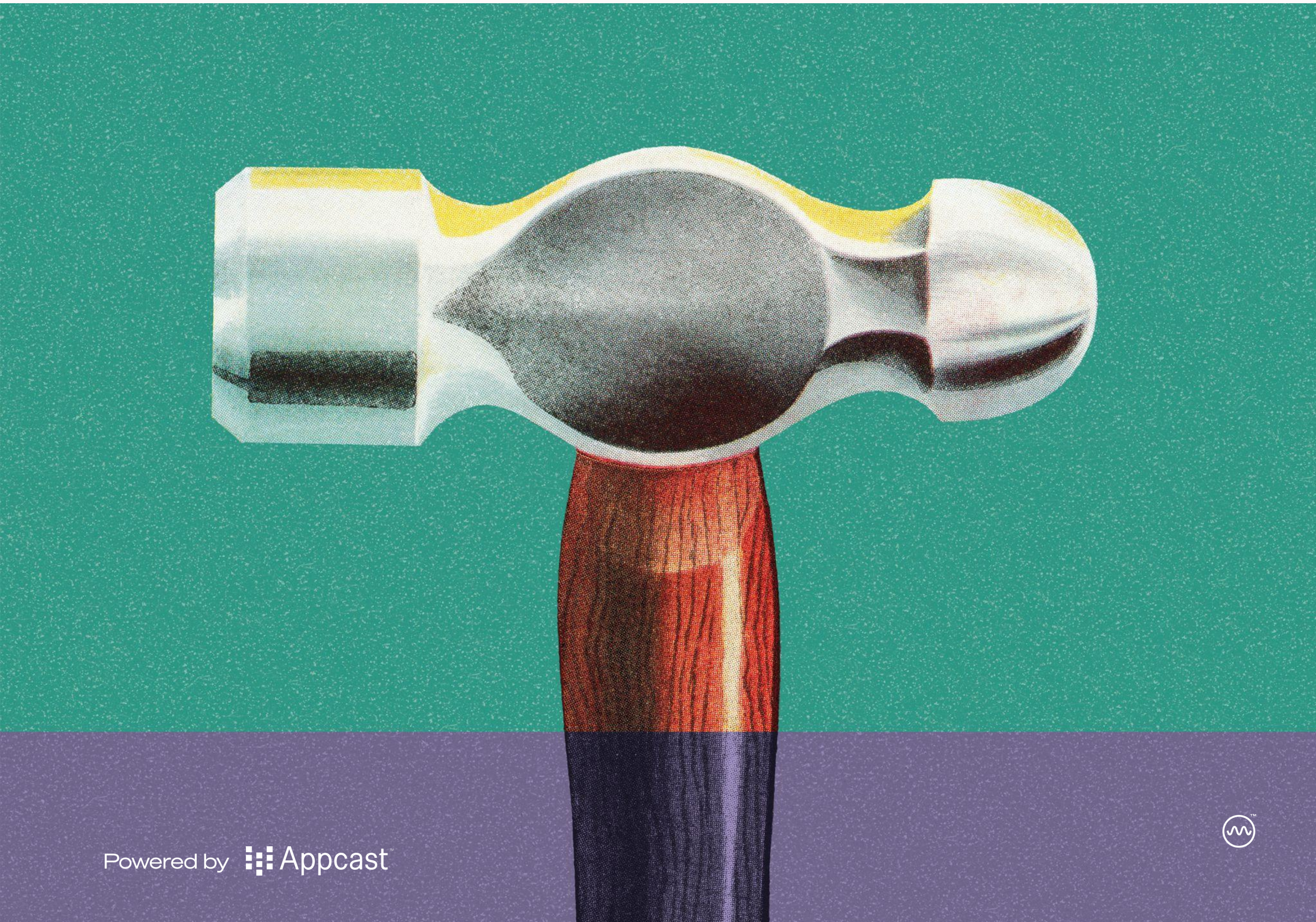
Recruitonomics™

Appcast Construction Snapshot

Surprising Reversal Suggests Underlying Strength Beyond Residential Construction

November 2022



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Economy-wide breakdown

Economy-wide breakdown:

- The U.S. economy added 263,000 jobs in November, which was above market expectations. The unemployment rate was unchanged at 3.7%, near a historic low. Once again, the labor market's strength defied challenges in the overall economy.

