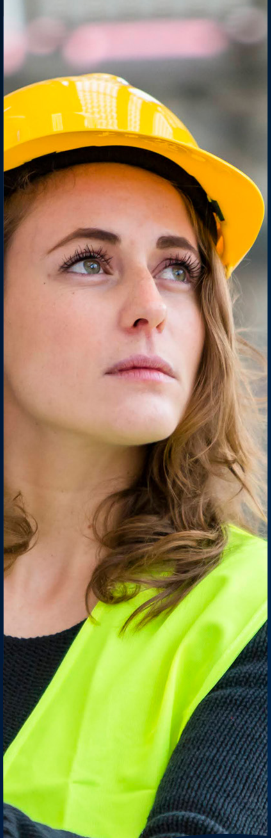
Ontario Construction Secretariat

2022 Contractor Survey

CONTRACTORS' INSIGHTS ON
THE ICI CONSTRUCTION INDUSTRY



RESEARCH DRIVEN.
INDUSTRY FOCUSED.

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Methodology

The Ontario Construction Secretariat's (OCS) annual Contractor Survey polls Ontario's ICI contractors to gauge their business expectations for the year and capture their views on salient issues in the industry. The survey includes ICI contractors from every region in the province, as well as union and non-union labour models.

500

Telephone interviews with Ontario ICI contractors between January 24 - February 11, 2022

