



Construction
Industry
Continues
To Feel the
Squeeze of

Labor Shortage

BY JENNIFER SPILLANE



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The state of the economy, the residential construction market, rising interest rates and workers leaving the industry will all play a role in the labor shortages plaguing the commercial construction arena. According to many experts, there is no end in sight in 2005, and the commercial construction market will be the hardest hit.

"It's an issue that everyone will have to face," says Randy Giggard, manager of market information for FMI, Inc., a construction consulting firm in Raleigh, N.C.

Giggard forecasts that construction craftspersons requiring more training, such as electricians and plumbers, are going to be in the highest demand, especially in commercial construction. Residential construction workers don't require as much training, he says.

"The fear is as the market builds up, we will be swamped," he says. "It's a big issue that is aggravated by the fact that people are leaving the industry."

Meanwhile, other industry experts disagree that an overall labor shortage will continue, although most agree that construction sites will be fighting over electricians and plumbers.

"I don't think labor shortages are going to have a big impact," David Wyss, chief economist for Standard & Poor's, a credit rating provider in New York, says. "In commercial construction we haven't seen much of the shortage. The problem is when commercial and

residential construction projects use the same electricians and plumbers."

INFLUENCES IN 2005

The recent downturn of the economy was temporary rather than the trend for 2005, according to industry analysts and economists that gathered for Reed Construction Data's North American Construction Forecast conference. They agreed that 2005 will be the beginning of an economic recovery that will continue and strengthen through 2007, despite increasing interest rates and sluggish job growth during 2004.

Experts forecasted that the next two years will not only provide an increasingly stronger economy, but also a positive upswing for several sectors of the building industry including industrial, public and other non-residential construction markets.

If the economy improves, construction firms won't see the shortages that have dominated the market recently.

"We should expect employment to pick up, which means overall labor

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shortages should not be a problem," Wyss says. "But we could see a problem with individual sectors, which are more limited by regulations and longer training processes. When business is good, those are hard people to find. They can be found if you are willing to pay for them."

As the saying goes, "Good people are hard to find," and it seems to be very true in the construction industry.

"One of the issues the construction industry has to deal with is the need for good skilled trades people," Noel S. Wheeler, CEO of CLP Resources, Inc., a company that provides skilled tradespeople with construction and facilities clients, says. "As we move into 2005 and see construction ramp up again, finding good people is going to be difficult. It's a result of the economy and the rapid growth in the construc-

tion industry. It's a return to what we saw in the late 1990s."

PORTRAIT OF THE PROFESSION

According to the U.S. Department of Labor Bureau of Labor Statistics (BLS) *2004-2005 Occupational Outlook Handbook*, the following are important points when examining the construction industry:

- Job opportunities are expected to be excellent for experienced workers.
- Workers in construction have relatively high hourly earnings.
- More than four out of five establishments in the industry employ fewer than 10 people.
- Construction has a very large number of self-employed workers.

According to BLS, in 2002, the most current year for this information,

almost two out of three wage and salary jobs were in specialty trades, primarily plumbing, electrical and masonry. Around one out of four jobs was with building contractors, mostly in residential and nonresidential construction. The rest were with heavy and civil engineering construction contractors.

About 792,000 construction companies existed in the United States in 2002: 237,000 were building construction contractors; 60,000 were heavy and civil engineering construction or highway contractors; and 496,000 were specialty trade contractors. Most of these establishments tend to be small, the majority employing fewer than 10 workers, the BLS handbook states.

The construction industry offers more opportunities than most other industries for individuals who want to own and run their own business, BLS says.

Giggard of FMI agrees.

"There's not another industry out there where a young person can work for a few years and quickly own his own business, and I'm not sure that story is getting told," he says.

