Recent months employment data provides strengthening evidence that the construction industry's long sharp decline has ended. Its future direction, however, is as uncertain as ever. What is clear from past behavior is that a return to the level reached at the last peak will require years of growth.

Construction employment for the first six months of 2010 has been little changed at about 5.6 million persons (Chart 1). This is the low point of the decline that has been ongoing since the spring of 2006. In the past four years employment has declined from a peak of 7.7 million in April 2006. The drop of 2.1 million in employment or over 25 percent is of historic proportions.

If, indeed, employment is now at a cyclical low, monthly employment figures are already behaving uniquely. It is unusual for employment to be steady for as long as six months as it has so far in 2010. In the past, a low has immediately been followed by a resumption of growth. (Some of the stability results from using seasonally adjusted data. Construction employment actually grew during the first half of the year, as anticipated by the seasonal adjustment factor.)
Prior to the present downturn, construction experienced its longest period of growth in employment, ever. From a low of under 4.6 million persons in July 1992, employment increased to its record level of over 7.7 million in April of 2006, except for a leveling off from early 2001 to early 2003. Employment grew by over 3 million or two-thirds.

The severity of the current downturn can be viewed by looking at current employment compared to an earlier period. Current employment is now at the same level as August 1996. In other words, almost 10 years of employment gains (August 1996 to April 2006) have been wiped out in less than 4 years (April 2006 to February 2010).

**Outlook**

While the future of construction employment is unknown, past patterns during recovery/growth periods can be identified. They have two characteristics:

- Multiple years of growth.
- Multiple years to regain prior peak.

Examining the two prior recoveries as indicators of future behavior, growth can occur for an extended number of years (Chart 2). From a low in 1982, construction employment grew until 1989. The next low point was 1992. There was then an unparalleled period of employment expansion until the latest peak in 2006. The past, therefore, suggests that when recovery starts, it will continue for many years.
While growth can extend for a long period, the first years of expansion represent a regaining of jobs lost in the prior downturn (Chart 3). When employment bottomed in 1992, it took four years just to reach the level of its earlier peak (1989). Similarly drops from 1979 to 1982 required three years to again match 1979's level. If the present cycle follows these patterns, construction employment will again match the level of 2006 in 2012 or 2013.

### Periods of Declining Employment

<table>
<thead>
<tr>
<th>Period</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979 – 1982</td>
<td>-11%</td>
</tr>
<tr>
<td>1989 – 1992</td>
<td>-13%</td>
</tr>
<tr>
<td>2006 – 2009</td>
<td>-21%</td>
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</tbody>
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With 2010 now half over, it will take strong employment growth during the second half of the year for construction employment to register growth from 2009 to 2010. This will make the present downturn not only the severest, but the longest of the most recent three. It could also extend further into the future the time before construction employment again reaches the old peak achieved in 2006.

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