

NJ Labor Market Views

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As Construction Grows Stronger New Jersey's Economy will Follow ***by Bureau of Labor Market Information Staff***



Although construction makes up a relatively small proportion of New Jersey's private sector employment, a healthy construction industry helps drive broader economic activity in other industries. In addition to being the "supplier" of facilities and infrastructure, the construction industry is noted for its substantial multiplier effect, or ability to produce jobs and revenue in other parts of the economy. Construction is a major purchaser of materials and equipment, which contributes to business activity at a wide assortment of other businesses, especially in the transportation, logistics and distribution industries as well as in manufacturing. Construction's impact extends to purchases of items such as furniture, landscaping, store fixtures and office fixtures that commonly are bought when homeowners or businesses occupy new buildings.

The latest data on construction show that:

- New Jersey's construction industry directly contributed \$12.6 billion in 2005 inflation-adjusted dollars to the nation's 2009 gross domestic product (GDP) representing 2.8 percent of the GDP generated nationally by this industry.
- New Jersey's construction employment averaged 129,500 in 2010 – a smaller share (4.0%) of New Jersey's private sector jobs than in the nation (5.1%).
- In 2009, jobs in New Jersey's construction industry paid higher average annual wages (\$60,588) than the average for the state's private sector as a whole (\$54,542).

Favorable lending practices in the

earlier part of the 2000s helped fuel increased demand for new residential building and led to the construction industry's employment reaching historic highs. Employment that annually averaged 128,000 jobs during the 1990s rose to an annual average of 161,700 jobs during the 2000s. During the recession, from December 2007 to June 2009 however, construction payrolls fell by 19.4 percent in the Garden State, a rate nearly four times that of all other private sector industries combined. In addition, the annual number of residential building permits that reached a high of 38,588 in 2005, fell off sharply beginning in 2008, coinciding with the national recession.

New Jersey's construction industry, like that of the nation, was hit hard by fallout from the sub-prime mortgage crisis and the resulting instability in the banking industry that contributed to the most recent recession. The availability of financing, coupled with an oversupply of housing and office space, caused demand for new construction to fall, pushing jobholding from an historical high down to a 14-year low in 2010. As of Octo-

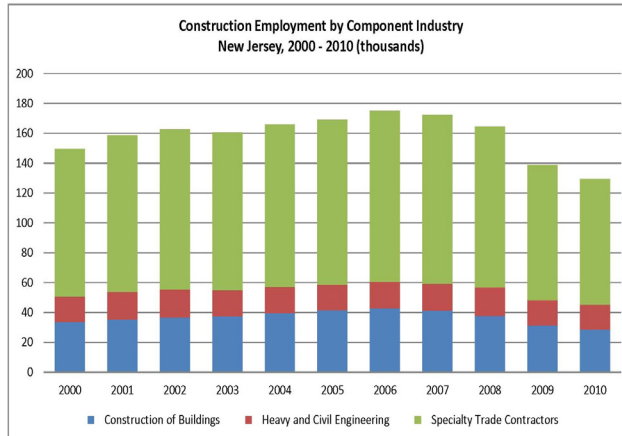
ber 2011 (latest data available), New Jersey's construction payrolls were still 5.3 percent below the level of June 2009 when the national recession officially ended. However, jobholding in construction in the US was down by 8.0 percent over the same period.

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Top Industries in Construction

The construction industry can be broken into three main components: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.

Construction of buildings includes general contractors with responsibility for the completion of a building. These contractors may do the work themselves but, on larger projects, it is not uncommon for general contractors to retain other companies or subcontractors to complete portions of a job. These subcontractors are often specialty trade contractors.

Specialty trade contractors specialize in a particular trade such as plumbing, carpentry, concrete work or roofing. Specialty trade contractors usually are hired by general contractors for new construction or by a building owner for home improvement or renovation work.

In 2010, specialty trade contractors employed close to two-thirds (65.1%) of all workers in construction. Building construction companies employed 22.2 percent and heavy and civil engineering construction companies employed the smallest percentage (12.7%).

Heavy and civil engineering construction includes businesses that build roadway improvements, sewers, utility lines and other infrastructure. Also included are contractors that clear or subdivide land.

Construction Wages in New Jersey Surpass National Average

In 2010, the construction cluster in New Jersey paid an average annual wage of \$60,767. This figure is 9.0 percent higher than the (\$55,742) average private sector wage in New Jersey and 22.5 percent higher than the average wage nationally (\$49,597) for jobs in construction. Despite the recession, in 2010 wages in the construction sector in New Jersey averaged 15.8 percent higher than in 2005.

The industries in the construction cluster paying the highest average wages were oil and gas pipeline and related construction (\$87,288), followed by other heavy and civil engineering construction (\$81,347) and highway, street and bridge construction (\$80,911). The other industries which paid more than 130 percent of the average wage for the cluster were industrial building construction (\$80,210) and commercial and institutional building construction (\$79,783). By employment levels, plumbing, heating and air-conditioning contractors are the largest industry (22,666 jobs) in the cluster, followed by electrical contractors and other wiring installation (18,832 jobs).



Many of the cluster's lower-paying industries are in residential construction. Examples of some of the industries paying less than 85 percent of the average

wage for the cluster were roofing contractors (\$50,938), residential building construction (\$47,791), framing contractors (\$46,694), masonry contractors (\$45,668) and painting and wall covering contractors (\$43,389).

