



Construction Industry Round Table

August 5, 2014

Mr. Timothy Lemmer
Letters Editor
The Wall Street Journal
1211 Avenue of the Americas
New York, NY 10036

RE: Article Misses the “Nuances” in Construction Worker Needs

Dear Mr. Lemmer:

The wsj.com Business Blog story on Real Time Economics entitled “*Is There Really a Shortage of Construction Workers?*” (8/04/14) misses the mark completely, because for some mysterious reason it fails to consider the *entire* construction market’s labor needs, instead focusing only on the housing sector. In truth, and in fact, the construction market is composed of many sectors or segments, that all demand labor resources – often times competing with each other for the limited skilled workforce. To simply, take a snap-shot view of work force levels in one construction sector, like housing, and declare there is no shortage for construction workers is breath-taking in its lack of understanding and appreciation of the nuances for construction labor.

The main premise of the article, from the outset, goes off the rails when it declares that the ratio of construction workers to housing starts at roughly 40% above the pre-crisis level suggests “**considerable slack.**” First, the unemployment number does NOT distinguish between SKILLED and unskilled labor needs, nor does it accurately “capture” self-employed or contract workers to give a more detailed picture of the true project needs. More importantly, the housing ratio measure is misleading and disingenuous at best for a simple reason: the construction markets did not only crater in 2007-09, BUT they also shifted, meaning the dollars moved from housing (especially) to other private sector market segments as well as to public sector projects. Only recently have we seen a slow return or readjustment back to the traditional 80 percent private to 20 percent public spending mix. [The latest U.S. Census Bureau of the Department of Commerce for Construction Put in Place has the mix at 72.14% vs. 27.86% private to public.] Statistically back in 2007, the housing market segment was a much higher percent (averaging almost 45.5% for the year, after peaking at slightly more than 56.0% in Feb. ’06) of the overall construction spending (with housing starts very high) and so the ratio was much less vs. today when the housing segment of the market represents *only* 37.46% of overall dollars being expended on construction.

Moreover, the article contends that “if employment for construction workers was tight then wages would be rising faster;” which is not the case, thus the author concludes: there is no labor shortage. Of course, the contention belies the nation-wide evidence of a “new norm” in the employment markets where the old measuring sticks are being severely tested. Overall, employment improvements are NOT being matched with escalating wages, rising household incomes, or even work hours . . . there are a number of theories why this is so,

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most all leading back to unhelpful federal government policies, rules, regulations, and laws (e.g., ACA, better known as "ObamaCare"). The construction markets are not immune from these strong head-winds disturbing the historic norms in the workforce statistics.

Finally, all of the caveats mentioned in the article are important drivers: the skill levels diverse, the work seasonal, the markets varied and geographically influenced, as well as the workforce is aging with many finding alternative positions to construction or simply taking retirement or other benefits. These are all realities the leading firms in the design/construction industry have understood would impact the availability of skilled employees once the economic picture began to brighten and design/construction dollars increased as we are beginning to see (during the first 6 months of this year, construction spending amounted to \$445.1 billion, 7.8 percent **above** the \$413.0 billion for the same period in 2013). To address this longer term shortfall of skilled, quality employees the A/E/C community has pioneered a nation-wide mentoring program, under the banner of: *ACE Mentor Program of America*, to identify, attract, and mentor the next generation of the best and brightest for the industry. This extremely successful, practical, and important initiative is definitely NOT in search of a problem; labor shortages now and in the future are real.

Submitted by,



Mark A. Casso, Esq.
President
Construction Industry Round Table

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Mr. Casso also serves on the Executive Committee & Board of Directors of the [ACE Mentor Program of America](#).

