



FOR IMMEDIATE RELEASE
Monday, Jan. 23, 2012

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CONSTRUCTION FIRMS TO MAKE SIGNIFICANTLY FEWER LAYOFFS IN 2012 AS PRIVATE SECTOR DEMAND IMPROVES, DESPITE MIXED OVERALL INDUSTRY OUTLOOK

More Firms in Wisconsin Plan to Hire than in Any Other State, While More Firms in Missouri Plan Layoffs, Stimulus and Demand for Green Construction Wane, According to New Industry Outlook

Significantly fewer construction firms are planning to make layoffs in 2012 than at any point in the past few years according to survey results released today by the Associated General Contractors of America and Computer Guidance Corporation. The survey, conducted as part of the *2012 Construction Industry Hiring and Business Outlook*, shows many firms expect key private sector market segments to expand this year even as the overall outlook remains mixed.

“While there are some promising signs, especially when it comes to construction employment, the outlook for the industry is mixed,” said Stephen E. Sandherr, the association's chief executive officer. “More than four years after demand for commercial construction began to plummet, economic conditions remain difficult.”

Sandherr noted that far fewer firms are planning on making layoffs this year, only 9 percent in 2012 compared with 37 percent last year and 55 percent in 2010. He added that 32 percent of firms report they plan to add new staff in 2012. Even more positive, half of those firms report plans to add 6 or more new employees during the next 12 months.

Among the 29 states with large enough survey sample sizes, 57 percent of firms in Wisconsin plan to hire new staff this year, more than in any other state. Only 16 percent of firms in Virginia plan to add staff this year, the least amount in any state. Meanwhile, 18 percent of firms in Missouri plan layoffs for this year, the highest percentage of any state. No firms working in South Carolina reported plans to make layoffs this year. (*Click [here](#) for state-by-state survey results.*)

A majority of firms expect the dollar volume of projects they compete for to either grow or remain stable in every market segment. In particular, roughly three-fourths of contractors expect the power and the hospital and higher education markets to expand or remain stable this year. In contrast, contractors working on a number of market segments typically funded by the public sector are more pessimistic. Forty-four percent of contractors expect the market for new public buildings to shrink, 41 percent expect the market for K-12 school construction to shrink and 40 percent expect the highway market to contract.

In addition, many contractors report they continue to be impacted by tight credit conditions. Nearly half – 49 percent – of responding firms report that tighter lending conditions have forced their customers to delay or cancel construction projects. Perhaps related to the tough credit environment, 60 percent of firms expect demand for green construction projects to either stagnate or decline in 2012.

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“There are definitely some conflicting trends when it comes to contractors’ expectations for 2012,” said Ken Simonson, the association's chief economist. “The construction industry will improve this year but we are going to have to wait until at least 2013 before contractors experience the kind of recovery this industry needs.”

Simonson added that contractors appear cautious with their plans for acquiring new construction equipment. Many more firms report plans to lease, instead of purchase, new equipment. Only 40 percent of firms report they plan to buy new equipment this year, while 66 percent plan to lease. Even as they shift toward more leasing, firms’ appetite for new equipment remains modest, with 57 percent saying they will buy \$250,000 or less in equipment and 70 percent saying they will lease \$250,000 or less worth of equipment this year.

Contractors also report being caught between stagnant bid levels and rising materials prices. Eighty-six percent of firms report they expect their materials prices to increase in 2012, even as 80 percent say they expect bid levels to stagnate or decline this year. Adding to the cost squeeze, 81 percent reported their health care costs went up in 2011 and 82 percent expect their health care costs to increase in 2012.

A growing number of firms appear to be focused on increasing efficiency and reducing costs by taking advantage of Building Information Modeling services, also known as BIM, association officials noted. Thirty-one percent of firms report they currently use the technology, up from just 8 percent from last year. And 47 percent report they expect the use of BIM to increase in 2012.

“As a result of the tight market conditions, firms are trying to find the best way to leverage their investments in new information technology,” said Roger Kirk, Computer Guidance’s president and CEO. “Contractors are looking for software and technology that increases the efficiency of existing staff and allows firms to do more with fewer people.”

Kirk noted that 55 percent of firms report they plan to invest in their information technology departments in 2012. He added, however, that companies looking to invest in replacing older software are looking at ways to avoid large-scale up front investments. For example, while only 9 percent of firms reported plans to purchase new software, one-third of firms report they would consider leasing or financing new software. Interest in Cloud-based computing appears to be growing among construction firms, Kirk noted.

The outlook, which the association co-sponsored with Computer Guidance, was based on survey results from over 1,300 construction firms from 50 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 Computer Guidance analyzed those comments to craft the outlook.

Click [here](#) for the *2012 Construction Hiring and Business Outlook* report. Click [here](#) for the survey results.

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