

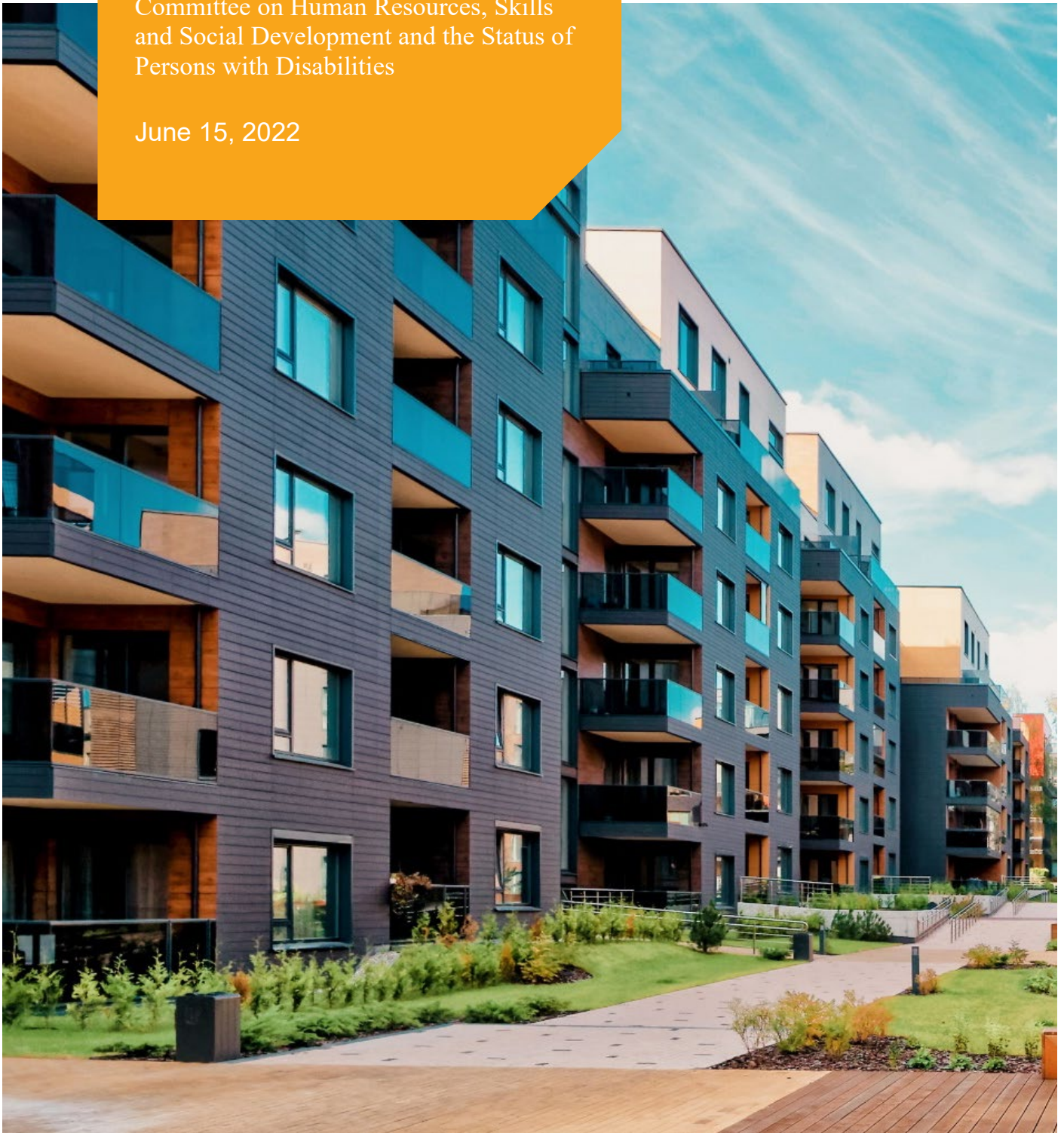
# ACQ Recommendations for Accelerating the Construction of Social Housing

Brief to the House of Commons Standing  
Committee on Human Resources, Skills  
and Social Development and the Status of  
Persons with Disabilities

June 15, 2022



ASSOCIATION DE LA  
CONSTRUCTION DU QUÉBEC



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# Background

The ACQ believes that the study proposed by the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities should ideally lead to an increase in and modernization of the supply of residential infrastructure and the creation of staffing programs specific to the construction industry.