172

General Contractors

296

Trade Contractors

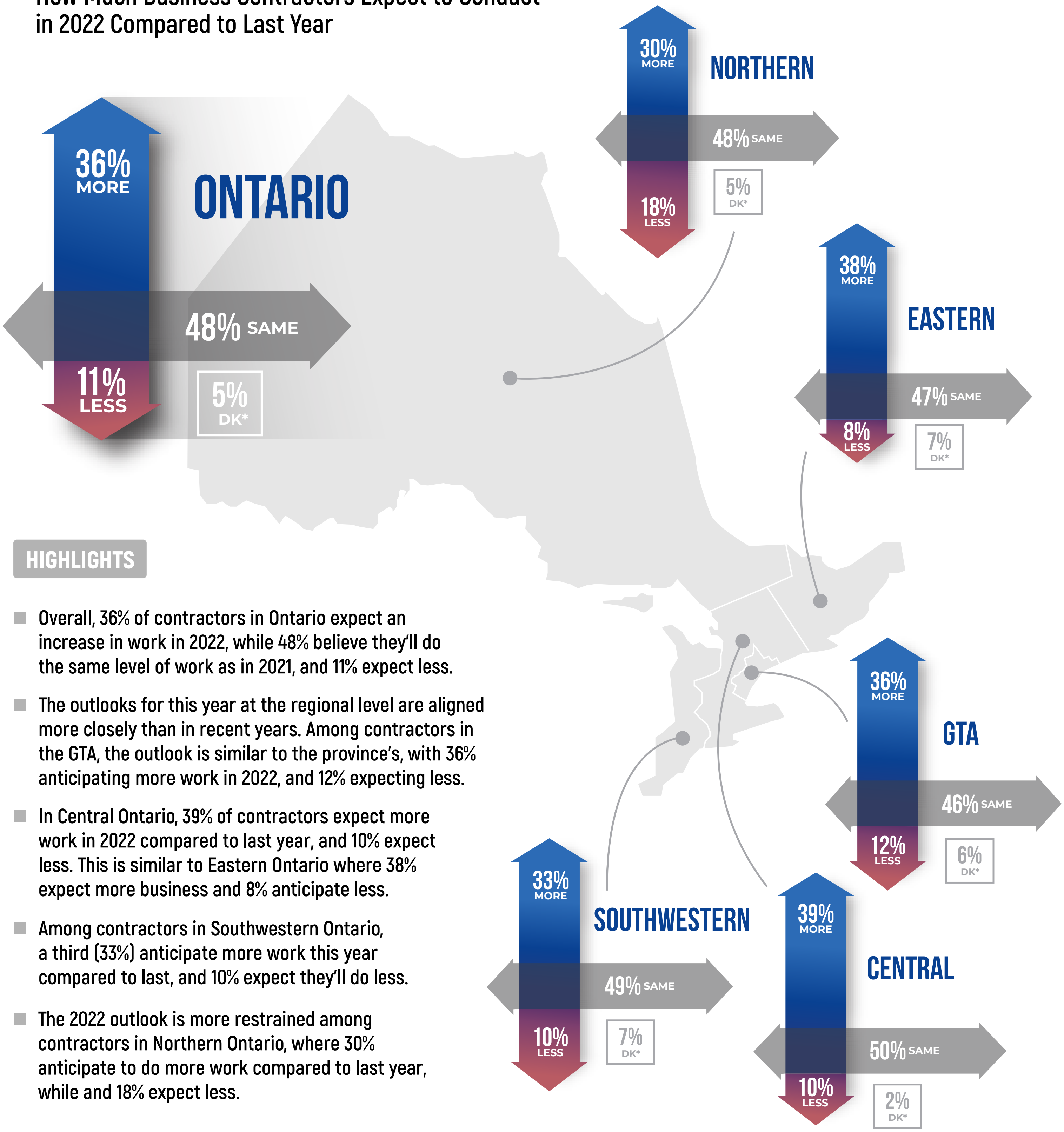
32 Contractors Did not Specify

+/-4.3

Margin of Error (percentage points 19 times out of 20)

Contractors' Business Outlook For 2022

How Much Business Contractors Expect to Conduct in 2022 Compared to Last Year



HIGHLIGHTS

- Overall, 36% of contractors in Ontario expect an increase in work in 2022, while 48% believe they'll do the same level of work as in 2021, and 11% expect less.
- The outlooks for this year at the regional level are aligned more closely than in recent years. Among contractors in the GTA, the outlook is similar to the province's, with 36% anticipating more work in 2022, and 12% expecting less.
- In Central Ontario, 39% of contractors expect more work in 2022 compared to last year, and 10% expect less. This is similar to Eastern Ontario where 38% expect more business and 8% anticipate less.
- Among contractors in Southwestern Ontario, a third (33%) anticipate more work this year compared to last, and 10% expect they'll do less.
- The 2022 outlook is more restrained among contractors in Northern Ontario, where 30% anticipate to do more work compared to last year, while and 18% expect less.

* DK = Don't Know

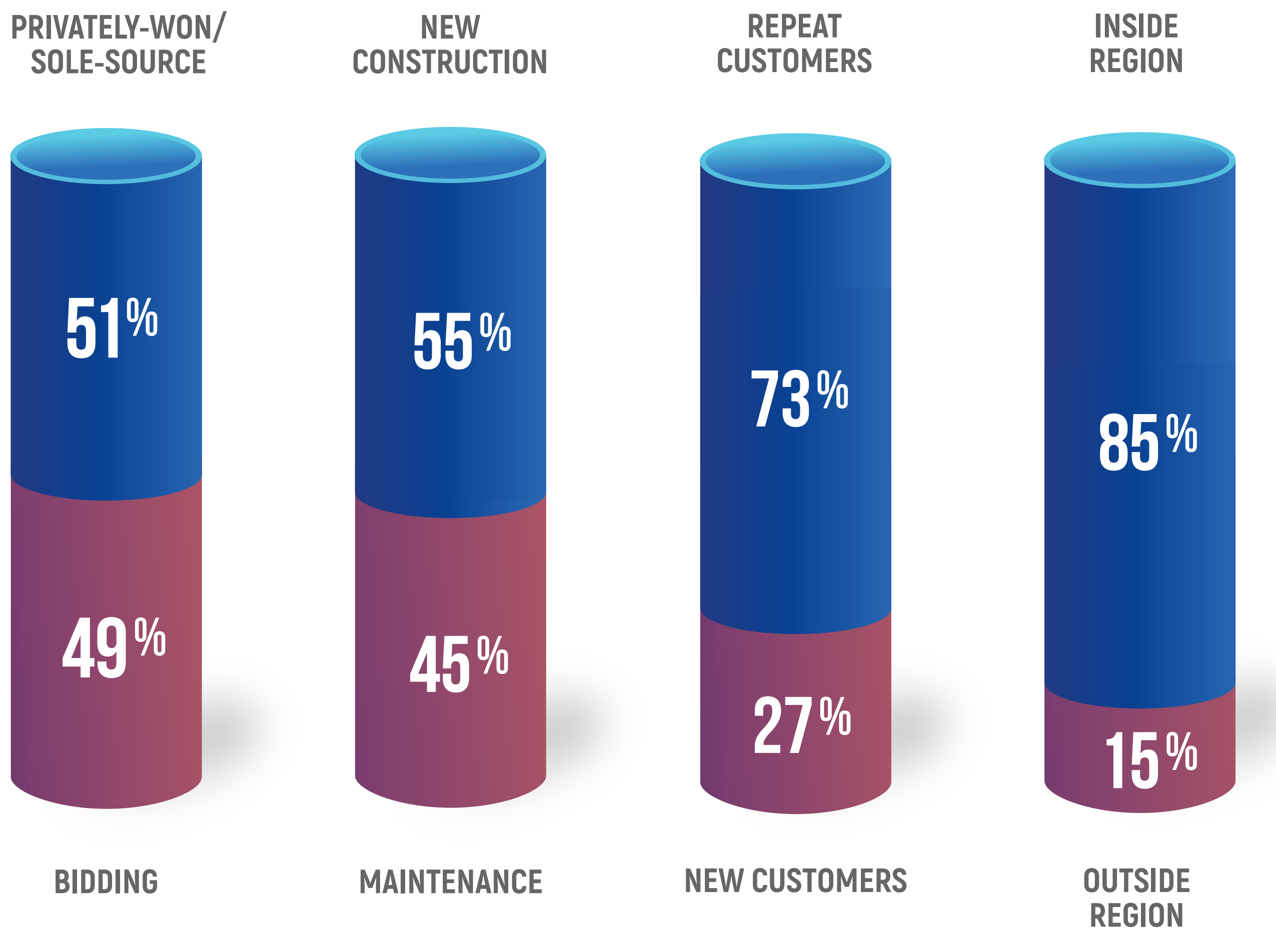
Q "Looking forward, how much business do you expect to conduct in 2022 compared to last year, on a 5-point scale where 5 means that 2022 will have much more business than 2021 and 1, much less?"

