

Remarks for Ken Simonson, Chief Economist for the
Associated General Contractors of America
as prepared for June 5, 2009 media conference call

Good morning, and thank you for taking time to dial in. My name is Ken Simonson and I am the chief economist for the Associated General Contractors of America. With me today on the call are a number of our member contractors from across the country.

While today's employment report provides helpful data about the current state of our economy, which I will address momentarily, these contractors are dealing with the reality of our economy every day in ways that data will never fully reflect.

First, as many of you are probably aware, today's employment report shows little relief for nonresidential construction. The rate of decline over the past year hit double-digits for the first time for all three nonresidential categories measured by the Bureau of Labor Statistics. Simply put, the unemployment rate for construction in May was horrendous. The unemployment rate for construction is a very high 19.2 percent, while the unemployment rate for the broader economy is 9.1 percent on a not-seasonally adjusted basis.

It is true that total construction job losses in May slowed to 59,000, seasonally adjusted, from a rate twice as great in the previous three months. But I suspect this shows that homebuilding is finally touching bottom, whereas nonresidential employment unfortunately still has a ways to fall. The rate of decline in employment over the past year hit double-digits for the first time for all three nonresidential categories measured by the Bureau of Labor Statistics.

The 12-month decline totaled 990,000 or 14 percent, which was far worse in percentage terms than the 4 percent drop in all nonfarm payroll employment. That disparity shows that construction continues to bear a disproportionate share of the pain from this recession. Total nonresidential construction employment fell 12 percent, with decreases of 13 percent for nonresidential specialty trade contractors and 10 percent each for nonresidential building and heavy and civil engineering construction.

Residential construction employment slumped 16 percent in May, with nearly equal declines in the two components: 17 percent for residential building and 16 percent for residential specialty trade contractors.

Unfortunately, the data includes an ominous sign for the future of construction. The continuing steady drop in architecture and engineering services employment, which fell more than 1 percent for the fourth straight month in May and is down 7 percent from a year ago foreshadows a continued slowdown in the start of new construction projects.

Going forward, I expect residential employment to level off in the next few months, with increases possible in single-family and renovation work. But nonresidential employment is likely to weaken for the next year or longer, as private and state government-funded work dries up.

The only bright spots are likely to be power construction, including power plants, wind farms and transmission lines; military base realignment projects; and of course stimulus-funded work.

Indeed, the stories you are about to hear indicate that the stimulus is doing its job putting men and women back to work. It is boosting opportunity and generating economic activity in an increasingly broad geographic area.

What I would like to do now is ask each of the contractors on the line to introduce themselves, and spend a few seconds talking about how the stimulus is helping them save existing jobs and add new employees to their payroll.

The following contractors are on the call.

Christian Zimmermann of Pike Industries in New Hampshire.

John McKaskie of Swank Associated Companies in Pennsylvania.

Scott Fredrick of Indiana-based Primco.

Rick Harlan is with A.M. Cohron & Sons.

Jim Hayne of General Constructors.

Michael Welch is with BRB Contractors.

Ryan Commiskey is with Peck Striping.

Don Laskey is with Laskey-Clifton Corp.