



“the perfect storm”

IN THE
CONSTRUCTION
INDUSTRY

**The Three
Factors:**
Economic
Recovery,
Workforce
Shortages
and
Licensing
Mandates

BY JENNIFER SPILLANE

A perfect storm exists in the world of weather when three hurricanes collide to form one gigantic, powerful storm. Although a rare occurrence, such storms create waves as high as 10-story buildings and destroy ships at sea as if they were made of toothpicks, demonstrating a terrifying manifestation of nature’s strength. Some now say a “Perfect Storm” is brewing in the workforce area of the construction industry.

In fact, it might already be here.

JOHN LUND/GETTY IMAGES

Three factors are causing the storm to pick up speed: the expected economic recovery, the existing workforce shortages, including the loss of workers to retirement, and licensing mandates. The construction industry—already in the midst of a workforce shortage—needs to replace 250,000 workers every year to keep up with the demand. And with fewer young people entering careers in construction, the workforce will continue to shrink. Now, if the economy booms, the shortage will increase dramatically, according to experts.

Within the next 10 years, more baby boomers will retire, resulting in fewer skilled craft professionals, Fred Day, national director for apprenticeship and craft training at Associated Builders and Contractors, says.

In the last couple of years, as the economy became soft, workers left the industry and transitioned to other careers. People are aging out and getting out of the business in addition to normal turnover. In many areas of construction, the average age is 50, and the strenuous work takes a toll on the workers. In addition, more workers are climbing the career ladder sooner into management positions.

“It’s a fact that the baby boomer population is retiring in the next few years, and we are losing a large part of the construction workforce,” Jay Bowman, senior consultant at FMI, a construction industry consulting organization based in Raleigh, N.C., says. These are many times the workers with the most experience, skills and licenses.

Craft licensing laws have been growing consistently since Hurricane Andrew blew through Florida. Some municipalities have set grandfather clauses in effect to give the industry time to train and register journeymen, especially electricians. Many grace periods have expired so contractors must have licensed journeymen on each permitted jobsite. Other communities are presently enacting new license laws or expanding old ones to include new crafts such as plumbing and HVAC.

The combination of these factors results in the eruption of “a perfect storm.”

Value of Construction

Next Year and Years After

Year	Total Construction Volume (in billions of dollars)
2003	\$882.7
2004	\$885.2
2005	\$907.7
2006	\$950.4
2007	\$993.7

Source: FMI

“The perfect storm is a good description,” Randy Giggard, senior consultant with FMI, says. “I have found that people in the construction industry are either unaware of the impact of the situation or bury their heads in the sand in order to not deal with it. It’s not just a matter of finding workers, but training and preparing workers.”

Statistics Speak For Themselves

The Bureau of Labor Statistics (BLS), U.S. Department of Labor, released a report earlier this year on the projections of future job growth by industry and occupation and the likely composition of the workforce pursuing those jobs. Construction is the only goods-producing sector in which employment is projected to grow.

The construction industry is projected to add 1 million jobs, reaching 7.8 million in 2012, according to the BLS.

BLS also reports, over the 2002 to 2012 decade, total U.S. employment is projected to increase by 21.3 million jobs, or 15 percent. During the previous decade (1992 to 2002), total employment grew by 20.7 million jobs but at a slightly faster rate, 17 percent.

Construction employment grew 46 percent over a decade and employment trends are expected to continue, according to BLS.

“I’ve been working with construction industry statistics for nearly 25 years and my experience is that BLS stats are cautious underestimates,” Day says. “They always have been.”

Day says the BLS reporting may be off because it does not account for the thousands of self-employed craft professionals. Tile setters, for example, are not considered craft professionals, but are self-employed workers in the construction industry.

The BLS bases its projections for future years on a 1 to 2 percent growth rate in the economy, Day says. What happens if the economy is projected to see a 2 or 3 percent growth rate? The BLS employment numbers may be off, and the demand for construction workers will increase dramatically.

In fact, the BLS report indicates a huge need in both the short- and long-term for craft professionals, meaning the industry desperately needs employees with skills and education, plus talent and knowledge, according to Day.

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The Results of The Perfect Storm

As the workload continues to grow, can the construction industry attract workers to finish the projects?

“There will be a loss of people and a loss of productivity,” Bowman says. “Twenty percent of the labor force is retiring in four years. Contractors need to spend time training their workforce, even if it’s just training employees to work equipment to complete projects.”

The business of construction may change as a result. The construction industry could follow the path of many school systems, seeking an exemption from the Fair Labor Standards Act, to help make the industry more attractive, Bowman says. For example, using teachers as a model, construction companies may opt to sign an employee for a one-year contract where the employee works nine months and spreads out paychecks for an entire year.