Work Picture for 2022

HIGHLIGHTS

- Contractors expect a roughly even split in their 2022 work sources between work won privately (51%) and work won through bidding (49%).
- 55% of contractors' work is expected to be on new construction projects in 2022, compared to 45% on maintenance projects. This is a shift of five percentage points from the 2021 Contractor Survey when contractors anticipated a 50-50 split. In the five years that OCS has been tracking contractor work pictures in this survey, 55% is the highest percentage that we've seen for new construction.
- Contractors anticipate nearly three quarters of their work will come from repeat customers (73%) with 27% coming from new customers.
- Contractors also expect that 85% of their work will be done inside their region, and 15% will be done outside of the region.

Sources of Work in 2022



Q "Thinking about your work picture for 2022, what percentage of your work do you expect will be from each of the following?"

How Contractors View Ontario's Construction Industry

82% POSITIVE

13% NEGATIVE

6% DON'T KNOW

Q "Overall, do you have a positive or negative outlook on the Ontario construction industry?"

Reasons for Positive Outlooks

"Ongoing immigration to the Ontario market and the need to provide support and infrastructure to these new inhabitants."

"Anyone who has a trade can make a great living."

"The economy is good, business is thriving, and governments are spending money."

"We were stagnant for 18 months and there's nowhere to go but up."

"The economy keeps on growing so there is always a need for construction."

"The industry is well-regulated, predictable and reasonably fair. I don't think the industry is slanted towards larger or smaller players."

"Once we get out of COVID, work will start to ramp up again. The government has put in support to help small business and it will help businesses to grow and support the construction industry."

"Lots of incentives applied to the construction industry and we are also seeing an upturn."

"At the moment industry is booming. There is more work out there than contractors."

"A lot of the cities have received a lot of funding through the government. So, they've been able to go ahead with projects they've been sitting on for years."

"Business is really good for us. There are a lot of resources to help us navigate government regulations."

Q "What are some of your reasons for having a positive outlook on Ontario's construction industry?" (Open-ended question; Respondent quotes provided)

Apprenticeship

HIGHLIGHTS

- Employment of apprentices by ICI contractors has fallen in Ontario in the past two years.
- Over three-quarters (76%) of unionized contractors indicated this year that they employ apprentices compared to just over half (52%) of non-unionized contractors.

Contractors Employing Apprentices in Ontario (Past 4 Years)

2019	2020	2021	2022
66%	68%	61%	60%

Sources: Data for 2019-2021 comes from previous OCS Contractor Surveys

Percentage of Contractors Employing Apprentices in 2022

UNION 76%

NON-UNION 52%

Q "Does your firm employ apprentices?"

