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Skilled Labor Shortage is Contributing to Construction Services Costs, Marcum LLP Says

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The construction industry continues to face a skilled labor shortage, with worker scarcity exacerbated since the onset of the pandemic, said Marcum LLP's annual analysis of the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS). The resulting surge in construction wages, combined with climbing materials prices, has produced significant increases in the cost of delivering construction services.

The 2021 Marcum JOLTS Analysis was produced by Marcum's National Construction Services Group.

Under the banner *Construction Workers Are Scarce, Aging and Really Popular*, Marcum's chief construction economist, Dr. Anirban Basu, details hiring trends, quit rates, and the economic environment shaping the demand for labor in the residential and nonresidential construction sectors.

"The pandemic resulted in a 14.5 percent decline in construction employment from February to April of 2020," said Basu. "Rather than helping the situation, that further exacerbated industry challenges by persuading some workers to enter retirement earlier than anticipated and inducing others to seek employment in other industries, including those that offer the ability to work remotely and/or on flexible schedules."

The construction industry currently faces a historical level of unfilled jobs. On average in 2021, 4.4 percent of construction jobs were unfilled. “That was easily the highest proportion over the course of the two decades that the Bureau of Labor Statistics has monitored such things,” Basu noted. “The share of unfilled jobs expanded over the course of last year, rising from 3.9 percent in January to 5.7 percent by October.”

Labor Shortages and Demographics Jeopardize Industry Recovery

These labor shortages have resulted in rising wages as contractors compete for workers. Over the past 12 months, construction wages climbed 5.1 percent, increasing \$0.19 in January 2022 alone. “Construction input prices have also raced higher. Not only does that squeeze industry margins, it jeopardizes industry recovery altogether by causing certain project owners to delay or cancel projects because of elevated bids,” Basu said.

The median age of construction workers has risen in recent years, and more construction workers than ever consider themselves general construction laborers. “This suggests that the industry doesn’t simply face a worker shortage, it faces a skills shortage,” added Basu. “While these dynamics predated the pandemic, they have become especially apparent over the past two years. Above all, this threatens industry profitability as well as creating circumstances that could result in widespread firm failure.”

There is some good news, however. “With inflationary prices rising and stimulus payments increasingly in the rearview mirror, more people are reentering the workforce,” said Basu. “Construction is no exception. By December 2021, the proportion of positions that remained unfilled had declined to 4.3 percent, though that remains well above the 2.5 percent average that prevailed during the decade preceding the pandemic.”

To download the full report and for more information, visit www.marcumllp.com.