- Beyond the welcome headline numbers, however, the latest jobs report featured two key causes for concern. First, the labor force working participation rate declined for a third straight month; the rate for the prime-age working population now sits at 82.4%. The U.S. has yet to return to worker supply levels seen before February 2020.

- Second, wage growth reversed trend substantially after months of moderation – an interesting and potentially alarming development. Potentially is the key word – the reasons for the reversal are still unclear. One possibility is that job losses in lower-paying industries (like Retail) artificially increased average hourly wages.

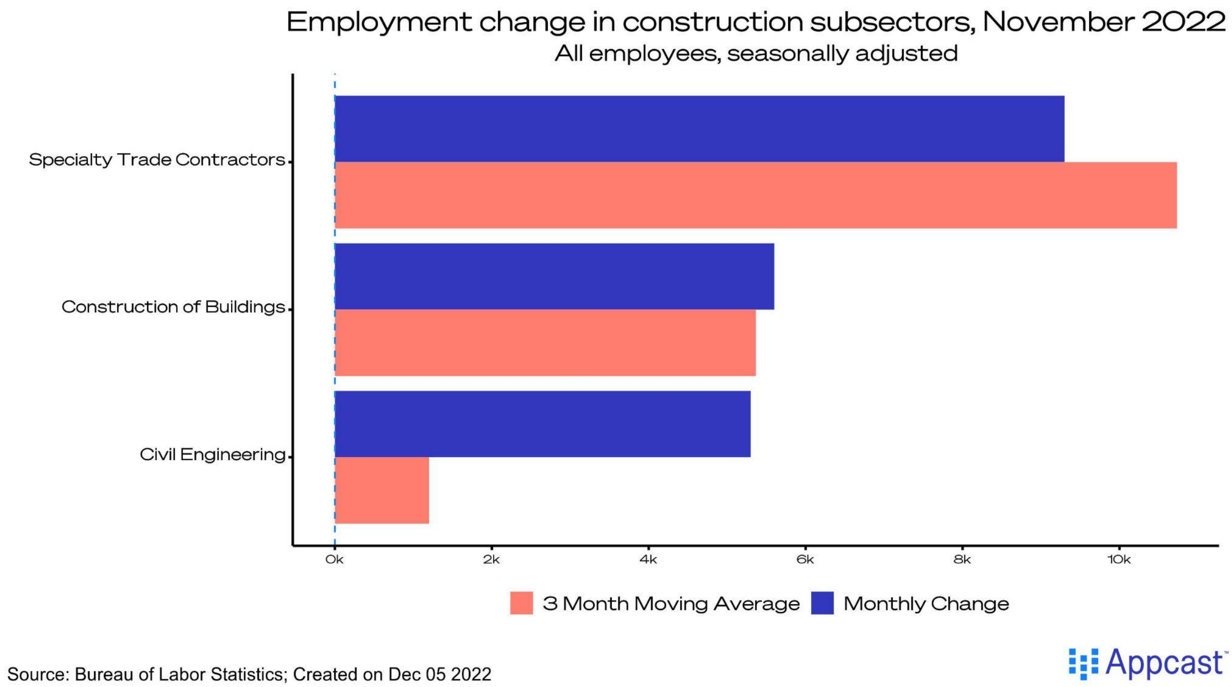
- The labor market, though still strong, is suffering from a hangover of a tight labor market. Too-strong wage gains and stubbornly low participation rates make for a concerning report for recruiters and the Fed alike.

- Read our economy-wide breakdown of the November numbers.

