

FLORIDA
MASONRY APPRENTICE & EDUCATIONAL
FOUNDATION, INC.

Masonry Apprenticeship White Paper

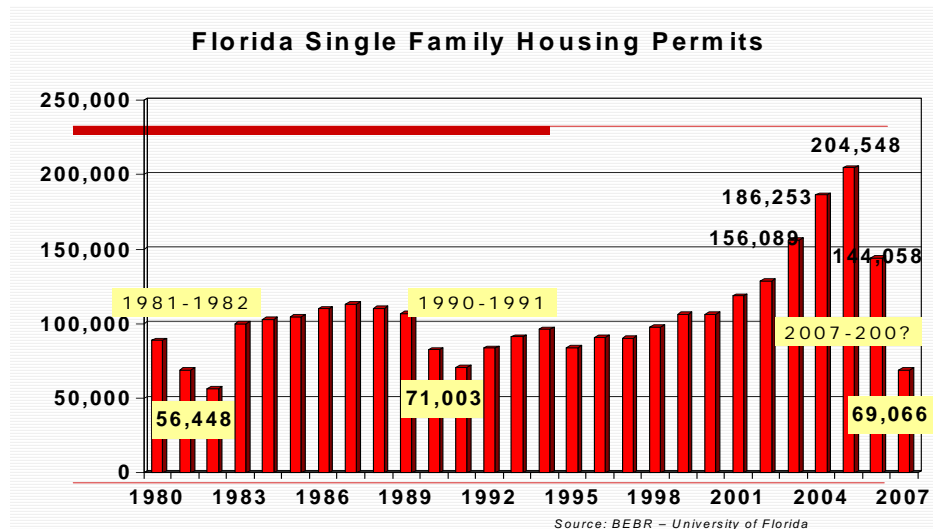
February 22, 2008

Subject: The Next Boom, Are We Planning Now?

Some may say this paper is a little too early, some say too late. The fact is that it is never too early or late to plan.

The purpose of this letter is to discuss the next construction boom for Florida and how the masonry industry is getting ready. We don't predict a shortage of contractors or materials; however, trained skilled labor continues to be the choking point. A continued investment for training and education now will prepare this industry for the next construction boom in Florida.

The most recent construction boom in Florida occurred from 2001 through 2005. The stars lined up as some would say and two of the three construction segments, infrastructure and housing were on fire. The following chart shows the last 27 years of Florida's single family construction permits:

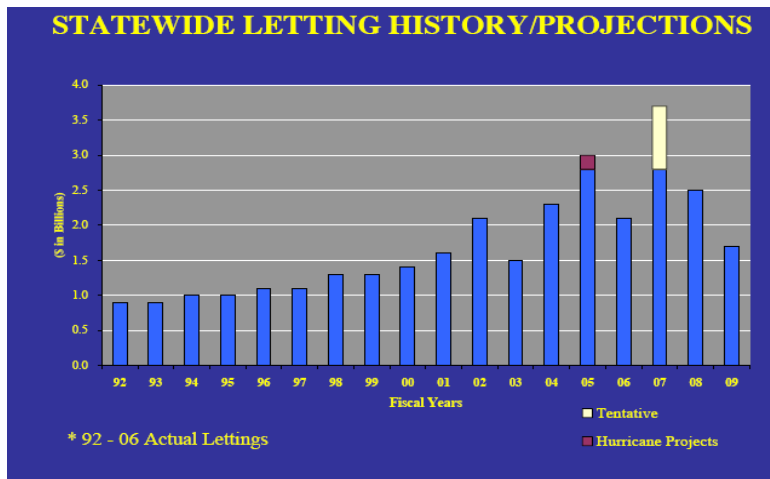


The 69,066 single family permits in 2007 were the lowest since 1982's 56,448 level. The recession of 1991 saw permits dip to the 71,003 level. The final 2007 permit number will be released in April.

Also shown on the previous graph are the past boom periods of 1983 – 1989, 1992 – 1994 and 2001 – 2005. Permits declined 29.6% in 2006 and 52.1% in 2007. These most recent declines were the worst permit declines in the state's history. However, it will come back as it always does. Are we going to be ready?

Also as mentioned, infrastructure construction has also boomed the past 5 years. The following is the DOT letting contract volume during this boom.

Masons Build Florida... One Block at a Time



Infrastructure construction, which typically leads residential development, has been playing catch up during this cycle. The 90's saw spending hover around \$1 Billion; however, \$2 - \$2.5 Billion has been reached in the '02 – '07 period. Florida is in a current fiscal crisis and infrastructure spending is forecast to be reduced significantly over the next few years.

The only bright spot in the current market is commercial construction. Commercial construction has not experienced the boom and bust cycles of the housing industry and is currently catching up with the needs created by the residential sector.

