

The Impact on Sureties of Rising Construction Employment

By David A. Harris October 31, 2018

Recent employment data released by The Associated General Contractors of America shows that construction employment has continued to grow. Overall construction employment in the U.S. was up 4.3% in the last year. Pay has also increased with average construction salaries 10% higher than average for private-sector employees in the U.S.

With increases of **10.4%** and **7.7%** construction employment in Georgia and Florida outpaced the national growth by significant margins. The growth in North Carolina (**5.4%**) and South Carolina (**.2%**), two other states where Bovis Kyle has offices, was not as high. However, construction employment in all four states can be expected to rise as rebuilding begins following the damage caused by hurricanes Florence and Michael.

Higher construction employment and new construction starts is good news for the construction industry. The steady growth in the industry for several years has been impressive.

For sureties higher construction employment may not be all good news. A tight labor market makes it difficult for subcontractors to adequately staff a project. We've seen recently an increase in the prices received from replacement contractors following a default and a decrease in the number of firms willing to bid on those jobs. With low unemployment sureties on a defaulted project are paying a higher premium to place construction workers on their projects.

These dynamics underscore the importance of following surety fundamentals after a default. Time and effort spent on the front end of a default investigating the status of the work and putting together a bid package with a defined scope of work will help in generating interest in the completion project. If the scope of work is left open ended or if the surety puts the burden on the bidding contractor to evaluate what work needs to be done to complete the project than qualified contractors may pass on the work.