Multiple significant factors are affecting the efforts of governments and the construction industry to meet the high demand for social and affordable housing in Canada. In Quebec specifically, the housing crisis is exacerbating the already urgent housing needs, and the labour shortage, along with supply difficulties and the high prices of building materials, is making it difficult to keep up with the boom in the industry.

## An ongoing housing crisis

The pandemic exposed and exacerbated the problems in the already precarious housing market. On the one hand, housing vacancy rates are still very concerning in Quebec and Canada.<sup>1</sup> According to the Canada Mortgage and Housing Corporation Urban Rental Market Survey, the vacancy rate in urban areas with over 10,000 residents in Quebec was 2.5% in 2021, below the Canadian average of 3.1%. While large centres like Montreal or Quebec City have higher vacancy rates, 3% and 2.5% respectively, the municipalities around them and in outlying regions suffer the most from the lack of housing. For example, Longueuil (south shore of Montreal) and Lévis (south shore of Quebec City) have vacancy rates of about 1.2%. The regional cities of Gatineau, Gaspé, Rouyn-Noranda, Rimouski and Granby have critical vacancy rates of 1.1%, 0.8%, 0.3%, 0.2% and 0.1% respectively.

On the other hand, rising rents and house prices, exacerbated by strong demand and too little supply, are weakening the financial position of households. In 2016, about 306,000 households were living in core housing need, meaning that they were spending over 30% of their incomes on housing. In a context of high inflation, when rents have increased by 7.4% between April 2021 and April 2022, it is clear that the number of households in core housing need has increased significantly since then.<sup>2</sup>

The crisis has been a concern for governments at all levels. We recognize the efforts made to date to address the housing needs of vulnerable people. The federal government's reengagement in the industry in recent years, in cooperation with the provinces and municipalities, has led to concrete initiatives to increase the supply of housing on the

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<sup>1</sup> Canada Mortgage and Housing Corporation, March 2022. *Urban Rental Market Survey Data*.

Online: [Vacancy Rates \(cmhc-schl.gc.ca\)](https://www.cmhc-schl.gc.ca)

<sup>2</sup> Statistics Canada. 2022. Table 18-10-0004-13, *Consumer price index by product group, monthly data, change as a percentage, not seasonally adjusted, Canada, provinces, Whitehorse, Yellowknife and Iqaluit*.

Online: <https://doi.org/10.25318/1810000401-eng>.

market. For example, the two phases of the Rapid Housing Initiative (RHI) involving Canada and Quebec will have supported the creation of nearly 5,000 housing units in the province by the end of 2022.<sup>3</sup>

This multi-government engagement, seen in particular in the National Housing Strategy and the federal and provincial budgets, is beneficial and commendable. However, the gap continues to widen between supply and demand for social housing. Solutions need to be more ambitious.

## A booming industry

The amount of investment and, in turn, the volume of activity in the construction industry in Quebec increased significantly between 2015 and 2021. An increase in construction is also expected in 2022, as 197.5 million hours are expected to be worked this year. The following table presents the hours worked in 2015, 2019 and 2021, and the forecast hours in 2022.

Hours Worked in R-20 Construction (in millions) <sup>4</sup>				
	2015	2019	2021*	2022f**
Civil engineering and roads	26.3	34.9	37.6	38.5
Industrial	10.2	11.4	11.4	12.0
Institutional and commercial	77.5	98.1	105.3	109.0
Residential	26.6	33.0	41.9	38.0
<b>Total</b>	<b>140.6</b>	<b>177.4</b>	<b>196.2</b>	<b>197.5</b>
<b>Change</b>	<b>-</b>	<b>+26%</b>	<b>+10.5%</b>	<b>+0.66%</b>

\* Note that 2020 is not included in the table, as it is not representative of the upward trend in hours worked owing to industry closures due to the pandemic in Quebec.

\*\* Forecasts by the Commission de la construction du Québec<sup>5</sup>

In terms of employment, we know that there were 36,850 additional jobs in construction in 2021, compared with 2015, in areas subject to the *Act respecting labour relations, vocational training and workforce management in the construction industry*, commonly known as Act R-20.<sup>6</sup> The number of hours worked on sites also rose to an impressive total of 56.9 million annually during that period. This, combined with the fall of unemployment below 4% in Quebec in 2022, indicates that little additional labour will be available to replace employees who leave the industry in the coming years.