Employment Trends in Construction

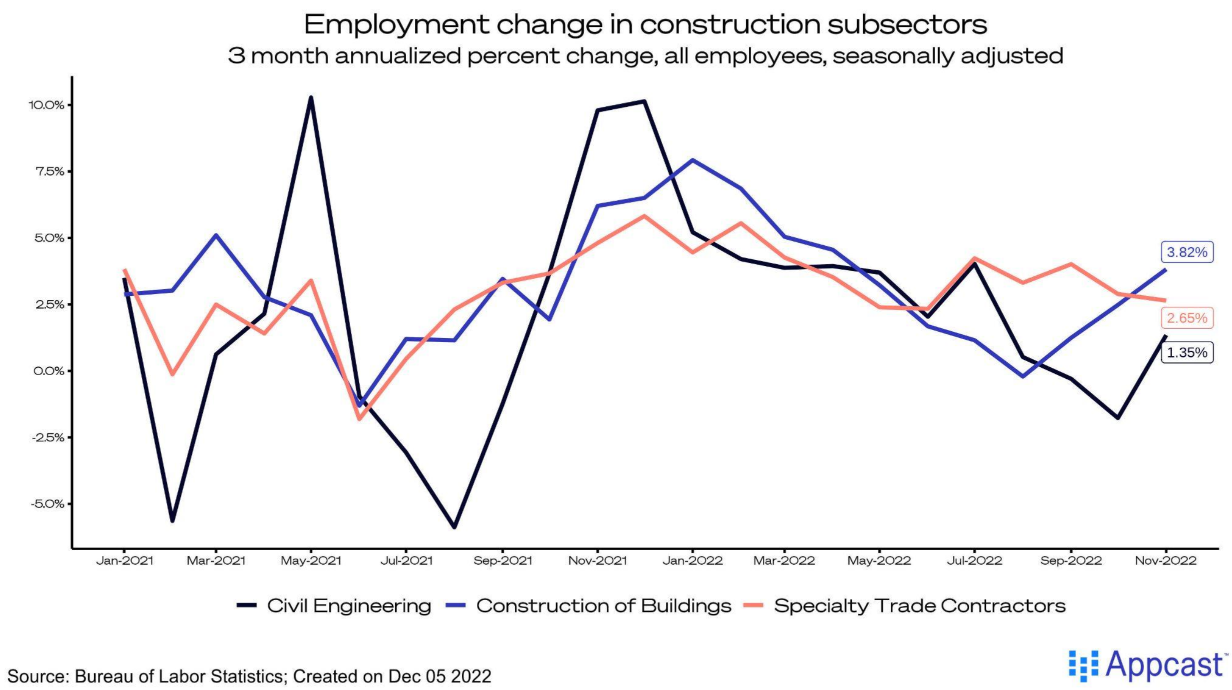
The Construction sector may not be in as much trouble as it appeared in October. Last month, the sector gained 20,000 jobs and the tepid gains in October were revised upwards to 9,000. November's growth was not consistent with a sector suffering from rapidly rising interest rates. Employment in Residential Building Construction actually did fall in November by 2,600 – the only subsector that suffered losses last month. Other subsectors, though, outweighed these losses. Nonresidential Building Construction grew by 8,200, Civil Engineering by 5,300, and Specialty Trade Contractors by 9,300.

Just last month, Construction seemed like the perfect example of a "soft landing" scenario. The Federal Reserve's rate hikes forced mortgage rates higher, cooling housing demand and demand for construction labor with it. However, this month, employment continued to grow.



