

PRE-BUDGET SUBMISSION

**FROM THE INTERNATIONAL UNION OF
OPERATING ENGINEERS**

**TO THE HOUSE OF COMMONS STANDING
COMMITTEE ON FINANCE**

AUGUST 12, 2011

Executive Summary

The construction industry is an integral part of Canada's economy, encompassing between 9% - 11% of Canada's GDP and employing approximately 1.3 million people. Over the years, the construction industry has adapted and remained strong in an ever changing economy while creating high caliber quality sustainable jobs and playing a crucial role in our economy. As Canada's economy moves forward the demand for highly skilled workers will only increase. Because of an aging workforce, skilled construction labour is becoming a very scarce resource. If something is not done very soon to rectify the continuing dwindling numbers, Canada's economy will suffer and stall. Through our training centres, we are attempting to address the labour shortage.

Currently our training centres are operating at capacity and have a proven and successful track record. We provide our graduates the skills necessary to find ample high paying sustainable jobs in their field of study. Over 80% (some regions are even higher) of our heavy equipment operator students find employment while 100% of our crane students find employment. We are successful because we provide the most up-to-date hands-on training possible. The students are given training on the actual equipment that they will be operating in the future. The training we provide often exceeds the students' expectations of post-secondary education.

However, our training centres face many challenges including efforts to keep costs to a minimum while providing the high caliber to as many Canadians as possible and ensuring the highest standards of training.

The International Union of Operating Engineers (IUOE) wishes to take this opportunity to share our thoughts on a few measures the Federal Government could implement in the 2012 Federal Budget to ensure Canada has a thriving construction section which will provide many Canadians with high quality jobs and support Canada's economy we would ask:

- 1) *The government to examine and modify their current Labour Market Development Agreements with the provinces to allow students a greater amount of support to access courses at an accredited training centre and ensure standardized funding formulas among regions in and among the provinces.*
- 2) *The Federal Government re-establishes the Knowledge Infrastructure Program, but ensures the criteria are broadened to allow more accredited training centres to access the fund.*
- 3) *The Federal Government creates a program to allow accredited training centers to access funds purchase or refurbish training equipment. This could be a matching grant fund.*

Background

The IUOE is a progressive and diversified trade union. We represent workers in a wide variety of occupational categories. Our members have helped build Canada's infrastructure, and have been involved in the production of Canada's resources and delivery of critical health care and community services since 1896.

Currently, in Canada, we have over 45,000 members with representation in every province and territory. Construction represents the largest share of our membership with nearly 40,000 members; we operate tower and mobile cranes; we operate heavy machinery like bulldozers, graders and backhoes; we are the mechanics and surveyors who work on construction sites. We are the first on and the last to leave a job site. We work from commercial construction companies to heavy civil and industrial contractors. We build roads, bridges, schools, hospitals, pipelines and oil refineries to name a few things. Our members form and shape the infrastructure and skylines of Canada.

We have eight state-of-the-art training centres that develop and deliver heavy equipment operator training and a wide range of construction safety courses. Our training is globally recognized and provides the skilled-workforce that makes Canada strong. We work closely with our industry partners to ensure the present and future needs of the construction industry are addressed. We strongly believe it is important to work with our employers, other building trade unions and all levels of governments to guarantee that Canadians are provided the best training which leads to the best opportunities to work and provide for their families.

Ensuring Quality Sustainable Jobs

As of July 2011, there were approximately 1.3 million people that work in the construction industry. Of that about 35-40% (around 400,000) belongs to various construction unions. Our industry is a vital piece of Canada's economic livelihood, from sea to sea to sea and has remained strong during the recent recession, due in part to our highly-skilled workforce.

As Canada's economy moves forward, the demand for highly skilled workers will only increase. Our workforce is not young; the average age is around 48 years old and we are facing many challenges in recruiting and maintaining young workers to fill these needs.

The Construction Sector Council (CSC) estimates that from 2010-2018, our sector will face a massive shortage of skilled workers. The construction sector will require about 370,000 new workers because of retirement (189,000) and new employment opportunities (181,000). The CSC estimates that Canada will be able to fill about 169,000 of these positions through direct recruitment efforts but that still leaves a shortfall of over 200,000 positions that must be filled either from other industries or from outside Canada.

Skilled construction labour is becoming a very scarce resource and if something is not done very soon to rectify the continuing dwindling numbers. Canada's economy will suffer and stall. Construction is the foundation of our economy. Training centres are the key to providing the skills and training necessary to ensure a highly trained workforce in Canada.

Our schools and programs are recognized and accredited by provincial governments. Our training facilities are recognized by Human Resources and Skills Development Canada (HRSDC). We have a vastly developed infrastructure in place and have a national organization for our training schools – Canadian Operating Engineers Joint-Apprenticeship and Training Council (COEJATC). We partner with various stakeholders including colleges, Aboriginal groups and companies.

Our training centres are operating at capacity and have a proven and successful track record. Our students are put through intensive training. We provide our graduates the skills necessary to find ample high paying sustainable jobs in their field of study due to the high demand for trained operators in the construction industry. Over 80% (some regions are even higher) of our heavy equipment operator students find employment while 100% of our crane students find employment. Although the construction sector has great ebbs and flows, our particular sector thrives due to the high demand for trained operators in the construction industry.

We are successful because we provide the most up-to-date hands-on training possible. The students are given training on the actual equipment that they will be operating in the future. The training we provide often exceeds the students' expectations of post-secondary education.

