

CONSTRUCTION'S ROLE IN ECONOMIC RECOVERY

Why does construction matter?

With more than 9,000 registered contractors, employing more than 42,000 people, construction represents 8% of Saskatchewan's workforce. At the same time, construction is the second highest paying private sector employer in the province, and accounts directly for more than 7% of Saskatchewan's GDP. This industry is an important leading indicator of an economy's strength. If construction slows down, thousands of jobs are lost, and millions of dollars leave the province.

How is construction positioned to pull us out of an economic downturn?

Governments all over the world have and continue to use construction as a tool to boost their economic performance by increasing infrastructure investment to stimulate the economy. When private sector spending slows significantly, public infrastructure is one of the first ways to inject cash into the economy again.

When facilitated properly, construction employment can increase instances of the multiplier effect by putting money into the hands of people who will actually spend it. This in turn leads to dollars flowing into other areas of the community; retail shopping, restaurants, leisure activities – all of which have a much larger impact on the economy than the initial investment. The McKinsey Global Institute estimates that infrastructure has a socioeconomic rate of return around 20 percent. "In other words, \$1 of infrastructure investment can raise GDP by 20 cents in the long run," says Kevin Dureau, Executive Director of the Regina Construction Association.

Deemed an 'allowable business' throughout the pandemic, construction is also a highly safety-conscious industry; "construction companies like our members take safety precautions into consideration every minute of every day," says Dureau. "Following a new set of guidelines was a challenge they were able to take in stride. Whether its safety protocols, advising on supply chain disruptions or price volatility, our members are adept at mitigating risk." This proficiency allowed construction to keep working safely.

Focusing on re-starting backlogged projects is a great place to start, as they can be approved quickly, particularly maintenance contracts. There will also be opportunities in retrofitting projects, as the need for more reliable internet access in rural areas increases, and cities require infrastructure developments to accommodate social distancing, better air flow, and new cleaning requirements.

What can be done to maximize construction's ability to help our economic recovery?

1. Don't delay in approving contracts. Infrastructure dollars must flow into the economy quickly. Programs or processes that take weeks or months to move only worsen the spiral.

2. Listen to advice from the Construction Associations regarding Supply Chain Disruptions. From price escalation to material delays, industry have been consulted and have recommendations on navigating these challenges.
3. Prioritize Spending. First fund projects that have already been planned, then funnel infrastructure dollars to the hardest-hit regions in the province, activating local resources.
4. Schedule project releases. To avoid distorting the economy, over-saturating the market, or competing with private investment, ensure that projects are appropriately spaced out and deficit spending is not bottom-less.
5. Encourage private investment. Construction activity has been experiencing slow growth over the last few years, in spite of increased spending from the public sector, suggesting a need to increase private sector spending. We must ensure our policies and tax systems are attractive, and broadly promote our success stories and opportunities.
6. Support local. By supporting local contractors, the ripple effect supports local businesses and services too.

Construction is, after all, responsible for building the roads we drive on, the schools we send our children to, and the hospitals we need. Construction is a major player in our economy – and it will see us through this recovery.

For more information or to seek commentary, contact us at info@rcaonline.ca or (306) 791-7422.

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