Full Employment? Not for All Industries

The news that the U.S. is currently approaching full employment, a term that economists use when the number of people looking for jobs is roughly equal to the number of job openings, while good for our economy, is not particularly good news for the construction industry. The just-under 5 percent unemployment rate in January 2016, down from a high of 10 percent in 2009, looks good on paper and is great for workers of the right age, in the right location, with the right amount of education. As an NPR report put it: “If you’re a 30-year-old with a college degree and a U-Haul, you’re all set.” Employment figures show, though, that if you’re over 50, you’ll have a tougher time landing a job. Unemployment rates for college graduates stand at 2.3 percent; for those without a high school diploma, they’re at 7 percent. Silicon Valley’s unemployed are virtually nonexistent; in some West Virginia counties, they number upward of 12 percent.

According to the NAHB’s incoming chief economist, Robert Dietz, the unemployment rate for construction workers was 6.7 percent in January, a vast improvement over the 22 percent of unemployed construction workers in February 2010. But as the number of unemployed workers goes down, the number of open construction jobs is going up. Dietz notes that residential construction alone added 585,300 jobs since the lowest point of industry employment following the Great Recession.

The upshot? While some industries experience the benefits of full employment, the construction sector reported 207,000 open jobs in December 2016. And housing is feeling it. A John Burns Real Estate Consulting survey reveals that builders’ schedules are being held up by as long as two months as they wait for subs to become available. In a recent earnings statement, PulteGroup claimed that its 6 percent decrease in closings was due to the trade shortage, and a number of other public builders announced a similar effect from the lack of workers. Smaller builders are feeling the pinch, as well. *The Wall Street Journal* recounts a story of a home builder in South Carolina whose only recourse was to put two families up at a Hilton Garden Inn while their homes were being completed, at a cost of $200 per night per family, because the company was unable to deliver the homes on time.

At the same time, because of the shortage, wages for available workers in the construction trades are rapidly increasing. Lennar, for example, has said its labor costs rose 10 percent year over year. Even so, the average pay for workers in residential construction nationally is only about a dollar more an hour than that of other private-sector occupations. That’s not enough to make anyone switch jobs—especially for one that often involves putting in long hours, at very hard work, outside. And, not incidentally, higher wages will result in higher home prices and fewer buyers able to afford them.

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We’ve been talking about this issue for quite some time, with little actually being accomplished. People in the industry have been saying that vocational training programs must be created and ones already in place given more funding. But is it happening? I’ve heard of a few exemplary programs, such as Portland’s Oregon Tradeswomen, that have been training workers and placing them in jobs with a great deal of success. There are others, as well, but not nearly enough to make a dent in the deficit.

We must do more. Scott Sedam’s commentary this month (“America’s Trade Shortage,” page 66) is a call to action. Subsequent columns will feature the efforts of some of the people and organizations that are seeking solutions. If you know of ideas or programs that are working, we’d love to hear from you.

Denise Dersin, Editorial Director
ddersin@sgcmail.com