The increase of just over 40% in the hours worked in construction between 2015 and 2021 had a considerable impact on the industry, particularly on the amount of labour available. In recent years, we went from a market with a surplus of labour, where employers could

<sup>3</sup> Office of the Minister of Municipal Affairs and Housing, in cooperation with the Société d'habitation du Québec.

February 2022. *Le gouvernement du Canada et le gouvernement du Québec annoncent 1 453 logements sociaux et abordables*. Press release.

Online: [Le gouvernement du Canada et le gouvernement du Québec annoncent 1 453 nouveaux logements sociaux et abordables: Gouvernement du Québec \(quebec.ca\)](#). [in French only]

<sup>4</sup> Commission de la construction du Québec (CCQ). April 2022. *Heures travaillées par secteur, 2012-2021*. Online: [A2.pdf \(ccq.org\)](#). Data processed by the ACQ. [in French only]

<sup>5</sup> CCQ. December 2021. *L'industrie de la construction sera toujours en forte demande en 2022. Perspectives*, page 2. Online: [Perspectives\\_2022.pdf \(ccq.org\)](#). Data processed by the ACQ. [in French only]

<sup>6</sup> CCQ. April 2022. *Indicateurs de l'activité de l'industrie assujettie, 2012-2021*. Online: [A1.pdf \(ccq.org\)](#). [in French only]



find workers relatively easily, to a labour shortage, where employers are struggling to find the human resources needed to get the job done. This situation did not improve in 2021, when very high levels of construction were recorded and government financial assistance programs were created for workers, which created distortions in the labour market. Given the expected increase in hours worked in 2022, it is increasingly clear that sustained efforts to foster access to the construction industry and promote it will be needed to carry out the necessary construction work in Quebec, particularly in social housing. It is also becoming clear that we must welcome more foreign labour, including temporary foreign workers.

## A multi-year expansion of the industry

In 2022, the provincial government increased public investments to \$145 billion for the next 10 years, while the federal government promised investments of \$180 billion over 12 years. Moreover, an analysis of the infrastructure plans of the largest cities in Quebec shows that they will be making huge investments in the coming years. Montreal and Quebec City, among others,<sup>7</sup> will increase their investments in their infrastructure in the years ahead.<sup>8</sup>

In the ACQ's opinion, however, these investments are not enough to address issues such as the asset maintenance deficit, also known as the infrastructure maintenance deficit. In Quebec alone, it was pegged at \$30.5 billion by the Quebec government in its last budget.<sup>9</sup> This figure represents a net increase of nearly \$3 billion in the asset maintenance deficit for our housing stock compared with the previous year. In other words, Quebec cannot by itself maintain its infrastructure stock at its current level. There is no doubt that the provincial and federal governments will need to invest a lot over the next 10 years or more.

However, there is reason to believe that the private economy will slow some over the next 12 to 24 months. The effects of inflation are being felt and are hurting the purchasing power of households. In addition, Canadian and American banks are increasing their key interest rates to fight inflation, which could reduce business investment. We therefore anticipate rather limited investments in the commercial sector. We also anticipate some reduction in hours worked in the residential sector over the next two years, as reported by several financial institutions that publish forecasts of housing starts. However, the strong growth in natural resource prices should lead some major mining projects to start up in Northern Quebec and in other provinces in Canada.<sup>10</sup> In addition, despite the forecast decline from 2021, many real estate and transportation projects are underway across the country. All

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7 City of Montréal. 2022. *Budget 2022 et programme décennal d'immobilisations 2022-2031*. Online: [Budget 2022 et PDI 2022-2031 de la Ville de Montréal électronique \(montreal.ca\)](#). [in French only]

8 City of Québec. 2022. *Budget 2022*. Online: [Budget2022\\_Detaille.pdf \(quebec.qc.ca\)](#). [in French only]

9 Government of Quebec. 2021. *Québec Infrastructure Plan 2021-2031*, page C7.

Online: [https://www.tresor.gouv.qc.ca/fileadmin/PDF/budget\\_depenses/21-22/6-Quebec\\_Infrastructure\\_Plan.pdf](https://www.tresor.gouv.qc.ca/fileadmin/PDF/budget_depenses/21-22/6-Quebec_Infrastructure_Plan.pdf). [in French only]

