

Employer Demand in the Construction Industry Cluster for 2014-2016

EXECUTIVE SUMMARY

This report provides an updated estimate of employer demand in the Louisiana construction industry for 2014-2016. The study encompasses two NAICS sectors, Heavy and Civil Engineering Construction (237) and Specialty Trade Construction (238). As the unprecedented level of capital investment begins, demand for construction workers has already risen at rates above trend in 2012 and 2013. As of the end of 2013, the future increases in demand required to carry out major projects over the next several years as well as support baseline activities represents approximately 23,000 more construction jobs at the 2016 peak than estimated current 2013 employment—a greater than 21% increase in demand statewide.

Recent employment trends show that 2013 employment will not rise quite as rapidly as had been thought a year ago. In addition, several projects have been delayed and two large projects has been cancelled entirely including the massive Shell GTL facility. On the upside, several new large projects have been announced over the course of the last year. Together, these new developments suggest that the spike will manifest itself less sharply than previously expected and peak employment will be slightly lower than had been expected last year. While total employment is stable from 2015 to 2016, the need to replace retiring workers will undoubtedly lead to new job opportunities in 2016 and beyond.

Graph 1: Statewide Construction Employment Projections

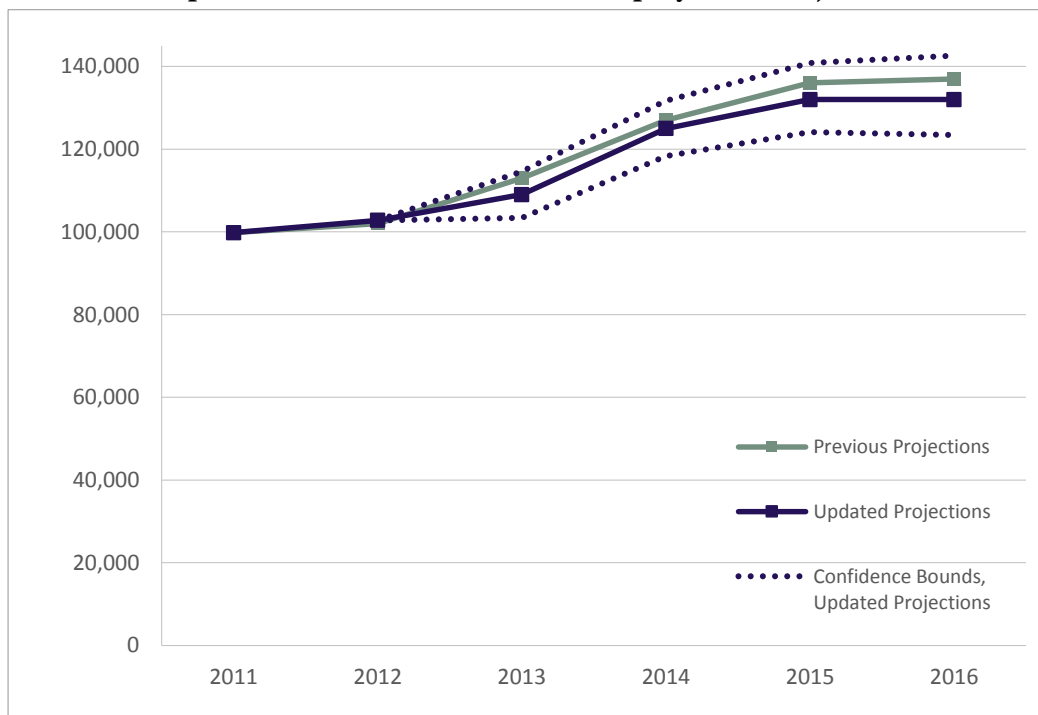


Table 1: Updated Construction Demand Forecast

YEAR	EMPLOYMENT	CHANGE
2011	99,800	NA
2012	102,800	3.0%
2013	109,000	6.0%
2014	125,000	14.7%
2015	132,000	5.6%
2016	132,000	0.0%

Table 2: Previous Construction Demand Forecast

YEAR	EMPLOYMENT	CHANGE
2011	99,800	NA
2012	102,000	2.3%
2013	113,000	10.8%
2014	127,000	12.4%
2015	136,000	7.1%
2016	137,000	1.5%

METHODOLOGY

This analysis is based on data from the Quarterly Census of Employment and Wages, which provides a consistent measure of employment by industry for 1990-2012. A 2013 employment level is estimated using the Current Employment Statistics estimate of year-over-year changes.

Next, a statistical model is selected that best captures historical employment trends to estimate a baseline level of natural growth. The magnitude and timing of major construction projects is continuously monitored, to determine the approximate number of construction workers demanded for those projects. Driver firm and industry feedback is also solicited to get up-to-date information about the status of these projects. An estimate of additional construction workers needed beyond baseline growth is then added to the statistical forecast to estimate the total expected worker demand within the industry in the years of interest.

These projections come with some notable caveats. First, it is likely that some of the construction demand will be filled by out-of-state firms, particularly in Lake Charles. Given the unprecedented investment spending beginning in Lake Charles, some of the construction contracts may be awarded to established firms from Texas and other neighboring regions, which could lead to some of these construction employment opportunities going elsewhere. It is also possible that some of the more costly, labor intensive materials may be produced offsite then shipped in for assembly. Also, these estimates assume that most of the projects that have been announced will happen according to the latest timelines made available. Some projects could easily be delayed or permanently halted by permit, contract, or regulatory hurdles, or changing economic conditions. The fact that various construction phases require different types of workers is yet another challenge. Finally, this boom is no secret. Firms know that construction labor will continue to be in exceptionally high demand, and are likely to adjust their schedules accordingly. All of this means that accurately projecting the timing of hiring is a process that requires constant refining.

Ultimately, these figures represent *expected demand* for construction labor to help employers and state agencies prepare the workforce appropriately. This will not necessarily match actual employment statewide. The primary goal of this report is to ensure that state policymakers have the best measure possible of the potential opportunity for job growth in this sector.