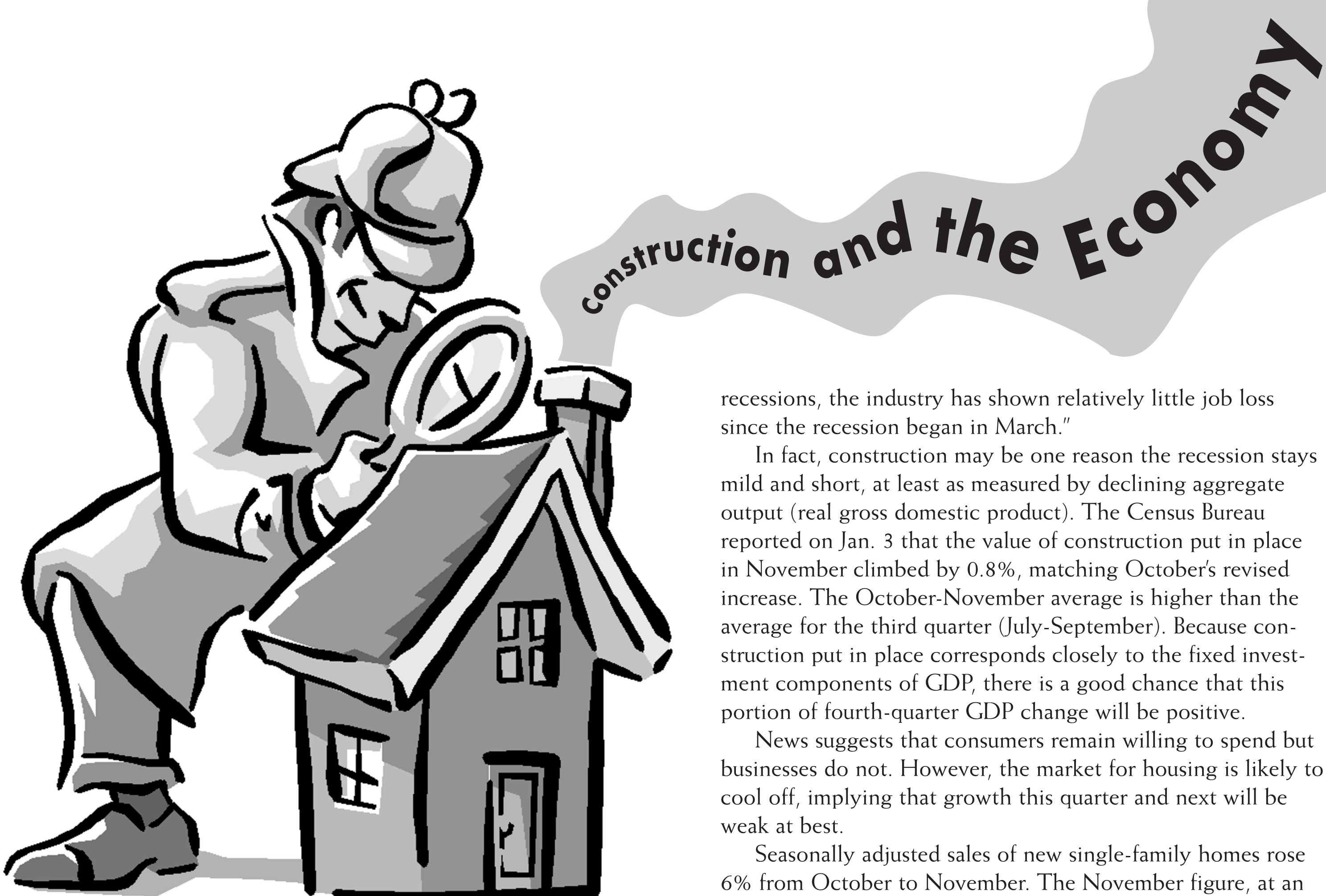

Mass Layoff Events Surge in Construction Field

By Ken Simonson

On December 28, the Bureau of Labor Statistics reported that the number of mass layoff events (50 or more workers) in construction soared in November to 312, involving 29,000 workers, compared to 241 events and 23,000 workers in November 2000. The agency said most were in the subsector called "heavy construction, except buildings." For all industries combined, both BLS and the outplacement firm of Challenger, Gray and Christmas reported the highest total number of November layoffs since their respective services began.

Seasonally adjusted construction employment, in contrast, rose by 5,000, to 6,854,000 in December. Compared to December 2000, overall employment was down by 80,000 (0.1%) but construction employment was 63,000 (0.9%) higher. Of the BLS's three construction subcategories, the largest group—"special trade contractors"—was up 7,000 for the month and 19,000 (0.4%) for the year; "general building contractors" was down 5,000 for the month but up 12,000 (0.8%) for the year; and "heavy construction, except buildings," was up 3,000 for the month and 32,000 (3.5%) for the year. Acting BLS Commissioner Lois Orr commented, "While the number of construction jobs generally declines substantially during recessions, the industry has shown relatively little job loss since the recession began in March."

In fact, construction may be one reason the recession stays mild and short, at least as measured by declining aggregate output (real gross domestic product). The Census Bureau reported on Jan. 3 that the value of construction put in place in November climbed by 0.8%, matching October's revised increase. The October-November average is higher than the average for the third quarter (July-September). Because construction put in place corresponds closely to the fixed investment components of GDP, there is a good chance that this portion of fourth-quarter GDP change will be positive.

News suggests that consumers remain willing to spend but businesses do not. However, the market for housing is likely to cool off, implying that growth this quarter and next will be weak at best.

Seasonally adjusted sales of new single-family homes rose 6% from October to November. The November figure, at an annual rate of 934,000, was the highest since March and virtually guaranteed that 2001 as a whole would exceed sales in 1999 and 2000. These results are consistent with a government report that housing starts in November jumped by 8%. In contrast, the F.W. Dodge Division of McGraw-Hill reported that seasonally adjusted single-family housing contracts fell 5% in November. At a seasonally adjusted annual rate of $478.2 billion, the Dodge estimate of the value of new construction starts in November was down 3% from October. Reduced contracting was reported for housing and public works, while nonresidential building showed improvement for the third month in a row.

Continuing weakness in worldwide demand for crude oil is likely to keep crude prices from rising further. Construction firms should expect flat or falling prices for on- and off-road diesel fuel, asphalt, and other products with a large petroleum or energy content (such as plastics and aluminum.)

Editor's Note: This continuing series on the economy and its impact on the construction industry is published monthly in Interface*. This month's article is prepared by Kenneth D. Simonson, Chief Economist for the Associated General Contractors of America (AGC). Simonson started as AGC's chief economist on September 10, 2001(!). Previously, he spent three years as senior economic advisor in the Office of Advocacy of the U.S. Small Business Administration and 13 years as vice president and chief economist of the American Trucking Association. Simonson may be reached at simonsonk@agc.org.*