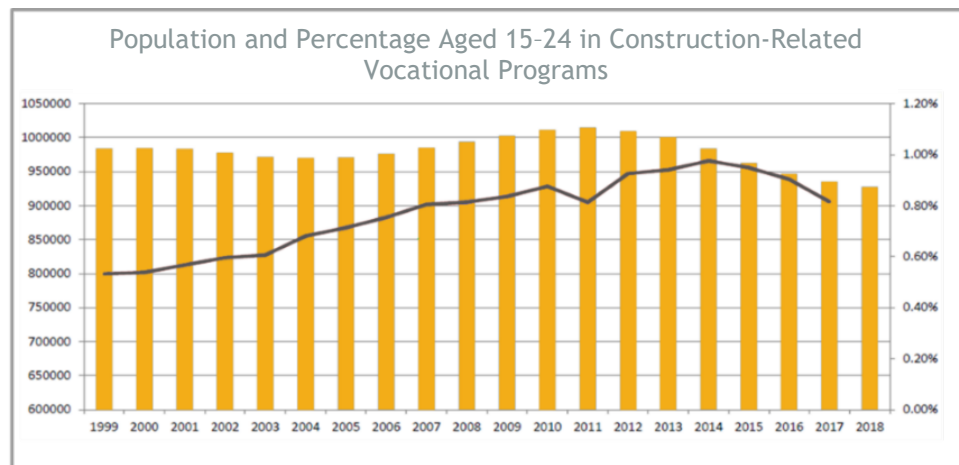
10 Bank of Montreal. June 2022. *Commodities Outlook for June 2022*. Online: [Commodities Outlook for June 2022 \(bmo.com\)](#).

this indicates that, despite some slowdown in private investment in the second half of 2022 and in 2023, demand for construction labour will remain high for several more years.

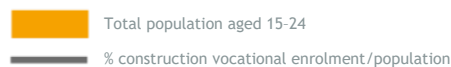
An analysis of the economic situation in the construction industry shows one thing for certain: the demand for labour will increase to address our infrastructure maintenance deficits and create new infrastructure, while the number of workers, or labour supply, will continue to decline if no action is taken. We must therefore find solutions to meet the social housing needs of our residents that reflect these realities.

## Fewer young people in Quebec, with little interest in construction

The population of young people aged 15 to 24, who represent the next generation in the construction industry, is also following the downward trend in the rest of the labour force. As seen in the orange bars in the chart below, the number of young people in the sector has been declining steadily in Quebec since the 2010s.<sup>11</sup> This continued decline is a concern, both for the Canadian and Quebec economies and for the construction industry.



Source: Statistics Canada and MEEES



These same data show that fewer and fewer youth are enrolling in vocational training in the construction trades. Indeed, the black line in the chart above indicates that this enrolment has been declining sharply since 2014. This decrease is explained by several factors, including the industry opening up more often to workers without a vocational diploma.<sup>12</sup>

<sup>11</sup> CCQ, March 2019. *Enjeux de main-d'œuvre dans l'industrie de la construction au Québec*, page 25. Online: [Recherche sur la pénurie de main-d'œuvre dans l'industrie de la construction \(ccq.org\)](https://www.ccq.org/recherche). [in French only]

<sup>12</sup> *Idem*. Page 13.

As with the declining population, this finding is equally concerning because labour needs in the industry are greater than ever. The industry is therefore facing two effects: there are fewer and fewer young people in Quebec, which is reducing the pool of available labour, and fewer and fewer of these potentially available youth are enrolling in vocational training in the construction trades.

## **Increasing housing supply in major centres in outlying regions**

Given very low vacancy rates and an urgent need for affordable housing in Canada's urban centres, it is essential to boost housing supply. High construction costs due to materials supply issues highlight the need to increase investments to facilitate and accelerate market supply.

These investments can take various forms: increasing existing envelopes for social housing creation or conversion programs; creating an envelope for new phases of proven existing programs, such as the RHI; and developing more financial tools to enable and encourage contractors with non-profit organizations or technical resource groups to build social housing.

This investment strategy must also be thought out based on the needs and realities of the various municipalities. Investments focused on densification in and around large urban centres would be more appropriate, while an investment logic that favours some urban sprawl in small and medium urban centres in outlying regions would be better. Moreover, in downtowns, financial assistance for the conversion of properties owned by the various governments, including commercial or office buildings, into social housing could also accelerate the supply of affordable housing on the market. Note that the vacancy rate in office buildings in Montreal in early June 2022 was higher than the historical average, at about 17%.<sup>13</sup> The labour market's adjustment to telework and hybrid work suggests that this trend will continue. Finally, in addition to the current availability of these spaces, this option is in line with sustainable development goals, given the easy access to key transit networks and local services and the ability to protect green spaces.

