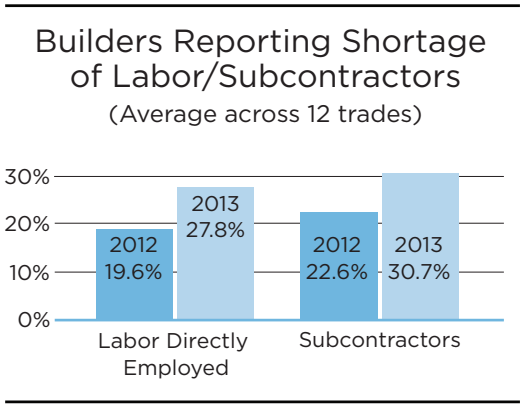
Remember the Labor Shortage? It's Back

Less than a decade ago, one of the biggest problems facing residential builders was a long-running shortage of both construction laborers and skilled workers. The issue disappeared during the housing bust that began in 2008. But now, with the building industry growing again, there are signs that the labor shortage could again become a troubling fact of life.

As evidence, NAHB economist Paul Emrath points to the results of two recent NAHB/Wells Fargo Housing Market Index surveys, which asked single-family builders nationwide about labor shortages in a dozen categories of directly employed and subcontracted workers. The labor-shortage questions had long been part of the survey, but had been omitted for several years during the downturn. When they were asked again — in June 2012 and March 2013 — the results took many by surprise.

"The numbers were up in every trade we looked at," says Emrath. When



Credit: HMI Special Analysis, NAHB

the results were averaged out across all trades — including rough and finish carpenters, electricians, framing crews, roofers, plumbers, and a half-dozen other categories — 27.8% of builders surveyed in March reported shortages of directly employed labor, up from just 19.6% nine months earlier. The figures were similar for subcontracted labor (see graph, above).

According to Emrath, the significance of those findings goes beyond the numbers themselves, which are still well below the levels of scarcity typical of robust building activity. "The cause for concern is that this is happening so early in the recovery," he says. "The fact that we're seeing labor shortages already suggests that we could be looking at a serious problem in the future."

To put that another way, the only reason 2013 looks like a relatively good year for housing is that the preceding years were so much worse. If NAHB projections are correct, the current year will be the sixth worst for housing since World War II — the five worst being 2008, 2009, 2010, 2011, and 2012. From the end of the war to 2000, housing starts averaged 1.5 million

Tom Marsik for WRA

A new home in Dillingham, Alaska, has set a world record for the tightest residential structure ever built, according to a news release from the World Record Academy. The 600-square-foot two-bedroom home, on the Bristol Bay campus of the University of Alaska Fairbanks, registered an air infiltration rate of 0.05 ACH50, or less than a tenth of the maximum allowed under the Passive House standard.

Homeowners who live in energy-efficient properties are less likely to default on their mortgages than those who don't, according to a recent study conducted at the University of North Carolina. Researchers compared a sample of about 71,000 Energy Star and non-Energy Star–rated homes with loan performance data. The more efficient the house, the lower the default risk, with each one-point decrease in a home's HERS index correlating to a 4% decrease in the risk of default. The study controlled for the size and age of the house, neighborhood income, the local unemployment rate, and other factors. However, a fact sheet from the nonprofit Institute for Market Transformation, which funded the research, notes that one possible explanation couldn't be ruled out: that "buyers of energy-efficient homes may be more financially astute than other borrowers."

per year and never fell below 1 million. With fewer than a million starts expected this year, you'd expect there to be plenty of eager carpenters and painters to go around. So where are they?

Not your usual downturn. In the normal short-run construction cycle, Emrath says, workers are used to going through periods of unemployment. In effect, a base level of unemployed workers and tradespeople serves as a reserve labor force that enables builders to ramp up without missing a beat when things get busy.

But after a slump as long and deep as the one now ending, other forces come into play. "A lot of people got out of the mentality that work was ever going to come back," says Emrath. Over the years, many older workers have retired. Others have retrained for new jobs — which they may be understandably reluctant to leave — while still others have moved and now live in areas where building has been slow to recover. Some foreign-born workers have returned to their countries of origin.

