As construction heats up, so does worker shortage



MARK ELIAS, BLOOMBERG

Labor squeeze is delaying projects, curtailing economy

Paul Davidson
USA TODAY

Construction of homes and commercial buildings is up significantly this year, but the industry would be sizzling if not for a critical shortage of workers, industry officials say.

The labor crunch is delaying projects, raising home prices and forcing companies to turn down work, which in turn curtails building activity and economic growth.

Spot labor shortages began in 2012 as new construction slowly came to life following the 2000's real estate crash. But they've spread across most of the country and have been accentuated this year by a strong recovery in both residential and commercial building.

"I would go so far as to call it an epidemic," says Jerry Howard, CEO of the National Association of Home Builders.

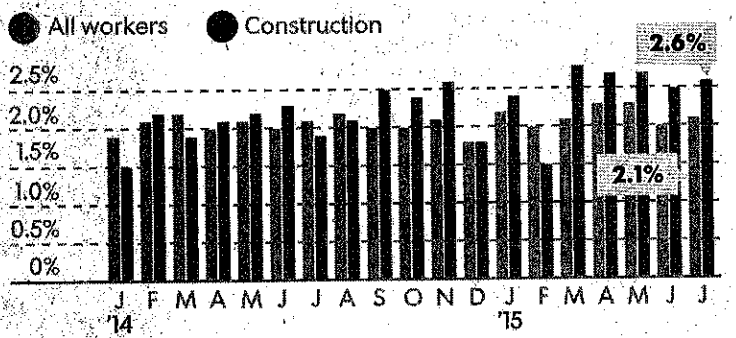
Nearly 70% of home builders surveyed by his group in June reported a shortage of carpenters, for example, up from 63% a year ago. And in a July survey by Associated General Contractors, 86% of commercial builders said they're having trouble filling hourly or salaried positions, up from 83% last year.

Many construction workers left the industry during the downturn to become truck drivers, factory workers or roughnecks in the then-booming oil industry. Most aren't returning even as building activity rebounds, Howard says.

Housing starts have increased 11.3% so far this year compared with the same period in 2014 to a post-recession high, government figures show. And commercial construction spending rose 9.7% during the first half of 2015.

Meanwhile, the pipeline of new workers has thinned over the years. Many high schools have phased out shop classes, and parents increasingly have steered graduates to four-year colleges and white-collar careers. The Home Builders Institute, which does training, and local home builders groups recently have rolled out more instruction programs, but it takes 12 to 18 months for a new recruit to become a productive worker, Howard says.

CONSTRUCTION WORKERS WANTED
Contractors are reporting difficulty in finding enough construction workers to hire. Twelve-month percentage changes in average hourly wages for workers:



Source Bureau of Labor Statistics
GEORGE PETRAS, USA TODAY

> **"I would go so far as to call it an epidemic."**
> **Jerry Howard**, CEO, National Association of Home Builders

The shortage has pushed up labor costs. Average hourly earnings for construction workers were up 2.6% annually in July, compared to 2.1% for all U.S. workers, according to the Labor Department. Pay hikes are significantly higher for in-demand specialists, such as plumbers and electricians, in the South and other bustling areas.

That, in turn, has helped drive up new home prices 5.7% on an annual basis over the past 12 months, according to the homebuilders group.

The worker shortage also has crimped new-home inventories for move-up buyers, causing a domino effect that has curtailed supplies of existing homes for first-time buyers, Howard says. The limited housing supplies have nudged up prices, he says.

Kent Conine, owner of homebuilder Conine Residential Group in Dallas, says his single-family homes, which typically take six months to build, are being delayed about two months because worker shortages limit the availability of subcontractors. Competition for workers is so intense, he says, that rivals routinely poach his workers by offering small increases in pay.

"We're getting projects raided all the time," he says.

Conine, who expects to build about 25 homes this year, says he would complete about 35 if enough workers were available. He says his labor costs and home prices have increased about 20% the past year.

Commercial contractor John Finch, co-owner of PBG Builders in Nashville, says he's hiring fewer skilled workers and more supervisors to oversee them, but that has increased his labor costs about 10% over the past year. Finch, who builds throughout the Southeast and Mid-Atlantic region, says he could increase his revenue by 50% this year if he had enough skilled workers.