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Skilled Labor: An Increasingly Scarce Resource

By Anirban Basu

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During the past six years, the U.S. construction industry shed more than 1.8 million jobs. Construction unemployment reached its peak (27.1 percent) in February 2010, even though the broader economy had been out of the recession for nearly a year. By February 2013, the unemployment rate fell to 15.7 percent—lower than previous years, but still well above historic norms and U.S. economy-wide averages.



The decline can be attributed to the industry's ability to retain workers during recessions and then rehire them afterward. When referring to this cyclical economic phenomenon, the NCCER concludes that industry recovery and labor recovery are two different things. Although the industry historically has survived economic ups and downs, firms often cannot bring back lost workers who secured employment in other industries.

At the same time, pent-up demand for construction—particularly infrastructure—has been building. The nation's bridges, highways, water systems, sewer systems, stormwater management systems, dams and levees continue to falter. Technological shifts also are contributing to pent-up construction demand, as office buildings, hotels and other structures increasingly need to be retrofitted to improve performance.

Looking ahead, capital markets will heal, job creation will accelerate and the down cycle in construction will reverse. Much of this already is occurring, with residential construction starts rising during the last several quarters and a handful of nonresidential construction segments, including power, manufacturing, commercial and office, showing signs of life.

The Next Construction Crisis

With activity picking up, a recent construction labor market survey conducted by the Maryland Center for Construction Education and Innovation (MCCEI) confirms the next crisis for construction will not be from a lack of demand, but rather from a lack of skilled craft professionals and construction supervisors.

A revolution in the way construction services are delivered compounds the emerging skills gap. According to the MCCEI survey, 55 percent of respondents indicated that BIM, mobile computing, GPS and other technological advancements represent the most important ways construction will be



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delivered during the next decade.

Additionally, the Construction Labor Market Analyzer's 20/20 Foresight Report for the fourth quarter of 2012 projected a nationwide shortage of nearly two million workers. There are about five million current U.S. nonresidential construction workers, with cyclical demand expected to peak at 6.7 million in 2016, according to the report.

To put the shortage in perspective, total employment during the current decade is expected to rise 14.3 percent, according to the U.S. Department of Labor. During the same period, demand will rise 49 percent for reinforcing iron and rebar workers; 42 percent for glaziers; 40 percent for brickmasons and blockmasons; 37 percent for stonemasons and 36 percent for pile-driver operators.

Regional Variances

Much of the industry's expansion continues to be in energy- and natural resource-intensive areas. Construction employment in North Dakota increased 9 percent in the past two years—more than in any other state. Other rapidly expanding states for construction employment include Alaska (7.2 percent), Louisiana (5.9 percent), Wyoming (5.1 percent) and Texas (5 percent).

States with elevated levels of industrial project volume, such as Louisiana, will experience the highest level of labor demand. Those states likely will drain the qualified and skilled workers from other parts of the United States, which implies that skillsets and shortages likely will migrate across the country over time. Contractors in construction-rich states such as Texas and Louisiana will be in a better position to aggressively recruit talent because they will be able to offer more generous compensation and relocation packages.

Anirban Basu is chief economist for Associated Builders and Contractors. For more information, visit www.abc.org.