KEY TAKEAWAY

UNION CONTRACTORS CONTINUE TO OUTPERFORM NON-UNION IN EMPLOYING APPRENTICES

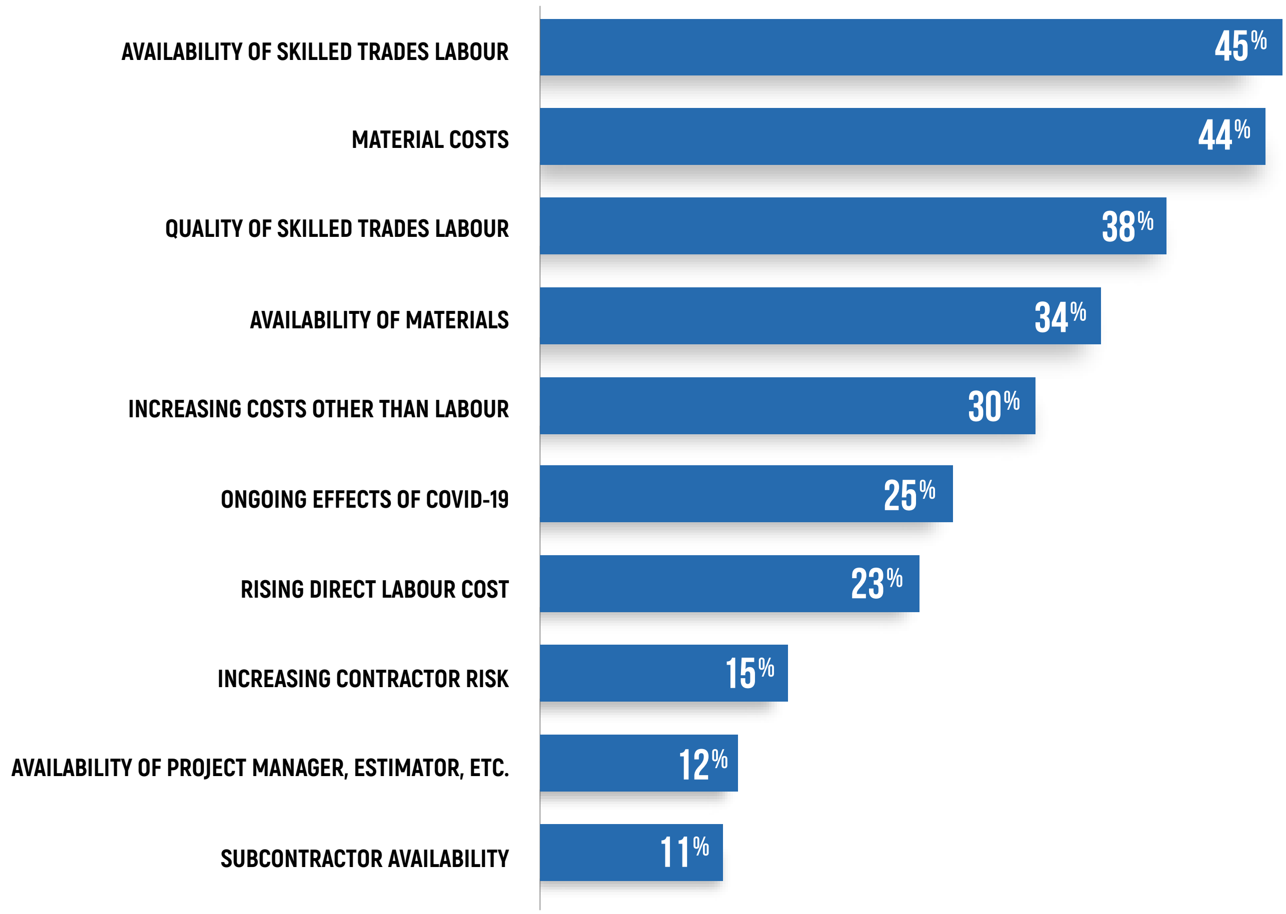
Photo Credit: Nole Coutrouzas, Millwright Local 1916

Contractor Concerns

Every year, we endeavour to identify ICI contractors' greatest worries by asking them to rate a series of potential concerns on a 7-point scale (where 7 means a major concern, and 1 means not a concern at all). Using a 7-point scale allows us to compare concerns and measure the intensity of contractors' concerns. The responses to this question are presented here in two ways: the percentage who gave the highest possible score (7 out of 7), and the overall mean score on the 7-point scale.