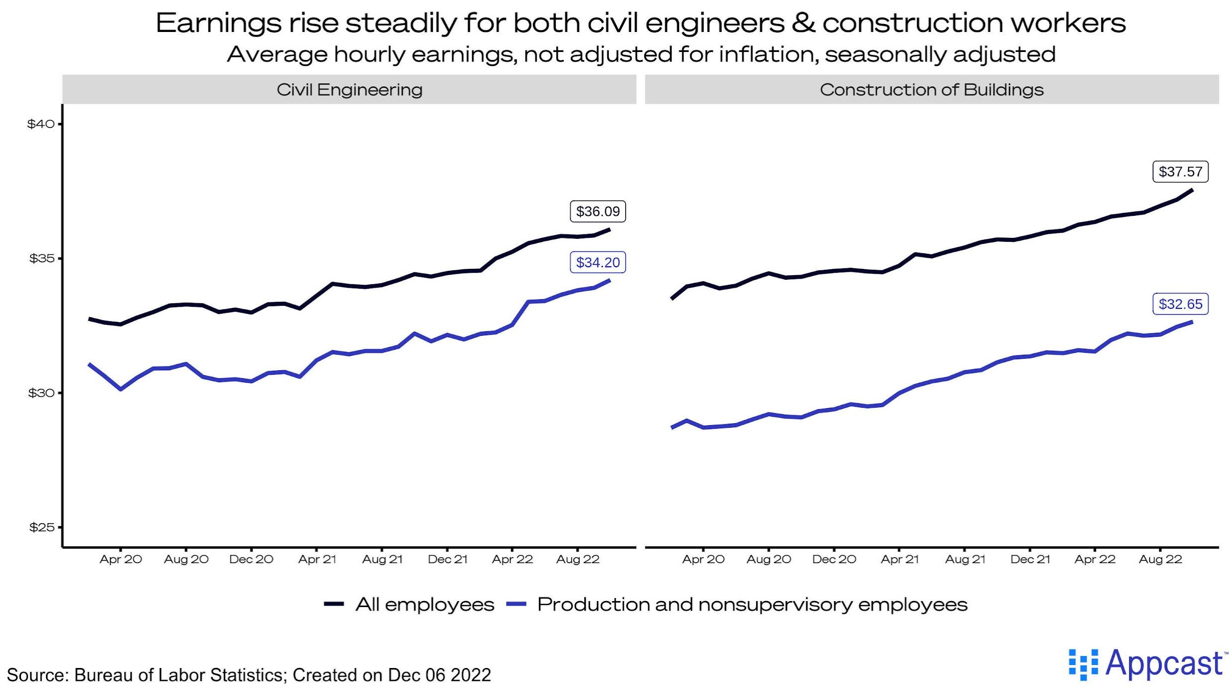
Employment Trends in Construction

Growth rates in Civil Engineering and Construction of Buildings both increased in November, to 3.82% and 1.35% annualized, respectively. Growth in Specialty Trade Contractors employment continued to moderate last month, now at 2.65%.



Wage Trends in Construction

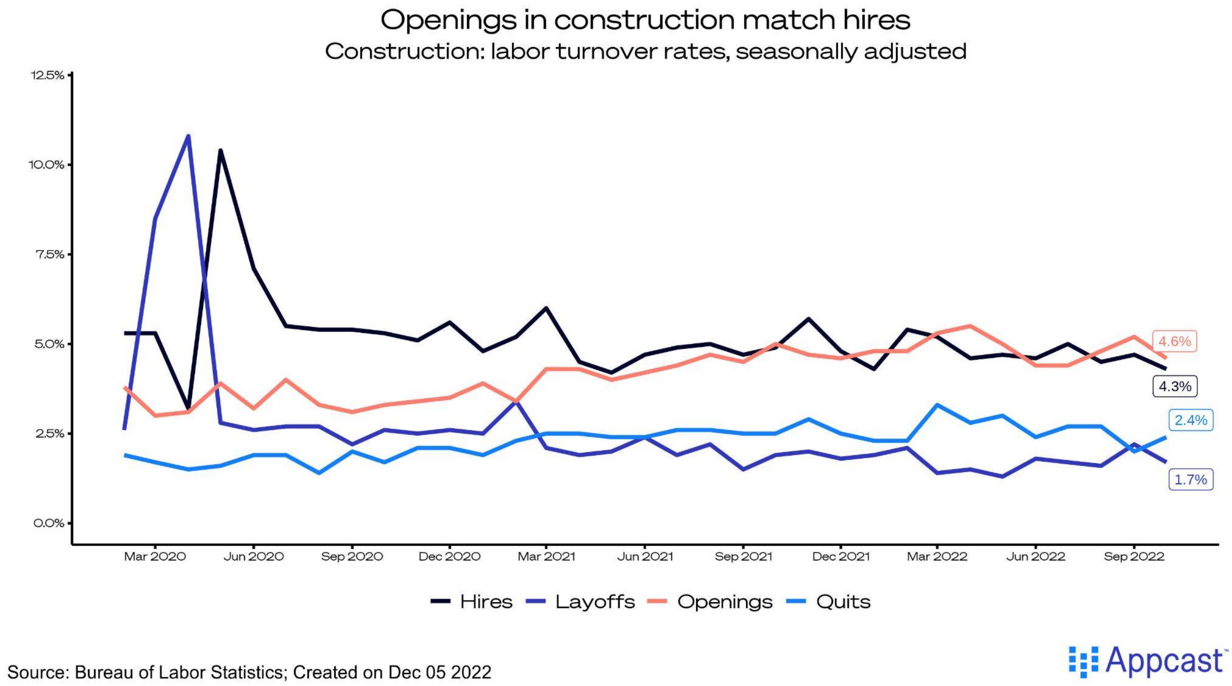
Wage gains have been strong for Construction for the past two years and November continued the trend. Nominal hourly earnings increased to $32.65 for rank-and-file workers within Construction of Buildings. The same cohort of workers in Civil Engineering made $34.20 per hour last month. Increases for all employees including managers were even more impressive, especially in Construction of Buildings, whose managers are now making $37.37 per hour.