Depending on the school and province, our annual enrollment numbers range from 110 to nearly 2000 students, and continues to grow with students taking various courses including heavy equipment operator, crane apprentices and safety training courses. If we were provided with more financial support, our schools would be able to accept more students but even then we would still be unable to meet the demand for skilled workers in the construction industry.

Training a Skilled Workforce has its costs

Our schools are open to all Canadians (union and non-union) who want to be productive members of the construction industry. In many cases, the students have neither union nor non union affiliations and are just seeking an introduction and proper training for possible future employment in the construction sector. Our schools are primarily funded by the tuition that our students pay to take these courses.

Depending on the course and school, the cost will vary from \$9500 -\$16,000 and in most cases last from 6 to 8 weeks. The students also face incidental costs (books, housing and food). Students are able to receive financial support from various HRSDC programs but unfortunately in most cases HRSDC will only cover about half to two-thirds of the course cost and none of the incidental costs. The amount that a student can receive from HRSDC varies greatly depending on the region and province. There is no standardized funding formula.

In an effort to make our programs more accessible, some of our training centres (Manitoba and Newfoundland) have/are expanding the number of weeks for particular courses to allow students to apply for student assistance but even student loans do not fully cover the cost of taking our courses.

When a student finishes the course, they could be in debt several thousand dollars. For some, even though they can find employment upon completion of their training, the cost is too great and they are unable to proceed with the course. When potential students examine their career options, the cost of school plays a pivotal role. Because of the high cost of our courses, our training centres find it difficult to compete with universities and colleges since some students will forgo their desire to seek opportunities in the construction industry and choose another career path which will cost less.

Recommendation:

- 1) *We would ask the government to examine and modify their current Labour Market Development Agreements with the provinces to allow students a greater amount of support to access courses at an accredited training centre and ensure standardized funding formulas among regions in and among the provinces.*

Infrastructure and Capital Costs

Our training centres continually examine ways to reduce their costs but unfortunately much of our costs are fixed. This includes ensuring that the proper infrastructure and equipment are in place to provide the most modern and up to date training. A few of our schools have received financial support from provincial governments to address some of these costs but this funding varies per province. Even though our centres are recognized training schools by provincial governments, we are not treated in the same fashion as colleges and universities. Universities and colleges are able to access various forms of funding and are able to subsidize their courses.

With the continuing growth of our schools and the demand for our training programs, our schools face several problems. They do not have the space or capacity to expand their programs. In order to do so, they would have to build or purchase buildings to accommodate the influx of students. This would be a financial burden on the training schools which would be offset to the students to defer these costs. Thereby, possibly deterring students from applying.

Our training centres are looking for any government assistance in helping defer the costs of expanding and growing their training centres. We have appreciated the Government's efforts to fund the development of infrastructure at universities and colleges.

But unfortunately under the Federal Government's Knowledge Infrastructure Program (KIP), only one of our training centres (Ontario) was successful in receiving funds. We had another centre apply but for various reasons they were denied funding. Several of our others schools would have applied but the criteria were too restrictive and were extremely biased in favour of universities and colleges. We would ask the government to re-introduce the KIP program but change and modify some of its criteria's to ensure certified training centres can access these funds.

Recommendation:

- 2) *The Federal Government re-establishes a similar program, like KIP, but ensures the criteria are broadened to allow more accredited training centres to access the fund.*

Our training centres not only require funding to upgrade classrooms and provide more space for our students but they also need support to purchase and upgrade equipment and technologies. For example, to purchase a 100 ton crane, it costs the school over \$800,000 or buying a 2-year old excavator costs around \$125,000. Our equipment is not cheap but is necessary to provide the hands-on training students need.

Our training centres are very innovative and will continue to look at other means to provide the necessary training to ensure a skilled workforce. The IUOE are leaders in the use of computer simulators and Blackboard technology for training. Our training centre in Ontario, at their own cost, tested and developed computer simulator training. These simulators not only save on the wear and tear of equipment but also improves and increases our training time and standards. However, this equipment is not cheap, to purchase one simulator, it costs a school around \$225,000.

Several years ago, there was a federal fund called the Training Centre Infrastructure Fund which allowed training centres to access funding to purchase equipment. There was \$5 million earmarked for that fund and funding was distributed on a matching funds basis. Our schools were able to access and benefit from that program. With the increasing cost of equipment, we would like to see a larger program but continue to maintain the matching dollar portion.

Recommendation:

- 3) *The Federal Government creates a program to allow accredited training centers to access funds to purchase or refurbish training equipment. This could be a matching grant and an initial fund should be around \$25 million.*

Conclusion

At present time, most of our training centres have limited financial resources to expand and meet the demand that is required to ensure a productive skilled workforce in Canada. Our schools have dedicated resources towards new and upgrading equipment in an effort to guarantee that our students receive the best training possible and allow these skilled workers to have sustainable quality jobs and to have a positive impact on Canada's economy. The costs of training are not cheap and our centres have difficulty competing with universities and colleges to attract young people.

We are asking the Federal Government to consider our recommendations and assist us in providing well trained and needed skill workers to ensure Canada has a sustained economic recovery and viable construction industry. We are more than willing to participate in broader consultations with the Government and all parties to develop viable solutions that benefit not only the construction sector but all sectors of the economy. If we are unable to provide the skilled workforce necessary for the construction sector, our economy and society will suffer.