It Ain’t Over til It’s Over

Bears and Bear Markets
The Mother of All Bear Markets
Is It Over?

Stock Market at New Highs

Private Employment at New Highs
High price-earnings ratios imply that future earnings growth already “baked into” current stock prices.
Unfunded Public Pension Liabilities
Recent improvements due to stock market recovery.

45% of multiemployer funds at risk under current future returns assumptions.

Will assumed returns of 7% to 8% hold over next several decades?
GDP per Capita below Trend

Key question:

Is the economy geared to rapidly return to trend (with positive implications for both the stock market and the construction industry?)

Or are we condemned to slow growth for a long period?
US Slowdown in Growth Long Term Phenomenon

Real GDP Growth:
- 1950-1970: 4.5%
- 1970-2000: 3.4%
- 2000-2016: 1.9%

Source: U.S. Bureau of Economic Analysis
fred.stlouisfed.org
Long Term World-Wide Slowdown
Construction Employment Recovery Lags the Overall Economy
Months Construction Employment Below Previous Peak:
Last Four Recessions

Construction Employment Recovery Lags Previous Construction Recoveries
21a. Percentage of workers who were temporary workers, construction vs. non-construction, 2003-2014
De-Regulation of Labor Market

• Indiana, Kentucky and West Virginia repeal prevailing wage laws
• Wisconsin weakens law
• Missouri and Michigan fend off repeals
• 22 states restrict PLAs on state projects
• Federal PLAs bounce between Democratic & Republican administrations
Map of PWs & PLAs

PWs (Blue=strong/avg; Red=weak/no; purple/yellow=under attack)

PLAs (Blue=promoted; Red=restricted)
Structural Transformation of Construction Labor Market

- Increase in temporary, contingent, leased and independent contractor labor
- Increase of immigrant labor
- Increase of subcontracting and layers of subcontracting
- Decrease in labor market regulations
  - Prevailing wage laws
  - Project labor agreements
- Decrease in labor quality
21c. Work arrangements, construction versus all industries, 2015

- **Regular permanent employee**: 82.8% (All industries), 62.9% (Construction)
- **Independent contractor/consultant/freelance worker**: 9.9% (All industries), 23.0% (Construction)
- **Paid by a temporary agency/Works for a contractor who provides workers and services to others**: 2.8% (All industries), 8.3% (Construction)
- **Other**: 4.5% (All industries), 5.8% (Construction)
15a. Percentage of foreign-born workers, by industry, 2015 (All employment)

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>29.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>24.7%</td>
</tr>
<tr>
<td>Transportation</td>
<td>19.0%</td>
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<tr>
<td>Manufacturing</td>
<td>18.7%</td>
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<tr>
<td>Wholesale</td>
<td>17.0%</td>
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<tr>
<td>Services</td>
<td>17.5%</td>
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<tr>
<td>Retail</td>
<td>14.0%</td>
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<tr>
<td>Finance</td>
<td>12.9%</td>
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<tr>
<td>Mining</td>
<td>11.4%</td>
</tr>
<tr>
<td>Public admin</td>
<td>9.0%</td>
</tr>
<tr>
<td>All industries</td>
<td>17.1%</td>
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</tbody>
</table>
Decline of Unions Worldwide
Unionization Rate for Construction Workers, US and California, 1983-2012

1991

2004
### Where’s the Good News?

<table>
<thead>
<tr>
<th>Status</th>
<th>Value of Training Assets</th>
<th>Blue Collar Construction Workers</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Nonunion</td>
<td>Union</td>
</tr>
<tr>
<td>no law</td>
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<td></td>
</tr>
<tr>
<td>law</td>
<td></td>
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<tr>
<td>Total</td>
<td>$241,946,466</td>
<td>$2,657,545,581</td>
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<table>
<thead>
<tr>
<th>Status</th>
<th>Percentage</th>
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<tbody>
<tr>
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<tr>
<td>law</td>
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<tr>
<td>Total</td>
<td></td>
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</table>
Technology and Public Investment

• Infrastructure investment may speed recovery
• Energy infrastructure transformation favors electrical industry
• Futuristic technologies favors adaptive apprenticeship systems
  • Construction robotics
  • Smart roads
• Left/right populism may stall deregulation
• Everybody loves training (but everyone can’t do it)
  • Job training through apprenticeships is a priority for Trump, Labor secretary says (LA Times May 19, 2017)
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