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Construction employment falls nearly 7% year over year

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Dive Brief:

- Construction employment declined by 61,000 in February, while the sector's unemployment rate soared to 9.6% amid severe winter weather and continuing weakness in new nonresidential projects, according to an analysis by the Associated General Contractors of America of government data released Friday.
- The job loss was concentrated in nonresidential construction, with a decline of 60,800 jobs in February, following a dip of 400 jobs in January. The February 2021 total was 316,000 jobs or 6.8% less than a year earlier.
- "The steep decline in construction employment in February continues a downward trend in nonresidential activity that began before the disruptions caused by last month's freezes and power losses," said Ken Simonson, the association's chief economist. "Despite recovery in some parts of the economy, private nonresidential construction is still experiencing many canceled and postponed projects and few new starts."

Dive Insight:

Despite the massive decrease, Associated Builders and Contractors Chief Economist Anirban Basu said he the numbers are not cause for alarm among commercial contractors, citing weather-related interruptions in the South that likely resulted in temporary job losses.

In recent months, contractors have become more upbeat regarding industry prospects, as indicated by ABC's Construction Backlog Indicator, citing rising backlog and expectations for rising employment, sales and profit margins, Basu said in a statement.

"The balance of the economy appears to be outperforming expectations in terms of labor market recovery, and there is now growing evidence that more pervasive vaccinations are beginning to shape economic outcomes for the better," he said.

Another analysis released last week found that despite coronavirus-induced layoffs, construction employees are becoming harder to find and more expensive, a new report found.

The industry is beginning to experience labor shortages as it bounces back from last year's pandemic-related downturn, according to the 2020 Marcum JOLTS Analysis. Job openings fell to 195,000 in December, equal to roughly 2.6% of available construction positions.

In addition, as contractors in some regions struggle to find labor, wages have risen to record levels. In January 2021, average hourly earnings of construction employees reached their highest level ever, \$32.11, and average weekly hours worked rose to their highest level since 2019's third quarter.

“When the pandemic began, some thought (and hoped) that the massive job losses observed in March and April would mitigate the skilled labor shortages that have frustrated construction firms for years,” wrote Basu, author of the report and Marcum's chief construction economist. “That simply hasn't happened to any meaningful degree.”