



Local construction industry faces future strain

By: Christian Moises, News Editor | March 23, 2011 | 1 Comment

New Orleans usually goes against the grain when it comes to national trends, and the construction industry is no exception.

While the recession forced many cities and states to trim government construction budgets and the private sector scaled back or put the brakes on work, southeast Louisiana moved forward with a seemingly never-ending list of projects related to Hurricane Katrina recovery.

That has helped buoy the local industry during a time when 2.2 million construction workers lost their jobs nationwide between April 2006 and February and the sector's unemployment rate, which was 21.8 percent in February, consistently has been higher than national average.

The Associated General Contractors of America recently released employment figures for January compared with the same month in 2007. During that four-year period, New Orleans saw a 5 percent decrease in jobs from 31,600 to 30,000. The city ranked 32nd for job growth among the 337 metropolitan areas the AGC tracks. Although the area lost 1,600 positions over four years, its rate of loss was better than 205 other cities.

But all is not well.

Competition to land work of any scale has increased dramatically as idle firms and workers from throughout the nation try to get a share of the southeast Louisiana building boom.

As major Katrina-related projects — such as the Twin Span reconstruction, Superdome repairs and upgrades and hundreds of projects under Task Force Hope to strengthen and improve storm protection — wind down, New Orleans could be on the cusp of joining other cities on the construction employment slide.

The entire \$430 million Louisiana received from the American Recovery and Reinvestment Act of 2009 is now under contract, according to figures the Louisiana Department of Transportation and Development released this week. Only \$33 million worth of that total figure has been completed, which means there's still work ongoing and paychecks being written. But those projects will be finished before too long, forcing many workers on the sidelines.

Jobs such as Nucor's steel plant in St. James Parish, continued public housing and school rebuilds in New Orleans and the new Veterans Affairs and University Medical Center complexes will help keep local firms and workers afloat. But as the picture remains bleak elsewhere, don't count on out-of-town firms that have set up shop locally to leave anytime soon.

Construction spending nationwide is hovering near a 10-year low, and contractors are holding bids steady to win whatever contracts they can. But the cost of materials continues to climb, and that combination, says AGC's chief economist Ken Simonson, threatens to add to an already high toll of laid-off workers and shuttered construction firms.

The construction industry already leads the state in weekly first-time jobless claims every week, save a few here and there throughout the year. And despite the federal government's continued efforts to jumpstart construction, it's only a matter of time before the New Orleans industry comes more in line with the rest of the nation.

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