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STIMULUS CONSTRUCTION FUNDS HAVE LITTLE IMPACT TO DATE ON COMPANIES' ABILITY TO HIRE NEW EMPLOYEES, ANALYSIS FINDS

Companies With and Without Stimulus Projects Hiring at Same Rate, In Part Because of "Disappointingly" Slow Distribution on Non-Transportation Stimulus Construction Dollars

The stimulus plan appears to be having little influence on construction companies' ability to expand payrolls to date according to a new industry analysis of the impact of the federal program's construction spending released today by the Associated General Contractors of America. The "disappointingly" slow pace of construction spending outside of the transportation sector is one of the main reasons for the relatively small impact on new hiring, the group noted.

"While the construction portion of the stimulus is having an impact, it is far from delivering its full promise and potential," said Stephen E. Sandherr, the chief executive officer of the contractors association. "With construction unemployment at almost double the national rate, it is disappointing to see so many stimulus programs getting off to such a slow start."

Sandherr said that five months into a federal stimulus program that has approximately \$135 billion dedicated for construction projects, there is little difference in hiring and purchasing patterns between companies doing stimulus-funded work and companies that aren't.

For example, he noted that while 36 percent of construction companies with stimulus-funded work report plan to hire new employees, an almost identical percentage of firms without stimulus-funded work also plan to make new hires this year or next. He added that while 36 percent of construction firms with stimulus-funded work plan to purchase new equipment and supplies, a higher rate - 43 percent - of construction firms without stimulus-funded work report plans to purchase new equipment over the same time frame.

One reason the stimulus is having a limited impact on construction hiring and purchasing patterns, Sandherr said, is that outside of the transportation arena, little of the stimulus' authorized construction dollars have resulted in actual construction work. He noted that while the Army Corps of Engineers is responsible for \$4.6 billion in stimulus construction funds, the agency has only obligated \$715 million and paid out \$84 million.

Meanwhile, the General Services Administration has only obligated \$656 million and paid out \$12 million of its \$5.9 billion in stimulus construction funds. And only half of one percent of the \$6 billion in stimulus funds available for the U.S. Environmental Protection Agency's state clean water and drinking water programs has been put to use at this point.

He said the slow investment rate for construction funds was significant to hiring and purchasing patterns because some of the hardest hit segments of the construction industry are outside of the transportation area.

Sandherr said the stimulus was doing a much better job at this point in helping construction companies save existing jobs. He noted that 60 percent of construction firms with stimulus-funded work report have saved or retained jobs because of the stimulus.

And he noted that construction firms with stimulus-funded work do plan to make larger equipment purchases than their colleagues without stimulus funded work. Among companies planning equipment purchases, forty-two percent of firms with stimulus work say they will spend over \$500,000, while only 18 percent of firms without stimulus work will invest more than half a million dollars in new equipment and supplies.

“The stimulus is clearly working,” Sandherr said. “It just isn’t working fast enough for many construction workers in many communities.”

Sandherr said there was still time for the Administration to make sure the multi-year stimulus program delivers on its promise. He said the association was urging federal agencies to address critical shortages of contracting officials within key federal and state agencies overseeing stimulus construction dollars.

He added that the Administration needs to fully and finally clarify reporting and Buy American requirements included in the stimulus, noting many federal and state agencies are having difficulty interpreting the new mandates. And he urged everyone involved with the stimulus to set proper expectations for what the stimulus will, and will not, be able to do for the economy.

“Unsustainably high expectations can bring down good policy and great programs,” Sandherr said. “The stimulus will keep our industry alive, but it will not turn around a trillion dollar construction industry overnight.”

The stimulus analysis released today was based in part of a survey almost 1,000 construction firms nationwide conducted by the Associated General Contractors of America over the past three weeks. The survey results were combined with the association’s analysis of federal and state agency stimulus activities, and a review of employment data from the Bureau of Labor Statistics.

Click [here](#) for the survey results and [here](#) for the association’s stimulus impact analysis.

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