



Real Time Economics

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HERE'S WHERE ALL THE CONSTRUCTION WORKERS WENT

By Jeffrey Sparshott
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The Wall Street Journal has chronicled builders' complaints about a shortage of construction workers and wondered why the labor pool appears so shallow when employment levels are still well below those of the boom years.

Indeed, industry-wide employment cratered from 2006 to 2011, losing nearly 2.3 million jobs. It's gotten well less than half of those back. Where did they all go?

Well, the Census Bureau's job-to-job flows program tracks workers as they move in and out of industries. The data isn't that easy to use and underlying microdata isn't public, but agency economists Hubert Janicki and Erika McEntarfer dove in recently and came up with some interesting findings.

Among construction workers who became unemployed for more than three months between 2006 and 2009:

- About 40 percent stayed in construction, either returning to their former employer or landing with a new one.
- About one-third switched to another industry, but only after sitting on the sidelines for more than a year. Typical destinations included work as general laborers, landscapers and truck drivers.
- Contrary to conventional wisdom, few headed off to the booming oil and gas industry. The mining sector—which includes oil and gas extraction—accounted for less than 5 percent of new jobs for former construction workers heading back into the labor market.
- And about one-quarter of displaced construction workers were still out of work five to seven years after they lost their jobs. "These individuals presumably have left the labor market, although they could be working informally or be self-employed," Janicki and McEntarfer said.

The two researchers also looked at industry hiring to come up with another possible reason for a tightening labor market within the construction sector: Simply, construction companies didn't hire enough young workers.

"The percent of hires accounted for by the 19-25 age group declined from approximately 18 percent at its peak before 2006 to 13 percent in 2012-13," Janicki and McEntarfer said. "In comparison, the composition of hires of workers in the 25-34 and 34-44 age groups shows much more modest declines over this time period."

Those young workers went into other industries.

In short, our analysis of the data suggests that 60 percent of displaced construction workers have left the labor market or moved into other industries. Although some former construction workers transitioned quickly to other sectors, for most, a move into another industry occurred after a long

spell of nonemployment. Also likely contributing to a shortage of experienced workers is a shift in hiring preferences—during the downturn construction firms hired fewer young workers, fewer young workers gained experience in the industry, and the share of older workers grew faster than in other industries.