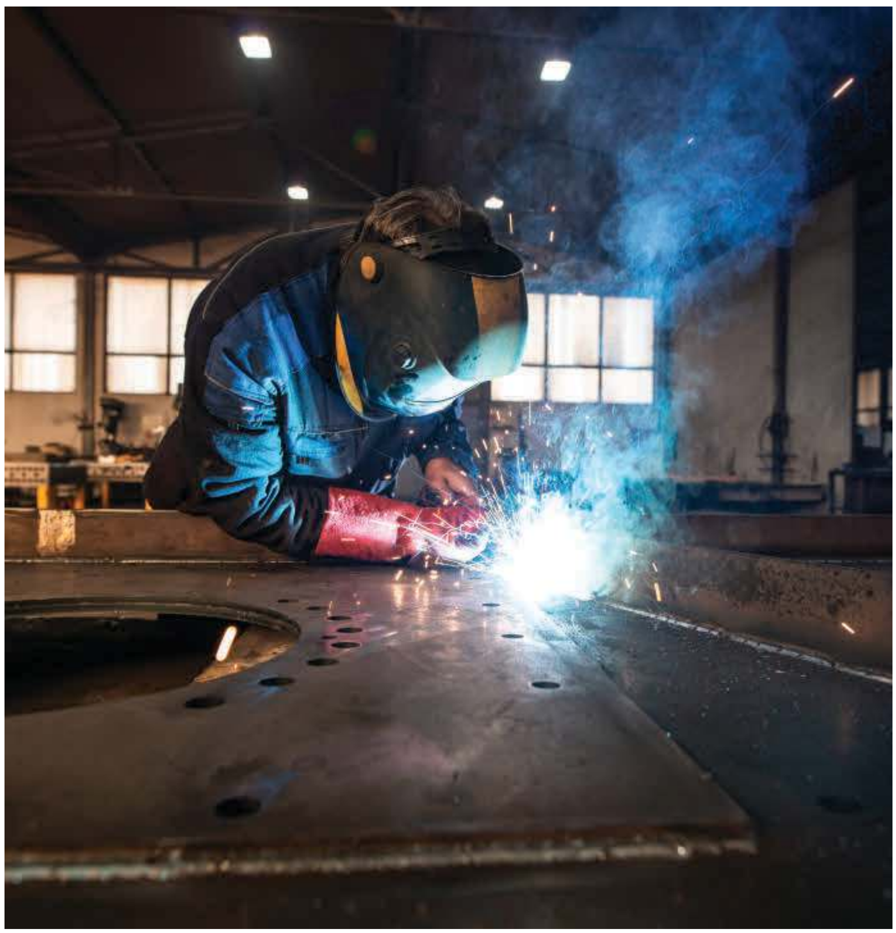
All told, then, the construction sector supports between nine and ten jobs in total per million dollars of gross activity. And for each direct job in the construction industry, there are another 1.1 to 1.7 jobs supported by that worker in upstream and downstream spin-off jobs, respectively (for a combined "multiplier effect" of 2.1 to 2.7). Applied to the scale of Ontario's overall construction sector, these results imply that well over 1 million Ontarians depend on the construction industry for their livelihoods: the over half-million workers directly employed in provincial construction, and then another 600-800,000 workers in upstream and downstream consumer industries who depend indirectly on construction for the spending power that supports their own jobs.

This understanding of the interconnections between construction and other sectors of the provincial economy further illuminates the importance of maintaining strong expansion of the sector in coming years – including further gains in employment and wages. Total construction employment in Ontario[6] was 20,000 jobs higher in the first eight months of 2021 than the year-earlier period. That expansion attests to the quick recovery in construction work after initial restrictions on worksites in the spring of 2020; it was further underpinned by underlying growth in residential and non-residential construction demand. Those 20,000 jobs in turn supported another 25-30,000 jobs in upstream and downstream industries, for a total increment in provincial employment of 45-50,000 jobs. Given that Ontario's total employment as of August 2021 was still 65,000 positions (or almost 1%) below its pre-COVID-19 peak in February 2020,[7] this confirms the importance of the construction sector in the province's economic recovery from the COVID-19 pandemic. Without the jobs directly and indirectly created by construction, the COVID-19 gap in provincial employment would be almost twice as large as was actually recorded in August.

