

# Real Estate Weekly

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## **Report: Job growth in building sector outpacing national average**

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The rate of job growth in the construction industry is outpacing employment expansion across the country.

According to a report from accounting advisory firm Marcum LLP, there were 105,000 construction hirings between September 2016 and January 2017.

This amounts to job growth of 1.2 percent, which is more than double the 0.5 percent rate of expansions for employment across all industries in the same period.

“The increase in construction employment is remarkable in that the number of net new jobs created in the construction industry in just a few months would represent a decent performance over the course of an entire year,” said Anirban Basu, Marcum’s chief construction economist.

“The really good news is that the nation’s construction unemployment rate also surged. The implication is that many individuals recently entered the labor market in search of construction jobs, perhaps on the expectation of a forthcoming infrastructure-led stimulus package. That’s terrific news for an industry that has been concerned about a lack of labor force growth for years.”

The report, which is based on the Bureau of Labor Statistics’ Job Openings and Labor Turnover Survey, also painted a positive picture of the construction unemployment rate, which expanded from 5.2 percent to 9.4 percent.

“While some would suggest that this was due to seasonal unemployment, the fact of the matter is that U.S. construction gained jobs during this time,” the report read.

“During the same period, the national unemployment rate dipped from 4.9 percent to 4.8 percent. The implication is that many individuals recently entered the labor market in search of construction jobs. That’s terrific news for an industry that has been concerned about a lack of labor force growth for years.”

To illustrate its point, Marcum noted that job separations, which the BLS defines as the number of employees separated from payrolls during a calendar month, was in decline.

“This is consistent with the notion that construction firms are working harder to retain staff, which makes sense given the imperative to hold onto talent and the expectation that that staff will be needed as the volume of work underway continues to expand,” the report read.

Another piece of evidence that pointed to growth in the construction industry was the interplay between of job opening and net hires (defined as hires minus separations). Job opening inched higher but net hires were flat. This means that construction job openings have become harder to fill, according to the report.

“For many years, construction firms strove to limit compensation increases in an environment characterized by sluggish construction spending growth and depressed profit margins. That has begun to change,” Basu said.

“Profit margins have edged higher over time even as construction workers have become scarcer. Should the new administration in Washington, D.C. choose to move forward with an infrastructure-led stimulus package, the construction skills shortfall will become even starker.”

Gary LaBarbera, the president of the Building and Construction Trades Council of Greater New York, expects further job growth in the construction industry over the next year, pointing to large-scale projects such as the \$1.5B expansion of the Javits Center and the renovation of Penn Station and the Farley Post Office.

“On the public side of the equation, we expect that it’s going to be a tremendous amount of work which is going to start to gear up coming into the next year,” he said.

“On the residential side, there will be a dip in the residential market. But the commercial and industrial markets are going to be strong.”