

## BCCA PRESENTS ECONOMIC REPORT OF CONSTRUCTION INDUSTRY

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Mr. Pip White, an economist retained by the BCCA, has compiled an economic profile of the Construction Industry in British Columbia. His work outlines the economic position of the Industry within the Province, and the final report will provide a much needed analysis specific to Construction. The following is a brief synopsis of his report.

The profile initially focuses upon the Province as a whole, including in its examination, residential, industrial, commercial and institutional construction. Mr. White discusses the economic contribution, labour market, profitability and productivity of the industry.

As a contributor to the provincial economy, the industry as a whole has grown significantly over the past 25 years, reaching a value of 15.5 billion dollars in 1997. Shifting demographic characteristics, expanding population and increasing diversification of the economy, all contributed to this increase in activity. However, in the past decade this growth pattern has slowed and investment in the industry has actually decreased.

The construction industry, employed about 120,000 workers in 1997, about 6.5 percent of the total employed people in the province. The labour force in 1997 consisted of 133,000 workers, also 6.5% percent of the provincial labour force. Over the past 25 years growth in construction employment has not mirrored that of the rest of the province. Generally it is more volatile. The industry has seen more periods of job losses than other sectors of the economy and this has

led to a smaller proportion of total employment in the province. The unemployment rate for the industry is consistently higher than that of the province. Contributing to this are the seasonal nature of the industry, and a difficulty in transferring skills to other occupations.

The profitability of the industry is compared to that of other primary industries such as logging, mining and saltwater fishing. Construction rates highly with regards to making good returns on their investments. However, high liabilities to assets ratios indicate that firms are borrowing the money to make those returns. In general, the profitability of firms has increased in recent years, driven by a need for more efficiency to compete in a dwindling and ever more regulated marketplace. While some firms survive, many are forced out.

Productivity, an important indicator of the health of an industry, is discussed in terms of the contribution of individual workers to the overall output. Investment in new technology, training and increased wages, increases productivity. Productivity per worker in the construction industry is significantly higher than other sectors of the economy. However, productivity overall has declined in recent years. While some decline may be attributed to a shift to more labour intensive construction activities, such as renovations, the overwhelming increase in regulatory requirements and red tape, creating a much more complex and time consuming environment within which firms must operate, has lowered levels of productivity

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significantly.

The profile goes on to examine the province on a regional basis, comparing the economic profiles of the Lower Mainland, Vancouver Island, Southern BC, and Northern BC. Some of the points made:

- The Lower Mainland contains over two-thirds of the population for the province, and therefore shows the largest share of construction activity. Over the past few years construction activity has slowed in the face of poor economic outlooks. The mix of activity has changed, with the proportion of residential activity declining and commercial and industrial increasing, primarily due to the slowdown in migration to the area. The region's share of construction employment has also been declining.
- Vancouver Island showed a marked decrease in building permit activity in recent years. Declines of 37.8 per cent are noted over the period from 1993-1997. During that same period provincial permits declined only 13.7 per cent, indicating that activity overall was lower in this region as compared to the rest of the province.
- Southern BC maintains the second largest share of building permits after the Lower Mainland, despite lower population levels than Vancouver Island, possibly due to continued migration to the area.
- Northern BC has the lowest population level and with it the least amount of employment activity and employment. Overall, employment within the region has grown, however, construction employment has declined.

Mr. White's economic profile of the Construction Industry in British Columbia will be a valuable resource for BCCA and its members. It will speak clearly to the state of the industry, and the need for strong measures designed to bring back its economic health. A final draft of the report should be available in near future.

### BUILDER LICENSING UPDATE

The Homeowner Protection Office is planning to host

a series of information sessions over the next two months, to advise builders about the licensing process and mandatory home warranties which go into effect May 1, 1999. The sessions are scheduled as follows:

Vancouver	Tues. Feb. 16
Vancouver	Fri. Feb. 19
Victoria	Mon. Feb. 22
Surrey	Tues. Feb. 23
Nanaimo	Tues. March 2 - morning
Courtenay/Comox	Tues. March 2 - afternoon
Abbotsford	Thurs. March 4
Terrace	Tues. March 9
Cranbrook	Thurs. March 11
Prince George	Mon. March 15
Ft. St. John	Tues. March 16
Kamloops	Tues. March 23
Kelowna	Wed. March 24

For more information, and to register, please contact the **Homeowner Protection Office** at 1-800-407-7757. Seating is limited.

**\*\*NOTE\*\*** Please note that the website listed for the Homeowner Protection Office in our last Issue Update was incorrect. The correct website address is: [www.hpo.bc.ca](http://www.hpo.bc.ca)

## BCCA MEMBERSHIP DIRECTORY

The 1999 BCCA Membership Directory has been printed and is currently being distributed. You should receive your copy within the third week of February.

Your feedback on this publication is valuable to us. Please direct any comments to Radhika Conroy at Phone: (250) 475-1077 Fax: (250) 475-1078 Email: [bcca@bccassn.com](mailto:bcca@bccassn.com)