Background of Arizona’s Construction Industry Employment

Construction and Extraction occupations have started to recover from heavy losses showing strong growth and net gains over the 2010-2020 time period. The Construction forecast is a net gain of about 47,225 jobs with an expansion of 36.4% from 2010 to 2020. (Source: Occupations Projections Report - Arizona Office of Employment and Population Statistics)

For the first time in five years, Arizona contractors saw construction market activity rise two years in a row. The $9.5 billion total volume is a result of a 6.2% jump over 2011 and marks the return to a growing market. Activity for fiscal 2012 increased more than $500M above 2011, but just barely topped 2010’s $9.3 billion market.

While it’s good news in the marketplace, the dollar volume in 2012 is still less than half the $22.4 billion the State Tax Facts shows for the fiscal year ending June, 2007—the last year of increasing contracting sales in Arizona.

Jumping 8.4 percent over 2011’s volume, activity in June kept the momentum going. Close to $850 million was reported, marking three consecutive months of increases. It’s a positive trend upward, however, recovery has a long way to go. (Source: Arizona Builders’ Exchange).

Construction employment in Arizona in August 2013 totaled 122,700, an increase of 6.0% from August 2012 and a decrease of 50% from the state’s peak in June 2006.

Transportation’s Influence on the Economy and the Multiplier Effect

Numerous studies have been done that show the direct correlation between transportation investment and the overall economy. Commercial development which sustains hospitals, businesses, schools and other vital services to the economy have long been supported by a good infrastructure system.

The ICF International diagram above illustrates this correlation.

The correlation between transportation/construction investment and the overall economy is clear. When workers in Arizona lose their jobs, whether they are construction laborers, retail workers or state employees, the negative consequences are multiplied. Unemployed and underemployed workers – and even workers who are simply concerned about a recession – spend less on consumer goods, delay replacing old cars and other durable goods, and abandon their plans of buying new homes. This sets off a chain reaction that negatively impacts retail stores, construction companies and construction material suppliers, car dealers, real estate developers and sales companies, and other industries whose owners and employees then also reduce their spending.

The Economics of Construction Investment

Private nonresidential spending in Arizona totaled $6.6 billion in 2012. (Public spending is not available by state.)

Construction Industry Pay

In 2012, annual pay of all construction workers in the United States averaged $52,300, 6% more than the average for all private sector employees. Construction workers’ pay in Arizona averaged $47,000, 4% more than all private sector employees in the state.

Small Business

Arizona had 11,400 construction firms in 2011, of which 90% were small with less than 20 employees.

Investing in Infrastructure

Every $1 billion in nonresidential construction spending would add about $2.3 billion to the state’s Gross Domestic Product (GDP), about $740 million to personal earnings and create or sustain 21,000 jobs.

✓ 7,100 jobs would be direct construction jobs located in the state.

✓ 3,400 jobs would be indirect jobs from supplying construction materials and services. The majority of these jobs would be located within the state of investment but there would be some out of state jobs supported.

✓ 10,500 jobs would be induced when workers and owners in construction and supplier businesses spend their incomes locally and nationwide.

“Infrastructure is another key consideration for attracting and retaining the jobs Arizona wants. In particular, transportation and data transfer infrastructure are especially important.”

Arizona 96th Town Hall Report

“For every $1 Billion invested in non-residential construction 21,000 direct and indirect jobs are created in Arizona”

Ken Simonson, Chief Economist
AGC of America