Masonry Contractors:

There are approximately 760 registered masonry contractors in Florida. They range from one man local operations to large corporations running many divisions throughout the state. A relatively recent trend, since the early to mid 90's, has been the creation of the shell contractor. A masonry contractor typically provides masonry manpower and materials for the building. The shell builder not only provides masonry services to the jobsite but performs most of the construction services to build the structure, from foundation to roof.

The masonry contractor is a scalable business. This means that by the addition or reduction of labor, the contractor can scale the business up or down relatively easily. Minimal back office or capital equipment is needed to support high volume fluctuations of the masonry contractor. This flexibility is due to the job or project specific nature of the construction business.

Therefore, the next boom construction cycle will not be hindered by the lack of qualified, experienced and willing mason contractors.

Materials:

The past boom cycle created a shortage of materials in some Florida markets. A world wide cement shortage due to high demand in India, China and throughout South East Asia created tight supplies in Florida. These tight supplies were due to Florida being dependent on cement imports. At the time, Florida imported over 40% of its demand. Since this shortage, Florida has constructed two new cement plants and is expected to add more domestic capacity. There is talk that given the current construction slump and the gradual housing increase that Florida will be 100% supplied by domestic cement production for the foreseeable future.

Another shortage that was created during the recent boom was masonry block and prices were affected. It is estimated that 70 – 75% of block demand is residential. With residential being down 66.2% from its peak in 2005, there is no shortage of block. In addition, there have been

approximately 6 new block plants built over the past two years adding to the supply. Block prices doubled leading up to the peak have declined significantly as supply continues to grow.

The current aggregate uncertainty has not yet materialized into tight supplies. The softness in demand has assisted the industry to rationalize production and beef up import capacity and sourcing. However, the next boom may see aggregates as the construction material that may limit development and affect material pricing. This is a big "if" because infrastructure is the largest aggregate consumer and the next boom will be lead by residential, with infrastructure following a few years later. It is not expected that both construction segments will peak at the same time.

There will not be material shortages during the next construction boom.

Trained Skilled Labor –

Skilled and non-skilled labor continues to be a problem in the construction trades. However, the next boom will see labor become a bigger issue than ever due to retirements, attrition, mobility of the labor force and tightened immigration enforcement. Skilled labor will be particularly lacking because of the training time needed to educate and practice the skill.

Retirement continues to be prominent in the masonry industry. A study in 1999 showed that the average age of a mason was 52 years old. During the intervening years, these older masons have become the supervisors, mentors and construction company owners. This recent slowdown has caused these masons to slow down into part-time work and full retirement. They now are enjoying their fruits during the many years they have worked and are not expected to come back into the industry as generations before them have done. The slowdown has caused the senior skilled masons to leave the industry.

Attrition is playing a roll in the trade as new and middle level skilled masons who cannot find work leave the trade. The drastic slowdown has forced a greater number to seek employment in other areas of the labor force to make ends meet. Unless it becomes extremely economically attractive to re-enter the masonry industry, they will not be back to participate in the boom and bust cycle of our industry.

Florida has lost many of its skilled construction trades to other parts of the country not as affected by the slowdown, particularly North and South Carolina. Other masonry oriented states include Tennessee and Georgia has attracted Florida masons. These states have the advantage over Florida in their cost of housing and living. Florida had always been a low cost state; however, the past boom has raised both housing and the cost of living above the national average and significantly above these competing masonry states. The masonry tradesmen who have left this state will find it difficult to come back and maintain their standard of living.

Tightened Immigration Enforcement –

The lax enforcement of immigration laws during the past cycle benefited Florida's construction industry. Labor, although not plentiful, was available. However, this is about to change and will effect the next cycle.

Tightened immigration laws and the amnesty debate will have consequences on the trades. It is relatively assured that immigration will be tightened which will affect the flow of construction workers to Florida from the Hispanic countries. It is estimated that 50% of the trades are Hispanic and that number jumps to 80% in concrete and masonry. Tightening immigration laws will reduce the flow of workers to the trades and hit the concrete and masonry trade hard in the next cycle.

The amnesty debate will significantly affect the trades if the current illegal workers are not allowed to work in Florida. This will have an immediate effect on the trade and exacerbate the labor situation in the next cycle.

The construction labor situation in Florida is not a pretty picture. The factors described above will have dire consequences on the trades, including masonry. And if all these factors happen at the extent predicted, the Florida economy will be negatively impacted. It is estimated that if construction rebounds just 10% from current levels, the labor crisis will begin. The past elasticity of construction labor is not there to support much of an increase.

Planning and preparing for this crisis need to occur now. The construction trades and government need to work together to in a proactive way to attract and train labor to fill the gaps that will invariably occur.