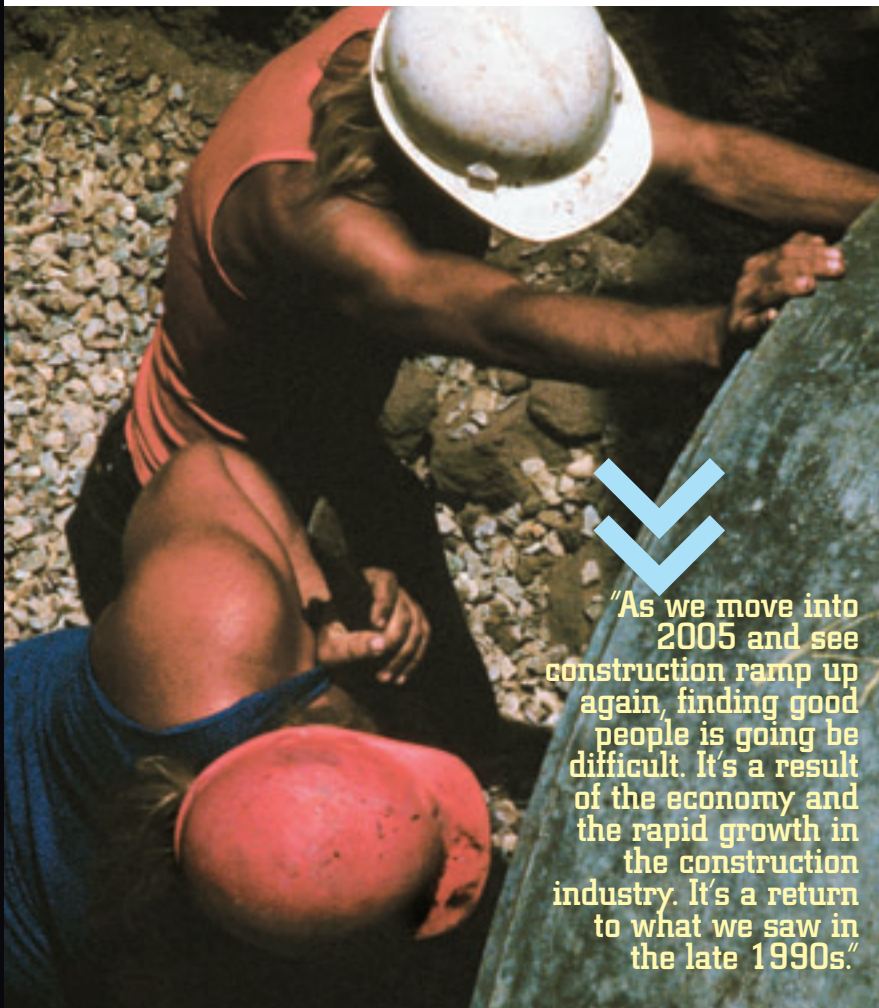
PREPARING FOR A SHORTAGE

Because many industry experts forecast labor shortages, construction firms are examining new ways to sustain a skilled labor force.

"People need to get more concerned about the long-term solutions to the labor shortages," Giggard says. "The industry needs to look at how we train and attract workers as well as work with the government to come up with recruitment programs."

Wheeler of CLP suggests looking beyond the traditional methods. "One solution is to deal with recruiting organizations and partnering with them to make sure they understand your needs and plan for the needs of your company."

Using a staffing service earlier in the bidding and planning process allows the staffing service to recruit workers ahead of time, and helps projects get



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the number of people and skill level needed, Wheeler says.

Job opportunities are expected to be excellent in the construction industry for the coming years, especially for workers with training and experience in construction occupations, due largely to the numerous openings arising each year as experienced construction workers leave their jobs. However, many potential workers may prefer work that is less strenuous and offers more comfortable working conditions, BLS says.

The number of wage and salary jobs in the construction industry is expected to grow about 15 percent through the year 2012, compared with the 16 percent projected for all industries combined, according to BLS.

Although household growth may slow slightly over the coming decade, the demand for residential construction is expected to continue to grow. The demand for larger homes with more amenities, as well as for second homes, will continue to rise, especially as the baby boomers reach their peak earning years and can afford to spend more on housing, BLS states.

BLS predicts employment to grow in nonresidential construction because work on many industrial plants has been delayed for years, and a large number of structures will need to be replaced or remodeled. Construction of nursing homes, convalescent homes and other extended-care institutions also will increase due to the aging of the population, the growing use of high-technology medical treatment facilities and the need for more drug treatment clinics. Construction of schools will increase to accommodate the children of the baby boom generation.

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tracting, the largest segment of the industry, should grow as demand for contractors in building and heavy construction rises and as more workers are needed to repair and remodel existing homes, BLS says.

Although employment in construction trades as a whole is expected to grow about as fast as the industry average, the rate of growth will vary by trade. Employment of cement masons, concrete finishers, segmental pavers, and terrazzo workers; electricians; sheet metal workers; and heating, air-conditioning and refrigeration mechanics and installers should grow faster than the industry average. Technological advances are not expected to offset increases in employment demand for these trades as construction activity grows.

On the other hand, employment of construction equipment operators, construction laborers and boilermakers

is expected to grow more slowly than that of the construction industry as a whole because greater use of new equipment will make workers more efficient.

As seen over the last few years, the construction industry will continue to face an uphill battle in finding skilled workers, especially electricians and plumbers in the commercial construction area.

Many experts predict 2005 to be heavily influenced by the economy, resulting in a stronger construction market. But a stronger market is not without its challenges—finding good people.

Contractors are advised to look to long-term solutions, develop recruitment programs and think outside the box.

Spillane is senior writer for *Construction Executive*.