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**MORE CONSTRUCTION FIRMS PLAN TO HIRE, INSTEAD OF CUTTING, WORKERS IN 2011  
DESPITE STAGNANT DEMAND, NATIONAL SURVEY FINDS**

*More Firms in Iowa Plan to Hire than in Any Other State, While More Firms in Idaho Plan Layoffs, Most Firms Expect Big Declines in Stimulus Work, According to New Industry Outlook*

More construction firms are planning to hire workers this year than are planning to make layoffs, according to the results of an industry-wide survey released today by the Associated General Contractors of America and Navigant. The survey, conducted as part of the *Construction Industry Hiring and Business Outlook*, shows the industry may finally be emerging from a severe downturn that has left millions of skilled workers unemployed.

“This won't be an easy year for most firms, but it will be better than last year,” said Stephen E. Sandherr, the association's chief executive officer. “If current trends continue, this industry will be in a much better position 12 months from now than it is today.”

Sandherr noted that while 55 percent of firms laid off staff and only 20 percent of firms added employees in 2010, the outlook is more positive for 2011. He said that 27 percent of construction firms report they plan to add staff in 2011 while only 20 percent report plan layoffs. Even more positive, expanding firms plan to hire an average of 23 employees, while contracting firms plan to lay off an average of 16 employees.

Among the 26 states with large enough survey sample sizes, 45 percent of firms in Iowa plan to hire, more than in any other state. Those firms plan to hire an average of 5 employees each, 21 percent of their workforce. Only five percent of Iowa firms plan layoffs. Meanwhile, 48 percent of firms in Idaho plan layoffs for this year, the highest percentage of any state. Those firms plan to lay off an average of 12 employees each, 11 percent of their workforce. Only 14 percent of Idaho firms plan to hire. (*Click here for state-by-state survey results.*)

Despite the improving employment outlook, more contractors expect the construction market to shrink in 2011 than expect it to grow. Contractors are most pessimistic about the private office market, where 56 percent expect activity to decline, followed by the retail, warehouse and lodging market, where 52 percent expect less activity. Contractors are most optimistic about the hospital & higher education market, where 32 percent expect growth and the power market, where 29 percent expect growth. However, even for those markets, 36 percent of contractors expect the hospital & higher education market to shrink and 32 percent expect the power market to contract.

Contractors' low expectations may be driven by the fact most firms expect stimulus-funded construction activity will decline this year. Clear majorities of firms (ranging from 56 percent to 66 percent) expect stimulus spending in every market segment to decline in 2011. Meanwhile, only 30 percent of firms report they plan to perform stimulus-funded work this year, down from the 45 percent that reported performing stimulus-funded work in 2009 or 2010.

“The stimulus propped up many construction jobs during the past two years,” said Ken Simonson, the association's chief economist, noting that firms reported one-in-five employees were involved in stimulus-funded projects during the past 12 months. “The stimulus is already becoming a thing of the past in most contractors' minds.”

The dour market outlook appears to be affecting demand for new construction equipment. Only 28 percent of firms report plans to purchase new construction equipment in 2011, down from the 34 percent that reported purchasing equipment last year. Investment levels among the firms planning to buy equipment appear to be heading up, however. Firms report plans to spend nearly \$900,000 on average for new equipment, up from average totaling of \$671,000 last year.

Bid levels will remain very competitive this year. According to the survey results, 29 percent of firms report they plan to lower bid levels in 2011. That follows a year when 74 percent of firms reported lowering bid levels, including seven percent who reported lowering bid levels to the point they lost money performing the work. Adding pressure to firms' bottom lines, 71 percent of firms report their health care costs are expected to increase in the wake of the new legislation enacted last year.

“In the face of tough market conditions, many firms are focusing on operating efficiencies and expense reduction, positioning themselves well to take advantage of a resurgent construction market,” said Michael Feigin, Navigant's managing director for construction. “Construction firms are doing this, in part, by adopting new technologies and new techniques like BIM and Lean Construction.”

Growing numbers of firms plan to embrace new construction modeling technology known as Building Information Modeling (BIM) this year, Feigin noted. While only eight percent of firms currently use the technology, 55 percent expect that number to increase in 2011. Demand for green construction also continues to grow, with 15 percent of firms reporting working on Leadership in Energy and Environmental Design (LEED) registered projects in 2010 and 53 percent expecting that number to grow this year.

Growing numbers of firms plan to work on public private partnerships (PPP), perhaps driven by tight public sector budgets. Firms report working on an average of 5.2 PPPs in 2010, and an overwhelming 70 percent of firms expect that number to increase this year. In contrast, use of Integrated Project Delivery (IPD) contracts that include incentives for collaboration among parties involved in a project, does not appear very widespread. Firms reported working on an average of only 0.26 projects with IPDs last year, and 92 percent of firms expect that number to decrease this year.

Nearly half, 46 percent, of firms reported implementing Lean Construction Concepts, a way of minimizing waste of materials, time and effort. Feigin suggested many firms have embraced lean construction concepts to cope with decreasing revenue and ever tighter margins.

The outlook, which the association co-sponsored with expert services firm Navigant, was based on survey results from nearly 1,300 construction firms from 49 states, the District of Columbia and Puerto Rico. Contractors from every segment of the industry answered over 30 questions about their hiring, equipment purchasing and business plans. Economists and specialists from the association and the firm analyzed those comments to craft the outlook.

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