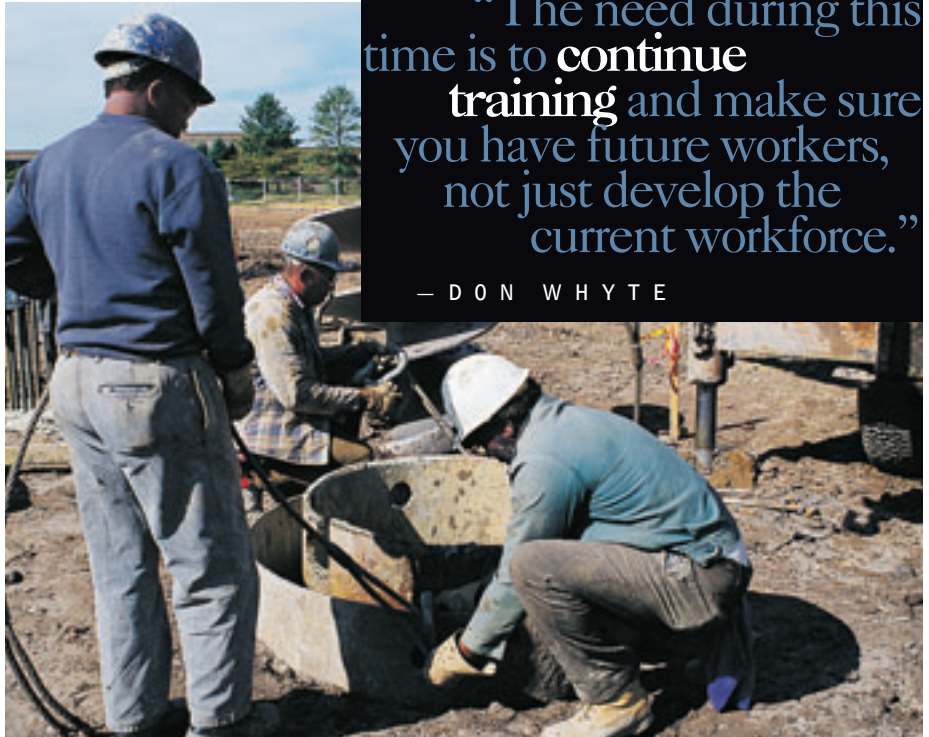
Another model for the construction industry to follow lies with the industrial sector’s internal workforce development programs, Don Whyte, president of the National Center for Construction Education and Research (NCCER), says. Construction owners demand workforce development, and owners in the commercial market will take the lead from the industrial market. With this snowball effect, the common denominator is the skilled worker, Whyte says.

As a result of the perfect storm, other conditions in the industry will change, including:

- increased wages for workers;
- a more competitive job market;
- more competition from new businesses started by craft professionals;
- contracts awarded to only companies that have the employees to complete the jobs;
- higher overtime costs, bids and budgets; and
- lower quality of work because of a rush to get projects done.

Preparing for The Storm

During a downturn in the economy, companies begin to cutback and reduce costs. One of the first areas construction com-



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— DON WHYTE

panies tend to trim is training programs, and in fact, that may be the worst step to take, experts say. “Investing in training now is like putting up storm shutters—you have to prepare for the storm,” Day says.

To prepare for the storm, companies need to:

- recruit more employees internally for training programs;
- create or improve training programs;
- commit to improve the industry’s negative image; and
- increase marketing efforts promoting training to a company’s clients.

The NCCER agrees. “Historically, as we’ve come out of a recession, we lose workers,” Whyte says. “Usually we’re worse off coming out of a recession than going into it. The need during this time is to continue training and make sure you have future workers, not just develop the current workforce. You have to look at all opportunities for skilled workers.”

Whyte says companies can do many things to help the industry, beginning in their surrounding communities.

“Adopting vocational schools and high schools, helping schools create training programs, attending career fairs and getting contractors or employees in the schools to talk about the industry, all contribute to improving the workforce, the

industry’s image and a company’s bottom line,” Whyte says.

Whyte recommends reaching out to parents and the community to let them know construction is not just a summer job—it is a career.

“We have to pull together to change our image in the industry so young people see it as a rewarding career with growth and progression,” he says. “We need to make the industry appealing.”

Some experts may suggest that a solution to this brewing storm lies with recruiting workers from the international workforce to pull through the burst in the economy. Historically, U.S. construction companies have recruited workers from Ireland, China and Japan, and the Hispanic communities. Today, these workers from other countries are heading home because construction work is demanded in their own or other countries, Day says. The world interest rates are low and more countries are investing in building infrastructure. In fact, some are feeling the same workforce shortages as the United States.

Even if the industry is spared from the perfect storm, companies need to attract, and recruit craft professionals, Day says. “It will be a challenge in any economy.”

Spillane is senior writer for Construction Executive.