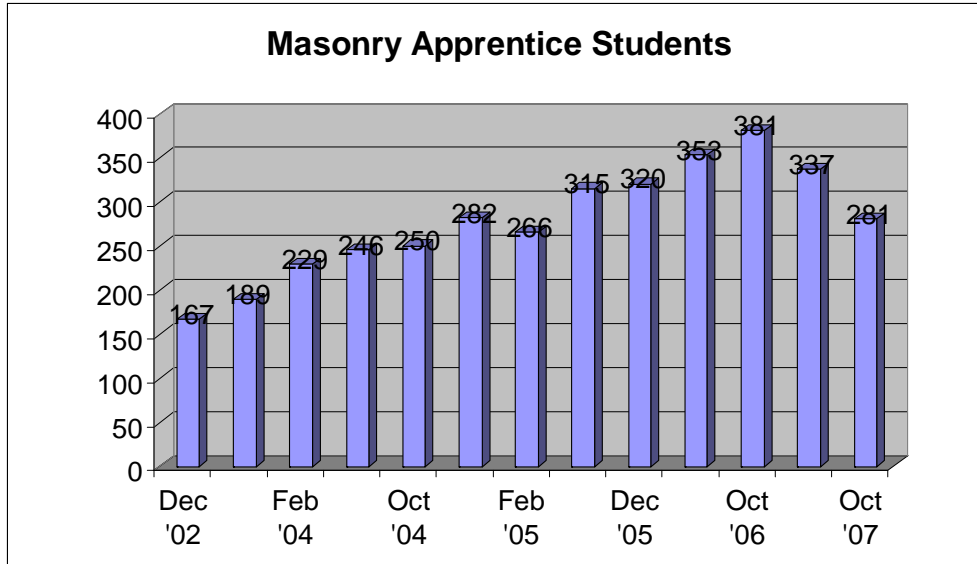
Recruiting at the high school level is a way to inform our youth of the opportunities in the trades. It is estimated by the Florida Department of Education that 60% of all ninth grade students do not go to college. And of those who go to college, 50% do not graduate. These students need to be made aware of the opportunities in the trades and in particular the high skill, high wage masonry trade.

One mechanism to train and employ the next generation and to get ready for the next boom is through apprenticeship training. Florida's Agency for Workforce Innovation (the old Department of Labor) and many other government agencies report that apprenticeship training is the most effective and efficient workforce program in the state. The trainee receives high skill training during continuous employment and obtains a high paid wage. It is shown that an apprentice graduate earns more than the associates and bachelor's degree graduates, all while being employed and paying taxes.

Apprenticeship is a partnership between industry and government. Apprentice standards are agreed to by both parties and both have an obligation to produce a trained workforce. Government pays for a high percentage of the formal training and the employer commits to employ and provide on-the-job skill training. During these times of government budget cuts and construction slowdowns, both have an obligation to maintain the training. To curtail this system and weaken the partnership will have serious consequences on the future of both the development of the state and livelihoods of the industry. Jobs will not be created and government revenue will not rebound; both are needed for the turnaround of Florida's economy.

In addition to the current maintenance of the apprenticeship system, one would argue that the system should be strengthened. Strengthening apprenticeship would entail increased promotion of the apprenticeship system, the trade's opportunities and an increase in funding. In addition, the employer needs to continue to invest in apprenticeship by increasing the number of apprentices employed. Both government and industry choke at these thoughts of increased spending and employment when the economy and business is down. However, not to invest in the future will have dire consequences for the construction industry, particularly the masonry industry, and the Florida economy.

The number of masonry apprentices peaked in 2006 and is steadily declining as contractors are slow and in layoff mode. The following graph shows the progress in masonry apprenticeship since 2002:



As explained earlier, this is no time for the masonry industry to slowdown the hiring and training of apprentices. It is no time for government to cutback on apprenticeship funding! We need to be focused on the future and Florida's future is bright.

In summary, Florida is headed for a construction labor shortage like it has not seen before. The shortage will prohibit the rebound in the states economy. The apprenticeship community needs to be proactive and address the state's labor needs today for tomorrows construction rebound. The Florida legislature needs to increase funding to the most effective and efficient workforce training mechanism we have. The Department of Education needs to maintain its commitment to apprenticeship training and the Agency for Workforce Innovation needs to become more active and support the apprenticeship community.

In addition, industry needs to step up to the plate and become more active in supporting apprenticeship. Of the total 760 masonry contractors in the state, 121 are registered as participating employers. And of these participating employers, 74 contractors have apprentices in masonry apprenticeship training. This is totally unacceptable in an industry as vital and necessary as masonry to the state's construction industry. The masonry industry needs to step up and more actively support apprenticeship.

Together – industry and government – we can prepare for the future construction boom by preparing the labor force, especially the masonry labor force today. Some say never - we say when. Some say no - we say when. One thing we all can agree on is that Florida is a great state to live, and you can't deny that others know it or will find out soon as they put on their boots, scarves and jackets to brave the winter weather.

So lets control our destiny - the fact is that it is never too early or late to plan.

Respectfully Submitted,
 Patrick J. McLaughlin,
 Executive Director of the FMA&EF, Inc.

Please visit us at www.masonryeducation.org