Will new immigrants save the day? In the short and medium term, one potential answer to the developing labor shortage is an increase in legal immigration. While that's been a politically touchy issue in the past, it's gained considerable traction since the 2012 presidential election, due in part to groups like the Essential Worker Immigration Coalition (an arm of the U.S. Chamber of Commerce), which has aggressively lobbied for more visas for foreign workers.

Congress is expected to enact a comprehensive immigration law sometime in the current session. The earliest glimmering of what such a law might look like is a bipartisan Senate bill rolled out in the middle of April, which would dramatically increase the number of H1-B visas available for highly skilled workers — many of whom work in high technology or medicine — from 65,000 to as many as 180,000, depending on demand. The bill would also create a new classification for low-skilled workers — presumably including many in the construction industry — called the W-visa.

Only 20,000 such visas would be issued in the first year, however, with the construction industry's share of all W-visas capped at just 15,000. Given that the U.S. had 1.25 million construction laborers and helpers in 2010 (according to the BLS), it's unclear how much that number of additional workers — just 300 per state if distributed evenly — would help. — *Jon Vara*

North Carolina Lawmakers Consider Local Design Restrictions

The North Carolina House of Representatives has approved a bill that would prohibit local governments from using zoning ordinances to regulate building-design elements for single-family homes or duplexes. The current version of the bill — designated HB 150 — defines "building design elements" as exterior building color, materials, roof style, type or style of porches, location of architectural styling of windows and doors, number or types of rooms, and interior layout of rooms.

The law is needed, says North Carolina HBA staffer Lisa Martin, because burdensome local design ordinances have become increasing common in recent years. "The University of North Carolina School of Government looked at aesthetic controls on residential structures, and they found a huge number of them — something like 40 cases where local governments were restricting things like roof

Wood has long been used by humans as a source of fuel and building material, but if a process developed by researchers at Virginia Polytechnic University can be commercialized, it could become a food source as well. According to *Science News,* bioprocess engineer Y.H. Percival Zhang has used genetically modified bacteria to produce enzymes capable of re-forming cellulose molecules into amylose, an edible starch. Given the high cost of the enzymes, Zhang estimates it would cost about $1 million to produce enough starch to meet one person's carbohydrate needs for 80 days. But with more research, he says, it may be possible within the next decade or so to reduce that figure to 50¢ per person per day.

In another victory for big data, two UCLA economists have cross-referenced energy billing data from 280,000 California homeowners with voter-registration records and concluded that liberal households in liberal communities use significantly less electricity than conservative households in conservative communities. When compared with registered Republicans, Democrats consumed 5.1% less power and Green Party members 15.5% less.

NAHB and the International Code Council have jointly published a new book for contractors seeking to get a handle on the 2012 IRC, which is being adopted by a growing number of jurisdictions nationwide. The illustrated *Quick Guide to the 2012 International Residential Code* breaks down new requirements in the 2012 code, including provisions for ventilation, wall construction, duct sealing, hurricane protection, and fire safety. It's available in either hard copy or e-book form from NAHB's builderbooks.com.

pitch or color or porch design," she says.

Opponents of the bill maintain that preventing local governments from regulating the number of kitchens and baths in a home would allow multifamily dwellings to proliferate in neighborhoods now zoned for single-family homes or duplexes. The North Carolina chapter of the American Planning Association also claims, through its website, that HB 150 would hurt homeowners "who have made an investment based on an expectation that the community would continue protecting the character of the neighborhood through design standards."

Martin finds such arguments unconvincing. "What they're really talking about, in a lot of cases, is finding a way to use zoning to eliminate certain socioeconomic classes," she says. "That's why the North Carolina Housing Coalition and other affordable housing advocates want to see it pass." Moreover, says Martin, design restrictions are simply unfair to consumers. "What if you don't want the front porch required by zoning? What if the homeowner would rather spend that money on another bathroom instead?"

Although similar legislation proposed in 2009 and 2011 failed to become law, the current bill's comfortable 98–17 margin of victory in the house suggests that things could be different this time. Once HB 150 has been reconciled with a companion bill now in the Senate, it will likely receive a final up-or-down vote later this spring. — *J.V.*