The clear takeaway from this section is that the availability and cost of materials and labour trump all other concerns. Material Costs and Availability of Skilled Labour were both given the highest possible concern score (7 out of 7) by nearly half of the contractors who were surveyed. Several material- and labour-related concerns had overall mean scores of 5.0 out of 7 or greater. To put this into context, none of the concerns measured in last year's **Contractor Survey** received mean scores as high as 5.0. Furthermore, concerns over Material Costs, Availability of Skilled Labour and Availability of Materials all received mean scores greater than 5.5 out of 7. This means that concerns over these issues are higher than any of the COVID-19 or Health & Safety concerns that were measured in the OCS' **Coronavirus Contractor Survey Series**.

Major Concerns: Percentage of contractors giving a 7 out of 7 on the concern intensity scale



Q "How much of a concern to your business are the following on a 7-point scale where 7 means a major concern, and 1 means not a concern at all?"

Contractor Concerns

Intensity of Concern: Mean score on 7-point scale

	Mean
Material costs	5.8
Availability of skilled trades labour	5.7
Availability of materials	5.6
Quality of skilled trades labour	5.5
Increasing costs other than labour (e.g. transportation, insurance, bonding)	5.3
Rising direct labour cost	5.0
Ongoing effects of COVID 19	4.7
Increasing contractor risk	4.4
Subcontractor availability	3.9
Availability of project manager, estimators and other salaried staff	3.9

Q “How much of a concern to your business are the following on a 7-point scale where 7 means a major concern, and 1 means not a concern at all?”

Photo Credit: Craig Agar, IUOE Local 793

Financial Outlook

HIGHLIGHTS

- 40% of contractors said that their revenue in 2021 was higher than in 2020, while 30% said it was the same
- On average, contractors reported that their revenue grew by 2% in 2021
- Contractors anticipate that their revenue will increase by an average of 10% in 2022
- 34% of contractors reported that their business is growing as of January 2022 – when we asked this question last year, only 12% said their business was growing
- 61% of contractors said that before the pandemic their business was growing

Expected Revenue for 2022

	HIGHER	SAME	LOWER	DON'T KNOW
Revenue in 2021 compared to 2020	40%	30%	25%	5%
Expected revenue for 2022 compared to 2021	52%	33%	12%	3%

Q "Thinking of last year, 2021 overall, was your firm's revenue higher, lower, or the same compared to 2020, the first year of the pandemic?"

Q "Thinking of the year 2022 overall, do you expect your firm's revenue to be higher, lower, or the same compared to 2021?"

+2% On average, contractor revenue increased by 2% in 2021

Q "Approximately how much higher/lower as a percentage?"

+10% Contractors anticipate an average increase in revenue of 10% in 2022

Q "Approximately how much higher/lower as a percentage?"

Business Trajectory

	GROWING	STAYING THE SAME	DECLINING	DON'T KNOW
Trajectory of business as of January 2022 Q "As of January 2022, is your business growing, declining, or staying the same size?"	34%	54%	11%	1%
Response from contractors this time last year Q From 2021 Contractor Survey: "As of January 2021, is your organization growing, declining, or staying the same size?"	12%	57%	29%	1%
Trajectory of business before pandemic start Q "Before the pandemic was your business growing, declining, or staying the same size?"	61%	36%	2%	1%

Labour Market Outlook

Labour Expectations for 2022

Expected number of employees in 2022 compared to 2021

43%	51%	6%	<1%
MORE	SAME	LESS	DON'T KNOW

Q "Thinking of the year 2022 overall, do you expect the number of people employed by your firm to be higher, lower, or the same compared to 2021? [By number of people employed we mean all staff including onsite skilled labour and salaried office staff]"

EMPLOYED

+8% On average, contractors anticipate that the number of people they employ will increase by 8% in 2022

Q "Approximately how much higher/lower as a percentage?"

Approaches taken by contractors in the past 12 months to attract or retain skilled labour

- **77%** Raise wages
- **55%** Promote employees to a higher job classification
- **38%** Improved employee benefit programs
- **28%** Guarantee overtime hours
- **23%** Providing hiring and retention bonuses
- **22%** Pay referral bonuses

Q "Over the past 12 months, have you taken any of the following approaches to attracting or retaining skilled labour?"

