Construction hirings build confidence

Industry is crucial to healthy labor market

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The construction industry, hit hard by the housing crash and recession, is ramping up hiring in an encouraging sign for job and wage growth this year.

Contractors added 48,000 jobs in December, the most since last January, and 290,000 in 2014, a nine-year high. That helped push overall payroll growth to 252,000 last month as the unemployment rate fell to 5.6% from 5.8%, the Labor Department said Friday.



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Iron workers erect structural steel on a hospital in California.

The construction industry is key to a healthy labor market because it provides the kind of middle-wage jobs that have dwindled in recent years and the prospect of stronger pay increases. Average U.S. wages fell last month and are up just 1.7% over the past year.

"They're well-paying jobs that don't require an enormous amount of schooling," says economist Diane Swonk of Mesirow Financial.

The industry has recovered just 30% of the 2.2 million jobs it lost during the sub-prime mortgage crisis from 2006 to 2010. This year, however, it's gaining jobs at more than twice the rate of the overall labor market.

Single-family home construction is rising modestly, but multi-family building is soaring. Meanwhile, factories, warehouses, hotels, rail lines, power plants, and oil and gas pipelines are sprouting along with an improving economy.

Construction spending was up 5.7% the first 11 months of 2014 vs. a year ago, following increases of 9% and 6% in 2012 and 2013, respectively, government figures show. Contractors hired sparingly in those early years of the real estate recovery, often opting to give existing workers more hours, says Ken Simonson, chief economist of trade group Associated General Contractors.

But, he says, they can't squeeze much more from employees and so are likely to continue to boost hiring this year. Simonson is forecasting another 250,000 to 350,000 job gains in 2015.

Mike Bolen, CEO of McCarthy Building Companies with 2,850 employees, added 350 in 2014, up from 150 the previous year, as projects such as airport additions and wastewater treatment plants surged in the second half of the year. He plans to add nearly 400 workers this year.

"We're getting more comfortable this isn't a false start and have every confidence the recovery is now in front of us," he says.

Also lifting hiring: Oil workers who lost jobs amid the plunge in crude prices are applying for openings, partly easing a nationwide shortage of construction workers, Bolen says.