

By Jeff Kearns

Dec. 18 (Bloomberg) -- Construction employment in the U.S. is poised to rebound as a swelling pipeline of projects prompts companies to expand.

Builders in October had the most job openings and broke ground on more homes than at any time in four years, government data show. Billing by architecture firms, which typically leads construction by at least nine months, is climbing at the fastest pace since December 2010.

"You have a lot of projects right now in design and development, and as soon as the financing hits and the approvals are out, then the shovels go in the ground," said Suzanne Bristol, co-owner of ConstructionConnection.com, a Marble Falls, Texas-based employment consulting service.

While construction payrolls accounted for 4.1 percent of all U.S. employment in November, a six-decade low, industry hiring will ripple through the world's largest economy, prompting manufacturers, retailers, landscapers, real-estate brokers and transportation companies to also take on staff, according to economist Mark Zandi. About 250,000 construction and related jobs will be created in 2013, 13 percent of the 1.93 million Zandi projects the U.S. will add.

"Construction is a small share of the job market, but it can be a very large share of job growth, particularly when the construction industry is in an upswing," said Zandi, chief economist at Moody's Analytics Inc. in West Chester, Pennsylvania. "A big share of the improvement in jobs growth that I anticipate will come from construction and anything related."

#### Builder Confidence

Confidence among U.S. homebuilders climbed in December for the eighth straight month, reaching its highest level in more than six years.

The National Association of Home Builders/Wells Fargo index of builder confidence increased to 47 this month from 45 in November, the Washington-based group reported today.

The number of job openings at construction firms jumped to 130,000 in October, up 59 percent from the prior month and the most since May 2008, Labor Department data show. Housing starts climbed to 894,000 that month, the highest level since July 2008, according to Commerce Department data. Each new home usually equates to full employment for three people for a year, according to Robert Dietz, an economist at the National Association of Home Builders in Washington.

#### Qualified Tradespeople

"The first and second quarter of next year is when you're really going to start seeing people pounding the door to get the qualified tradespeople they need," said Bristol, a two-decade veteran in matching workers with jobs and firms with financing.

Meritage Homes Corp., the Scottsdale, Arizona-based builder of homes in the southern and western U.S., has increased its workforce by about 20 percent during the past 12 months. Meritage had a 39 percent increase in orders for the first three quarters of the year, compared with a year earlier. The builder's shares have rallied 64 percent this year through yesterday.

The new staff don't include "people our suppliers and subcontractors have added with the extra work they are getting," Brent Anderson, a spokesman for Meritage, said in an e-mail. "You can see how significant an impact homebuilding can have on the U.S. economy."

In Europe today, U.K. inflation held at the highest rate since May last month as higher electricity and gas costs kept consumer-price growth above the Bank of England's target. Consumer prices rose 2.7 percent from a year earlier, the Office for National Statistics said in London.

## Stocks Rise

U.S. stocks rose as investors watched for signs of progress in budget talks between President Barack Obama and Republicans in Congress. The Standard & Poor's 500 Index advanced 0.3 percent to 1,434.84 at 10:23 a.m. in New York.

The value of all U.S. construction projects, including residential, commercial and those financed by the government, climbed in October to an \$872.1 billion annual rate, the most since September 2009, according to data from the Commerce Department. Yet builders had 5.51 million workers on payrolls last month, little changed from the almost 15-year low of 5.46 million in January 2011.

"Spending is getting better, and yet employment is not," said Ken Simonson, chief economist at the Associated General Contractors of America in Arlington, Virginia, and president of the National Association for Business Economics. "You have to expect that the jobs will begin to pick up" because "you need more workers in order to produce the output."

## Hours Worked

The rebounding construction industry may be reaching the limits of how much it can do with current staff. The number of hours worked per week by each employee averaged 38.8 over the past three months, the most in any similar period since monthly records began in 2006, according to Labor Department data.

The American Institute of Architects' Work-on-the-Boards Billings Index rose to 52.8 in October, the second-highest level in almost five years, according to the Washington-based industry group. Readings above 50 signal an increase in activity. The gauge, based on a survey of about 700 U.S.-based firms, including Skidmore Owings & Merrill LLP, HOK Architects Corp., and Gensler, has climbed for five straight months, the longest streak of gains in a decade. The group's index of inquiries about new work also has risen five straight months.

## Mortgage Rates

Construction is aiding the U.S. economy's three-year-old expansion after the Federal Reserve's unprecedented efforts drove mortgage rates to record lows. The central bank has purchased almost \$3 trillion of assets and held the main interest rate near zero for four years. The average fixed rate on a 30-year mortgage was 3.32 percent last week, close to last month's record low of 3.31 percent, according to Freddie Mac.

Residential construction may add to economic growth this year for the first time since 2005, boosting gross domestic product by 0.3 percentage point, according to Joseph LaVorgna, chief U.S. economist at Deutsche Bank AG in New York. That contribution may double next year and reach about 1 percentage point when related industries such as furnishings and remodeling are added, he said last week.

To be sure, there are obstacles preventing builders from boosting staff in the short run. Firms are wary because they must pay more for health insurance under President Obama's Affordable Care Act and because of concern about a fiscal contraction if lawmakers and Obama can't agree on a budget plan, according to Adam Bonsky, an executive vice president at Fringe Benefit Group, an Austin, Texas-based hiring and benefits consultant for construction companies.

## Health Care

"They're on every contractor's mind right now," Bonsky said. "The fiscal cliff and the health-care mandate are the two big things out there that create a lot of uncertainty for construction right now in terms of their hiring."

At the same time, reconstruction after superstorm Sandy may lead to a burst of hiring in early 2013, which will also push up wages.

Ed Walters, who's been building homes in New Jersey since becoming a carpenter in 1984, expects a "huge spike" in employment in the Northeast U.S. next year.

The 50-year-old founder of Walters Group, a Barnegat Township-based developer of homes, apartments and shopping centers, already is seeing trucks around the area sporting Alabama and Texas license plates. Workers pulling down \$12 to \$15 an hour now may command as much as \$20 an hour a year from now, he said.

"Once the floodgates open, that workforce is just going to be completely absorbed with no problem," Walters said. "As long as this recovery is real and sticks and doesn't evaporate like some have in the last three or four years, then we're going to start experiencing labor shortages."

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