

## **Labor Squeeze: With Housing Strong, Builders Often Find Skilled Help Lacking --- Contractors Compete Keenly For Available Tradesmen In Places Like Phoenix --- A Problem for Los Angeles?**

By Robert Tomsho, The Wall Street Journal, 2472 words  
Jan 27, 1994

*Copyright Dow Jones & Company Inc Jan 27, 1994*

PHOENIX -- These should be the best of times for Gilbert Plumbing Co.

With home building booming here, the company expects to install plumbing in about 3,000 homes this year -- far more than the 500 homes a year it did in 1988 and 1989, the trough of the recent recession here. In the company's back lot on a recent afternoon, dozens of plumbers scrambled to load trucks with faucets, toilets and pipes for the next day's work.

Yet, as he paced the bustling yard, C.A. Gilbert, the company's 64-year-old founder, wore the steely grimace of a besieged general. With his 96 employees already working six-day, dawn-to-dusk weeks to keep up with demand, Mr. Gilbert is struggling to recruit 30 more plumbers by, among other things, advertising in newspapers as far away as New York, Minneapolis and Bismarck, N.D.

He isn't very hopeful. A blitz of help-wanted ads in major California newspapers last fall drew only 20 phone calls, and just one plumber was hired. Meanwhile, local competitors, offering an extra dollar or two an hour, recruit Gilbert plumbers as they leave the company lot at night.

"It's just a nightmare," Mr. Gilbert laments. "We can't get people."

Many contractors around the country have the same problem. "There is a critical need for skilled workers," says Rick Harris, a spokesman for the Home Builders Institute, an industry research group. "It's a national problem."

As the industry rebounds from a withering downturn, the problem has so far been most acute in residential construction, where the recovery has outpaced the commercial and industrial sectors. With low interest rates and moderating prices unleashing pent-up demand for homes, contractors in dozens of markets are having trouble finding skilled carpenters, plumbers and electricians. The shortage also is spawning concern about work quality as desperate contractors settle for less-reliable help. Meanwhile, projects are delayed and costs increased as workers demand higher wages.

In Kansas City, Mo., a shortage of skilled workers has added as much as two months to the time required to build a home. Oklahoma City bricklayers are charging as much as 50% more than a year ago for their services. Frustrated Denver home builders are preparing to hold a series of "job fairs" in other cities.

And with the prime summer building season approaching, the massive effort to rebuild Los Angeles is likely to aggravate the problem. "The earthquake is going to further put a squeeze on the manpower situation nationwide," says Peter Cockshaw, publisher of an industry newsletter. "And I don't know that they are going to get all of the skilled people that are needed."

Construction has always gone through boom-and-bust cycles that drove workers from region to region in search of jobs. As the demand for skilled labor revived in an area, pay rates rose and the workers returned. But that isn't happening now. Instead, regional building booms are exposing long-festering industry problems.

Between 1983 and 1992, the nation's work force increased about 17%, to 103.7 million workers, but the number of construction workers rose only about 10%, to 4.5 million. Moreover, industry executives say fewer and fewer of those workers are the well-trained journeymen of a generation ago. "We can always find enough people to slam together some forms and do the grunt work," says Dan Bennet, executive vice president of Associated Builders and Contractors, a trade group based in Rosslyn, Va. "It's the skills where we are going to have a problem and already do."

Those growing shortages are the culmination of more than a decade of turmoil within the industry. In some families, generation once followed generation into the construction trades. Such jobs usually paid better and were more challenging than manufacturing work, and they offered broad opportunities for people to start up their own businesses.

But during the 1970s and 1980s, those traditions began eroding as major corporations and other customers, in a quest for lower building costs, awarded more jobs to nonunion contractors. As unions' market share dwindled, cutthroat competition among such firms drove down wages.

By 1988, according to the Bureau of Labor Statistics, manufacturing workers were earning more -- about \$16.26 an hour in total compensation, compared with \$16.23 for construction workers. By 1993, the gap had increased, with manufacturing workers pulling down \$20.09 an hour total compensation, compared with \$19.71 in construction. In some regions, especially the right-to-work Southwest, construction wages fell even further for experienced workers, into the \$12-to-\$15-an-hour range with no benefits.