### **Recommendation 1**

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<sup>13</sup> André Dubuc. June 2022. Sombres perspectives pour le bureau. La Presse.  
Online: Centre-ville de Montréal | Sombres perspectives pour le bureau | La Presse. [in French only]

**The ACQ recommends that investments in social housing be increased in the various regions of Quebec and Canada to increase housing availability and affordability, particularly in major centres.**

## Workforce availability

Obviously, stimulating social housing construction in this way also inevitably means demand for additional labour. The construction industry is already being hard hit by the labour shortage. According to a study by Raymond Chabot Grant Thornton commissioned by the ACQ, there will be a shortage of nearly 20,000 construction workers to meet society's needs over the next 10 years if nothing is done.<sup>14</sup> This analysis, conducted in 2019, was based on assumptions of hours worked lower than what is now expected in the industry, making contractors fear the worst. It is therefore clear to us that over 20,000 additional workers will be needed. The hardest hit regions are the Greater Montreal and Quebec City areas.

Furthermore, the labour shortage issue affects not only on construction costs but also delivery timelines and project feasibility.

## Temporary Foreign Worker Program

Construction contractors have been desperately seeking construction labour since 2018. Over the last three years, the situation has only gotten worse, and the consequences are now being felt by both public and private clients. Indeed, more and more calls for tenders are literally being cancelled owing to a lack of bidders. It is becoming clear that the labour shortage is the main cause of these cancellations, along with administrative burdens and the short supply of materials.

To considerably increase the number of workers in the construction industry, the ACQ is of the view that a specific temporary foreign worker program for the construction industry should be created, developed and promoted to construction contractors. We therefore believe that close cooperation between the federal and Quebec governments could be beneficial in this case and that both governments could help the construction industry as they do the agricultural industry.

In their first year in Quebec, candidates would need only have a work permit issued by the Government of Canada to work in construction in Quebec. This step could be done through

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<sup>14</sup> Raymond Chabot Grant Thornton, commissioned by the Association de la construction du Québec. December 2019. *Analyse prospective de la main-d'œuvre dans l'industrie de la construction. Final report*. Published online: <https://www.acq.org/wp-content/uploads/2020/01/evenements-2019-tourneepenurie-acq-rapport-raymond-chabot-grant-thornton.pdf>. [in French only]



Canadian embassies before the workers arrive. Apart from that, Quebec regulations allow foreign workers to work in Quebec, under certain health and safety training conditions. The courses are available, and foreign workers could begin working on sites shortly after arriving in the country.

## **Recommendation 2**

**The ACQ recommends that the federal government work with the provincial governments to create and develop temporary foreign worker programs specific to the construction industry and promote them to construction contractors.**

# Summary of Recommendations

To stimulate the construction of social housing in Canada, the ACQ recommends that the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities increase its investments and develop staffing programs specific to the construction industry.

As the need for affordable housing is urgent both in large urban centres and in outlying regions, encouraging densification around key transportation hubs in large cities is just as important as increasing regional development and land use. With this in mind, the ACQ encourages the federal government to stimulate construction of more housing units across the country through targeted investment programs that take into account the needs and realities of the various municipalities.

Considering there were over 80,000 job vacancies in the construction industry in Canada in March 2022, between 15,000 to 20,000 of which were in Quebec, speeding up the construction of new social housing is impossible without the help of foreign labour. Bringing temporary foreign workers into our industry is critical and must be facilitated so the federal government can achieve its targets for new housing construction to address the lack of housing in Quebec's major centres and outlying regions.

## Recommendation 1

**The ACQ recommends that investments in social housing be increased in the various regions of Quebec and Canada to increase housing availability and affordability, particularly in major centres.**

## Recommendation 2

**The ACQ recommends that the federal government, in partnership with the provincial governments, create and develop temporary foreign worker programs specific to the construction industry and promote them among construction contractors.**

## About the Association de la construction du Québec

The Association de la construction du Québec (ACQ) is the main group that promotes and defends the interests of construction contractors in Quebec. Over the years, it has become the largest voluntary membership, multi-sector group in the industry. As the sole management bargaining agent for all employers in the institutional-commercial and industrial sectors, the ACQ represents close to 18,000 businesses that generate nearly 60% of total hours worked and reported in the industry governed by the Act R-20. Not only does the ACQ play an active and credible role in decision-making concerning the industry as a whole, but it offers its members a wide range of tools and services through a large network of 10 regional associations in 17 cities in Quebec.



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[acq.org](http://acq.org)