Openings and Turnover Trends in Construction

Compared to the greater labor market, demand in Construction is actually fairly mild. The sector's openings rate is the lowest among all private industries, at 4.6%. For reference, the overall rate was at 6.3% in October. Of course, even 4.6% is historically elevated – the measure was at just 3.8% in February 2020.

Layoffs fell to 1.7% in October after a remarkable increase in September. Employers in Construction are not feeling the need to hold on to labor like other industries. Quits increased slightly to 2.4% – workers are still electing to leave their positions at relatively high rates. Hires decreased slightly to 4.3%.

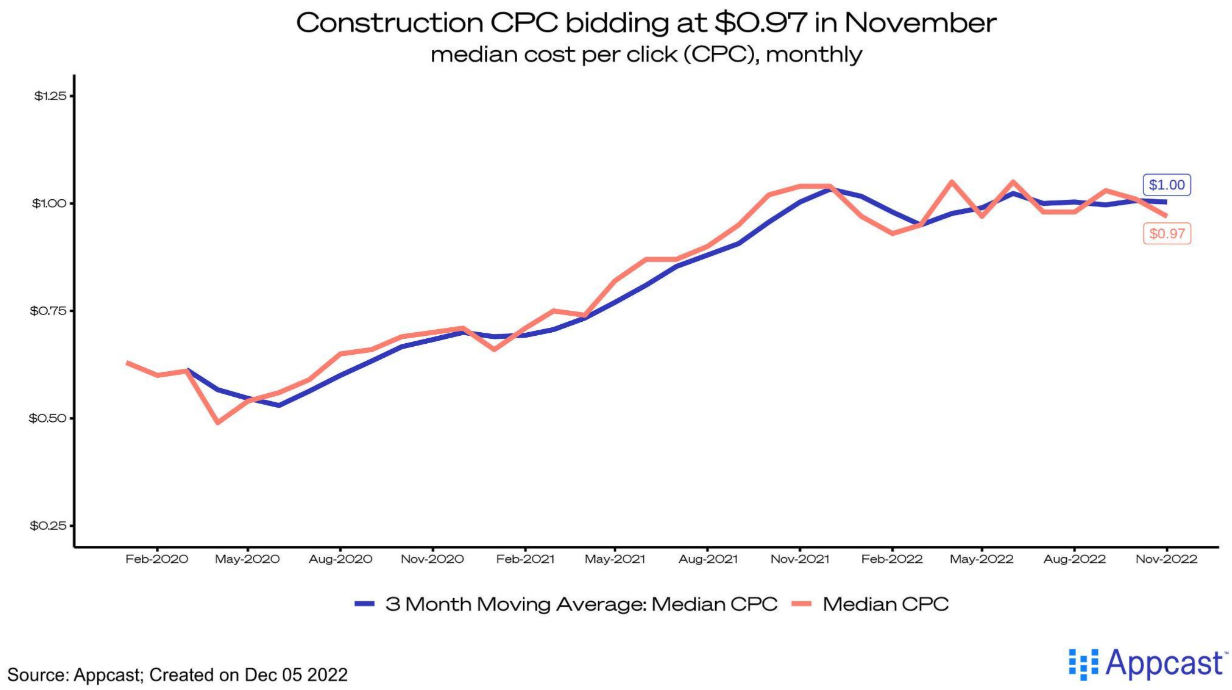


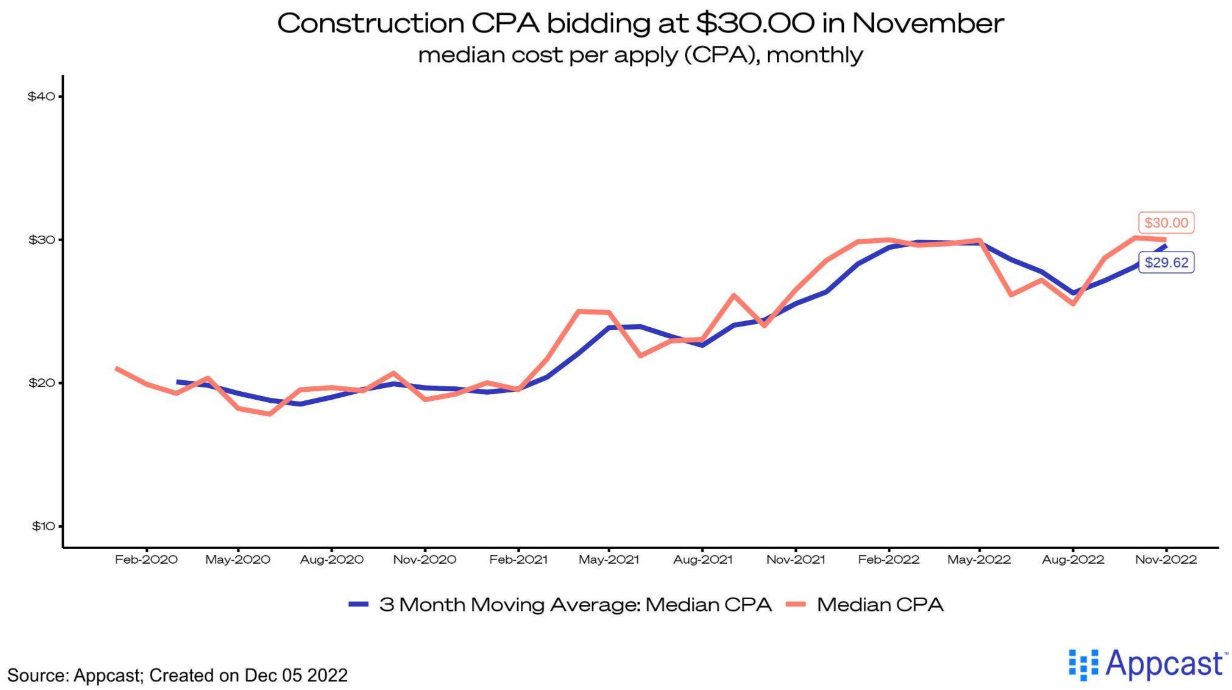
Recruitment Marketing Trends in Construction