Older craft workers retired, and many younger journeymen left the industry. "And we can't rely on the people we have lost coming back," says John Heffner, training director for the Associated General Contractors of America, which represents many large commercial and industrial contractors. "I think they have just had it with a lack of benefits and guaranteed hours; they have just had it with being treated as a cost rather than an asset."

For a time, nonunion contractors still could find enough skilled help from the ranks of former union members, but they weren't replenishing the supply by recruiting and training young workers.

But while experienced people might still earn \$12 to \$15 an hour, potential recruits from the baby-bust generation began finding that starting wages for new trainees had slid as low as \$5 an hour in some trades and that they could earn nearly as much manning a fast-food counter or stocking store shelves. And the difference wasn't enough to make up for construction's dirt, danger and few benefits, plus the uncertainty of an unemployment rate that regularly was double the national average.

By last year, even the Associated Builders and Contractors, whose members are primarily nonunion, was sounding the alarm. In one newsletter, Mr. Bennet, the trade-group executive, wrote that many construction workers could no longer afford homes or health insurance. He added that according to one survey, young people considered a career in construction only slightly more appealing than migrant farm work. "When you squash down, year after year, on wages, you don't attract a good person into the industry," he observes.

Stephen Gubin, chief executive of Phoenix-based Wilson Electric Co., which has 400 employees, couldn't even persuade his own son to learn the trade. "The labor supply isn't there because the kids haven't accepted this industry as a viable place to go for their careers," he says.

Those who have find training in short supply. Hundreds of vocational schools have abandoned construction programs in favor of high-tech fields. One 1990 study by the Construction Labor Research Council estimated that the industry was training only about two-thirds the number of workers it would need in the 1990s.

Union apprenticeship programs, long the industry's primary training and recruiting ground, have shriveled as the unions themselves have lost work. "The employers demand a skilled work force, and that is our product," says Ray Robertson, who oversees apprenticeship programs for the AFL-CIO's Building Trades Council. But while the unions' training apparatus remains in place, the system took on only about 170,000 new trainees last year, down from some 200,000 annually in the early 1980s. Says Bill Muns, director of training for Ironworkers Local 75 in Phoenix: "It does no good to train people if you don't have the jobs."

Moreover, most contractors provide only minimal on-the-job training. To speed up production, many have broken down the crafts into dozens of repetitive tasks and teach a worker only to install toilets, hang doors or build chimneys.

"In many cases, you are no longer a carpenter, you are a 'cutter'; you cut boards all day," says David Wilkinson, executive director of the Phoenix ABC office, who has been struggling to persuade local nonunion contractors to fund a better training program. Most have balked, fearing that competitors won't contribute and thus will gain a cost advantage in bidding. "If you throw two contractors off a bridge, they will scratch, kick and gouge each other all the way to impact, even though they know they are going to die at the bottom," he says.

The Phoenix market strikingly illustrates the fruits of such ruthless competition. Strewn across a vast desert valley, Arizona's largest city is virtually exploding with construction activity around its edges. Home builders' billboards line the highways, and acre after acre of former cotton fields and desert has come alive with bulldozers grading lots and construction crews wrestling up the frames of new homes. A near-record 22,652 new-home construction permits were issued in the Phoenix market last year, up 23% from 1992 and nearly double the 1990 total. "And had it not been for a shortage of construction labor, we would have exceeded that," says R.L. Brown, a local industry analyst.

That shortage is pushing the building time for the average Phoenix home toward 180 days from the traditional 75 to 90 days. Amid fluctuating lumber prices and interest rates, such delays have made it difficult for builders to estimate prices and for home buyers to lock in loans.

Schuck & Sons Construction Co., which specializes in putting up house frames for other contractors, has been trying to add about 150 framing carpenters to the 535 it already employs. The company keeps running newspaper ads as far away as Seattle, Salt Lake City and Denver, but so far the response has been sparse.

Last summer, a series of ads in the Los Angeles area drew 300 calls, but only 12 people showed up to work in Schuck's Phoenix operations and, after a week of raids by labor-hungry competitors, only two were still on the job. "Their choice, not ours," grumbles Craig Steele, Schuck's executive vice president, who is still advertising in the local paper though admitting that "it's just to let the builders know that we are still trying."