Details and alternative examples of how contractors have been attracting and retaining skilled labour

- Giving more time off/Flexible hours
- Eliminating weekend work/Giving right to refuse weekend work
- Setting up pension plan/RRSP matching
- Offering signing bonuses
- Creating new incentive programs e.g. bonuses, trips, profit sharing
- Giving out gas cards or a gas allowance
- Guaranteed minimum hours/Paying workers even when work is not available
- Improving company culture/Creating a positive work atmosphere
- Non-monetary benefits like employee recognition and team building activities
- Incentives to get vaccines
- Becoming signatory to a union
- Taking on more apprentices
- Offering more training programs and education
- Using headhunters/recruiters

Q "Have you taken any other approaches not listed here?" (Open-ended question; Bullet points used to provide representation of respondent comments)

Project Disruptions

52% of contractors have had projects **postponed** by owner in 2021/2022

Q "Does your firm have any projects that were supposed to start in the past year or later this year, but are now postponed?"

- 66% of postponed projects have been rescheduled, 33% are yet to be rescheduled

Q "Does your firm have any projects that were supposed to start in the past year or later this year, but are now postponed?"

38% of contractors have had projects **cancelled** by owner in 2021/2022

Q "Have any of your projects scheduled to start in 2021 or 2022 been cancelled by the owner?"

Reasons for Project Cancellations

Q "What were the major reasons for the project or projects being cancelled?" (Open-ended question; Responses have been coded)

27%	Material Costs/Availability/Delays
19%	General Cost Increases
16%	COVID-19 Effects/Restrictions/Delays
14%	Lack of Funding/Financing from Owner
5%	Changing Priorities of Owner
5%	Permit Delays
3%	Economic Uncertainty
3%	Subcontractor/Labour Availability
5%	Other
4%	No Reason Given

HIGHLIGHTS

- More than half of the contractors surveyed have had projects postponed by the owner in the 2021-2022 period. Among those contractors with postponed projects, two-thirds said they had been rescheduled, while one-third said they were not yet rescheduled.
- Nearly 4 in 10 contractors had projects cancelled by the owner in the 2021-2022 period. Prominent reasons for cancellation included: Cost increases, material availability and supply chain delays, COVID-19 restrictions, and owner financing issues.
- When asked about the effects of project cancellations, many contractors reported minor ramifications and lost revenue. Some reported more serious ramifications and layoffs, while others said they were not impacted because they could shift to other projects.

Supply Chain Disruptions

77% of contractors have experienced significant supply chain disruptions in the past year

Q "Has your firm experienced significant supply chain disruptions in the past year?"

Approaches taken by contractors to avoid supply chain disruptions

80% Sought alternative suppliers

73% Accelerated material purchases after winning contract

67% Specified alternative materials or products in contracts

63% Stock-piled materials

Q "Has your firm taken any of the following approaches to respond to or avoid supply chain disruptions?"

Other approaches taken by contractors

- Using recycled materials and salvaging materials from other jobs
- Not bidding projects that require certain materials
- Finding new suppliers from farther away (other cities, provinces or countries)
- Keeping supply chain solutions secret from other contractors
- Putting material price volatility clauses into proposals
- Diversifying business into areas where materials are easier to find
- Suggesting different materials before tender

Q "Have you taken any other approaches not listed here?" (Open-ended question; Points provide representation of respondent comments)

Positive Developments in the Construction Industry

"There is better consumer understanding of delays and hiccups. A resetting of customer expectations."

"Greater acceptance of prefab and offsite construction."

"Increased awareness of health and safety, and the ability to adjust to requests from owners and the government to health and safety requirements."

"A lot of businesses did a fantastic job reinventing themselves."

"Increased use of computerized bidding processes."

"There's been a lot of government spending which gives lots of work opportunities."

"People are starting to see that they actually require more skilled tradespeople and are trying to gear more kids towards it. It's shed a light that they can make a very good living."

"A greater awareness of the importance and impact that tradespeople have, because without them, our economy would've been in big trouble."

"The embracing of technology and electronic forms of documents."

"Cities have received a lot of funding through the government so they've been able to go ahead with projects they've been sitting on for years."

"An increased use of technology. A lot of construction firms have become more tech savvy."

"Some of the fly-by-night companies have been weeded out."

"Government has put in support to help small business and it will help businesses to grow and support the construction industry."

"Increased health and safety measures in terms of hygiene and cleanliness."

Q "While the last two years have brought unprecedented challenges to Ontario's construction industry, there have also been some positive things that have come out of it. Are there any positive developments from the past two years that you could describe, either for your firm specifically, or Ontario's construction industry in general?" (Open-ended question; Respondent quotes provided)

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