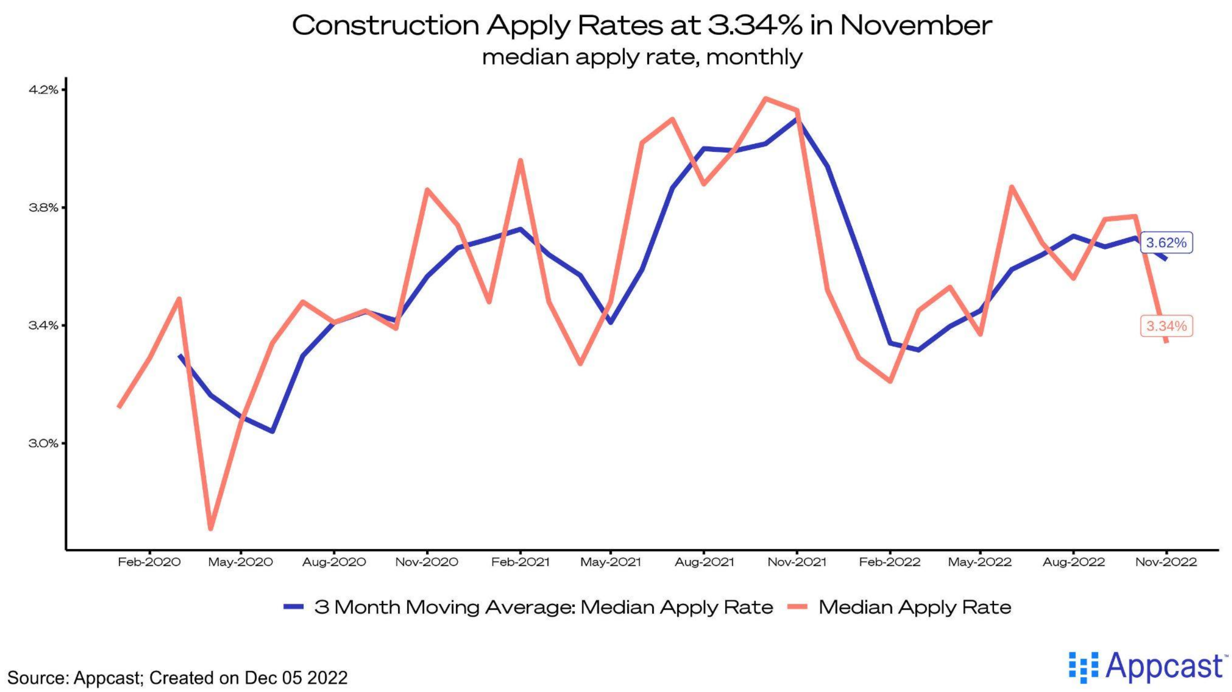
Recruiting costs have been fairly steady in Construction and continued to moderate in November. Cost-per-click (CPC) decreased slightly to $0.97, and the three-month moving average stabilized at $1.00.

Cost-per-application (CPA) dipped slightly to $30.00 even, perhaps indicating the beginning of a reversal in a recent upward trend.

Apply rates plummeted in November, hitting 3.34% – recruiters may be seeing less interest in their job ads than usual.




Construction CPA bidding at $30.00 in November
median cost per apply (CPA), monthly
$40
$30
$20
$10
Feb-2020
May-2020
Aug-2020
Nov-2020
Feb-2021
May-2021
Aug-2021
Nov-2021
Feb-2022
May-2022
Aug-2022
Nov-2022
$30.00
$29.62
3 Month Moving Average: Median CPA
Median CPA
Source: Appcast; Created on Dec 05 2022
Appcast


Construction Apply Rates at 3.34% in November
median apply rate, monthly
4.2%
3.8%
3.4%
3.0%
Feb-2020
May-2020
Aug-2020
Nov-2020
Feb-2021
May-2021
Aug-2021
Nov-2021
Feb-2022
May-2022
Aug-2022
Nov-2022
3.62%
3.34%
3 Month Moving Average: Median Apply Rate
Median Apply Rate
Source: Appcast; Created on Dec 05 2022
Appcast

What does this mean for Construction?

October suggested that Construction was at the end of its resilient line, but November hints at a second wind that may obstruct the "soft landing." The creation of 20,000 jobs in the face of higher mortgage rates may seem contradictory but many Construction gains were outside of the residential sector. Recent federal investment may have contributed to this employment durability. These gains will be difficult to sustain in the face of continued interest rate hikes. Job openings fell in October, suggesting that demand is normalizing in the sector. Despite this, recruiting costs remain elevated; high inflation and increased competition for workers both force CPC and CPA higher.

This strong month was unexpected for Construction – the high-mortgage-rate-induced housing demand slump has not yet hurt employment in the sector, despite what it looked like last month.

Thank you

Why Recruitonomics?

Recruitonomics is a hub for data-driven research, powered by Appcast, that aims to make sense of our evolving world of work. Combining labor economics and recruitment best practices, Recruitonomics seeks to bring clarity to the chaos of a changing economic landscape.

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