



Business Trends

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THE CONSTRUCTION INDUSTRY IN CLEVELAND

The construction industry in Cleveland has been much in the local news recently because of negotiations relative to a new labor-management contract. At issue are wages, hours, vacation policies, and other matters of prime interest to the workers and employers. A satisfactory settlement regarding these affairs is of some concern to the community at large, simply because the construction industry is an important and necessary part of the local economy. The purpose of this report is to take a look at recent trends in local construction in order to get an idea of what is at stake for the local economy as a whole.

Size of Industry. Complete data regarding the size and scope of the building industry are not readily available because of the prevalence of small and loosely organized concerns in the field. Local unions indicate a membership of about 35,000, but it may be presumed that not all of these are employed at any given time. Moreover, some workmen are not union members.

The Ohio Bureau of Unemployment Compensation provides reliable data for all persons covered by the state unemployment insurance program and these figures are useful for comparative purposes. Such information indicates that the construction industry in Cuyahoga County employs close to 27,000 workmen

on the average, but because of the highly seasonal nature of the work, the number may vary throughout the year from 6,000 less than the annual average to 5,000 more. The average, however, indicates that about 1 in every 20 workers in all industries covered by state unemployment insurance is employed in some branch of construction activity. Construction payrolls run to a somewhat higher proportion of the total; in 1962, for example, payrolls in contract construction amounted to \$200 million, which was about \$1 for every \$15 in the total \$3 billion annual payroll for all covered industries in the county.

Demand for Construction. Construction activity in Greater Cleveland (i.e., Cuyahoga County) has been moving at a fast clip this year and, apart from labor uncertainties, the outlook is bright. It may be recalled that last year, building permits in the area mounted to an all-time record of \$350 million. The up-trend carried over into 1964. For the first three months of this year, the volume of permits was running at a \$400 million annual rate and thus another new building record this year is by no means a remote possibility.

Subsidiary trends within the industry reflect a broad market for construction in Greater Cleveland. First, the extremely high level of nonresidential work in Cleveland proper, which

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was largely responsible for last year's area-wide building record, is still going strong. Just last week, formal authorization of the gigantic \$32 million Federal office building was announced. This is one of the largest permits ever issued in Cleveland and it approximately doubled total year-to-date volume in Cleveland proper.

But volume had been high, even without that particular project, as may be seen from figures for the first quarter of this year. As a rule, first-quarter totals for nonresidential building run well below \$10 million in Cleveland: \$6 million is a typical figure. Last year, because of one abnormally large \$20 million permit for a downtown office building, the first-quarter total skyrocketed to \$27 million. This year, even though there was no one outstanding project in the first quarter, volume came to \$22 million by the end of March. Since then, and including last week's figure, nonresidential building permits in Cleveland proper have soared to \$57 million, up from \$40 million in the corresponding year-ago period.

Along with the continued high level of non-residential building, there is evidence that 1- and 2-family home building permits may contribute something to overall expansion this year by breaking out of a three-year period of stagnation at a very low level. During each of the three years 1961 through 1963, homebuilding in the Greater Cleveland area amounted to only \$98 million, virtually the lowest level in all the postwar period. During the January-March quarter of this year, however, 1- and 2-family building permits moved up to an annual rate of \$125 million. If that

rate were to be maintained, 1964 would be the best year since 1960. There are no indications that homebuilding is about to soar; nevertheless, the trend in the first few months of this year suggests at least a recovery from the depressed levels of the past three years in this particular segment of the construction industry.

Along with the moderate rise in homebuilding, however, there has been some decline in permits for apartment construction and, if both these trends continue, they may largely offset one another, leaving total residential building relatively unchanged. Several years ago, construction of multifamily residential buildings throughout the nation advanced to impressive levels. In 1962 the annual total for apartment building in Cleveland proper jumped to \$18 million and it stayed at that level in 1963. During those two years, apartment volume amounted to approximately two and one-half times the annual level of the previous four years. This year, however, apartment figures are showing a substantial year-to-year decline in Cleveland proper, with only \$3 million for the January-April period as against \$6 million a year ago and \$8 million two years ago. National figures for apartment construction are continuing to show gains, however.

Largely because of the gains in homebuilding, suburban area construction volume expanded to a seven-year high of \$43 million for the first quarter of the year. That is about half again as much as volume in the corresponding calendar period a year ago, but allowance must be made for the good weather breaks that have occurred this year.

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