In terms of aggregate incomes and spending power, the strategic role of the construction sector is also very clear. Construction accounts for over 7% of total provincial GDP – worth close to $60 billion of value-added this year. The multiplier factors described above suggest that at least that much again is added to provincial GDP in upstream and downstream industries, through supply chain purchases and consumer spending by construction workers. The boost to spending power from construction wages is especially critical as

[6] As measured by Labour Force Survey data.
[7] Expressed in seasonally adjusted terms.

the economy seeks to fully recover from the pandemic. Wages, benefits, and payroll contributions (such as EI, CPP, and WSIB premiums) for construction workers sum to about $40 billion per year. A 5% increase in wages, therefore, would translate into a $2 billion boost in potential spending by provincial construction workers. Based on the multiplier factors summarized in Table 3, that would support almost 15,000 additional downstream jobs in Ontario's consumer goods and services industries.[8] In this context, providing construction workers with stronger wage increases – justified, as we have seen, by productivity growth and broader labour market trends – would accelerate the employment recovery in other parts of the provincial economy.



[8] Labour compensation accounts for about 30% of total gross sales in Ontario construction (averaged across the 3 sub-sectors described in Table 3). A $2 billion increase in wages would thus have the same impact on downstream linkages as a $6.5 billion increase in the overall scale of production. Based on the multiplier parameters in Table 3 (also averaged across the 3 sub-sectors of construction), that implies over 14,500 additional downstream jobs.

Conclusion

The preceding analysis has confirmed the vital role played by Ontario's construction industry – all the more so following the dramatic turbulence of the COVID-19 pandemic and resulting recession. Construction activity was a rare anchor of stability for the provincial economy through the unprecedented crisis of the last 18 months. It is one of only three non-agricultural sectors in the province to increase real output in 2020, despite the pandemic. It has single-handedly accounted for about one in ten of the jobs recovered in Ontario since the initial lockdowns. It supports indirect activity and jobs across a myriad of related industries: including upstream suppliers and downstream consumer industries. And by producing the long-lived assets (residential buildings, non-residential buildings, engineering, and infrastructure) that are so vital to the functioning of the overall economy, construction paves the way for Ontario's future economic and social development.

The wages paid to construction workers are a key link in this mutually reinforcing chain of added value, employment, investment, and growth. Those wages reflect and validate the superior skills, qualifications, and productivity which construction workers – especially those represented by unions – bring to their jobs. And those wages underpin the subsequent spending and re-spending of income by construction families, contributing to the success of consumer goods and services businesses which depend on that vital purchasing power.

However, the pace of wage growth in Ontario's construction industry in recent years has been surprisingly weak. Weighted average nominal base wage rates across construction collective agreements progressed by less than 2% per year between 2015 and 2020. That was barely sufficient to keep up with average consumer prices, and certainly not enough to match the escalating costs of housing and other essentials in Ontario. Construction wage rates have lagged behind broader labour market benchmarks. And the contrast between stagnant real wages, and the accelerating productivity of construction workers, is both startling and concerning. A healthy and sustainable economy needs wages to rise in tandem with productivity. Otherwise, spending power lags, and inequality grows.

For all these reasons, a healthy improvement in construction wages in the coming years, significantly stronger than in recent years, will be an essential ingredient in the continued success of this vital industry. It is not just construction workers who will benefit from stronger wage growth. The broader provincial economy, too, will reap the gains of an industry that plays such a key strategic role, implements productive technology and practices, and compensates its workforce accordingly.