Growing desperate, contractors are advertising full health benefits, paid vacations and profit-sharing plans. A few have offered employees \$50 for every new hire they bring in. For a time last year, Del Webb Corp., a major home builder here, ran ads on a local rock station offering to top any framing carpenter's last pay stub by \$2 an hour.

Meanwhile, recruiters turn up on construction sites, hiring away tradesmen. "Guys are jumping ship left and right for 50 cents an hour," the local ABC's Mr. Wilkinson says. "You don't know who's going to show up on the job from one day to the next."

Or how good they will be. While there have been no scandals or major accidents, complaints about building quality and timeliness to the Arizona Registrar of Contractors, a state consumer agency, have risen by 3% to 4% in each of the past five years. Area contractors admit that they have to redo a lot of their crews' work and that concern about their workers' skills has spurred them to hire more superintendents and internal inspectors. "They are just not up to the caliber that they used to be," says Kim Bannister, a Del Webb executive.

Asked to move a gas line that he had mis-installed, one recent hire at Gilbert Plumbing simply revved up his chain saw and cut a broad gash into the drywall and studs of a newly built home. "You hire them and take your chances," says Mr. Gilbert, a blunt-spoken man who is struggling to reconcile the current turmoil with a work ethic forged long ago on his parents' North Dakota wheat farm.

Since arriving in Phoenix in 1969 with enough money to buy two second-hand trucks, he has built a booming plumbing business with 66 trucks, a computerized business office and revenue of about \$9 million last year. All three of his adult children have joined him at Gilbert Plumbing; a daughter does the billing, one son is a superintendent, and another oversees the business operation. Mr. Gilbert still knows the vintage and mileage of all his trucks, which are washed weekly. His back lot is a sprawling but immaculate collection of bins filled with plumbing fixtures.

Although Mr. Gilbert's pay of \$10 to \$14 an hour for experienced plumbers isn't the most generous in the market, he proudly notes that he kept his core group of some 30 plumbers employed during the recession. Nevertheless, some of his most loyal employees say the business has changed. Journeymen plumbers such as Karen Schweigart, whose husband is a company superintendent, say the quality of the work force has dropped, health benefits and paid vacations are still hard to come by, and wages haven't kept pace with inflation. "There's nothing at the end of the rainbow in construction anymore," she says, adding that she has discouraged her children from entering the business.

Meanwhile, the relatively low pay and a lack of benefits have driven away plumbers such as Louis Leyba, who quit Gilbert Plumbing five months ago. "I worked for a few shops, and they are all the same," grumbles the 48-year-old Mr. Leyba, who says his current job as a groundskeeper for a suburban government offers better benefits than any he ever got in plumbing.

Another former Gilbert plumber, Ralph Naylor, says no amount of money could persuade him to pick up his wrenches again. "I had to borrow money to make house payments," says Mr. Naylor, who became a building appraiser. Construction companies "are saying that they want skilled labor, but they don't want to pay for it."

Oddly enough, Mr. Gilbert acknowledges that navigating through the downturn wasn't nearly as hard as dealing with a market where some general contractors, desperate for his services, have told him to name his price. Tripling his work force to handle the load has been a nightmare. Many plumbers, hired in the afternoon, continue to shop for better-paying jobs and never punch in the following morning. On any given day, a dozen or so of his workers don't show up, and most don't call in. Eight quit for other jobs one recent week. One asked for -- and got -- a \$450 advance the day before he disappeared.

"We've had some employees whose fathers have died three times," grumbles Mr. Gilbert, who hesitates to criticize, punish or fire workers, knowing they can get another job in half an hour. "You got to be careful how you talk to them."

Desperate for help, Mr. Gilbert allows his secretaries to make hiring decisions if company executives aren't available to interview walk-ins. He even has taken on plumbers who, having lost their drivers' licenses because of speeding or drunken-driving convictions, need a driver to ferry them from job to job.

Recruiting is never far from Mr. Gilbert's mind. As he and one of his sons were driving back to the office one recent afternoon, Mr. Gilbert suddenly perked up. "Steve, there are two plumbers' trucks up ahead of you," he said. "Speed up and see if you can catch'em."

Credit: Staff Reporter of The Wall Street Journal