Construction Industry Occupations

When the general public thinks of job opportunities in the construction



industry, the images that may normally come to mind are the blue collar positions such as heavy equipment operators, plumbers, ironworkers, and laborers. In reality, companies in the industry employ workers in a broad range of occupations involving managerial, engineer-

ing, administrative, sales, and clerical duties. While some jobs in construction have low entry requirements, others require advanced degrees or extensive experience.

While the state's construction industry in 2009 employed workers in more than 120 different occupations, 70.9 percent of the employees worked in just 30 of those occupations. A few of those occupations are highlighted here.

Cost estimators provide construction companies with estimates of materials that will be needed to complete a project, the amount of labor and how long a job will take to determine how much a job could cost. In New Jersey, there are about 2,600 cost estimators working in

the construction industry. The average annual salary is about \$67,100 per year. While it is possible to enter the profession without college by working in the construction industry for several years, most employers require a bachelor's degree in construction management in addition to experience working in the construction field.

Construction managers have overall responsibility for a company's work on a jobsite. According to the US Bureau of Labor Statistics, about 61 percent of all construction managers are self-employed. A small construction business may require relatively little in start-up capital, however, in New Jersey contractors performing work on homes must be licensed by the Division of Consumer Affairs and carry workers' compensation and liability insurance. In New Jersey, there are about 4,000 construction managers who are employees. The average salary for construction managers is about \$122,000 per year.



Some jobs in the construction industry are available to workers without any special training or education. For instance, 14,400 persons are employed in the state as construction laborers. Construction laborers assist the more skilled workers on jobsites. The average salary for this position is \$46,947. The New Jersey Department of Labor and Workforce Development projects that the number of workers employed in the state as construction laborers will increase through 2018.

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(10,400) and plumbers (7,200), including pipefitters and steamfitters. The average annual wage for carpenters is \$52,800; for electricians it is \$66,100 and \$62,200 for plumbers. Workers in these occupations can learn their trade through a combination of training and classroom study at community colleges or technical schools, along with training on the job. Another way to learn these trades is through a four year apprenticeship sponsored by an employer or union.

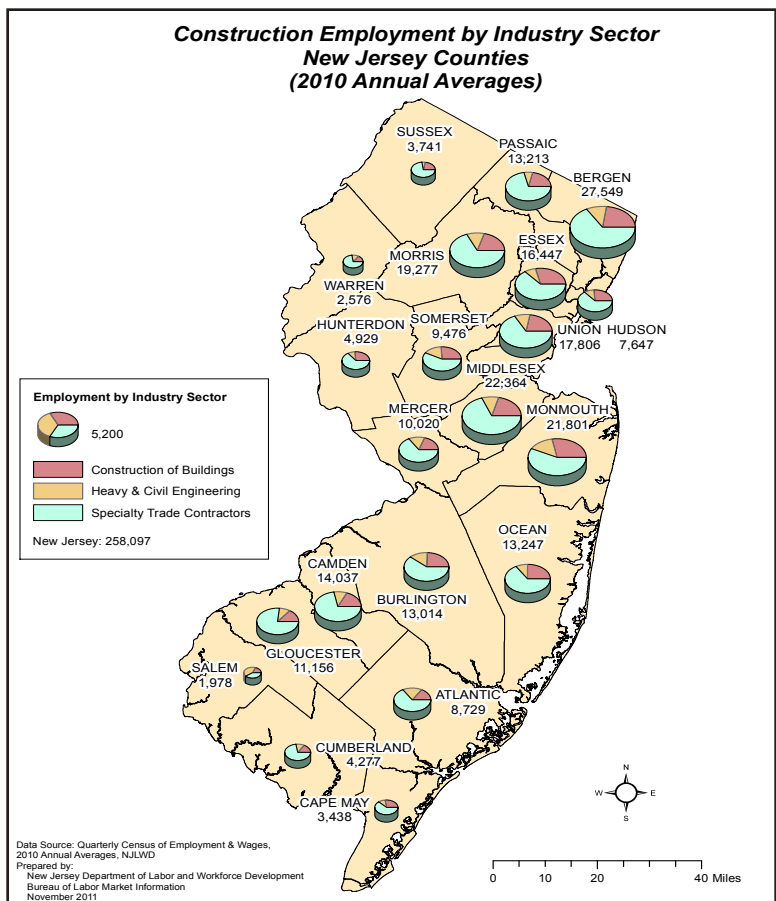
Outlook

Construction employment may decline somewhat over the next year. It is unlikely that demand for new office buildings, warehouses and stores will increase substantially until businesses fill up the space that became vacant during the 2007 - 2009 recession. Although the economy in general is beginning to recover and businesses have started to hire, it will probably be several years before investors become willing to construct large amounts of new office, retail or warehouse space on a speculative basis.

Residential building permits, an indicator of planned future building activity, totaled 13,535 in 2010, an increase of 1,114 from the 2009 level. However, the 2010 figure is still well below the average of 29,130 permits issued annually during the 2000s and employment gains resulting from this increase in permits will likely be modest.



The area in which the state may see stronger investment in the next few years is in rebuilding or replacing the state's aging structures, highways and utility infrastructure. Investment in construction projects in key infrastructure could lead to work opportunities for construction companies and workers.



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