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FOR IMMEDIATE RELEASE
Wednesday, December 18, 2019

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THREE OUT OF FOUR CONSTRUCTION FIRMS PLAN TO ADD WORKERS TO MEET STRONG DEMAND FOR PROJECTS IN 2020, BUT WORRIES GROW ABOUT LABOR SUPPLY AND QUALITY

Contractors Expect Demand to Expand in Every Market Segment Next Year despite Signs of a Slowing Economy As They Increase Compensation and Adopt Productivity-Boosting Technologies to Cope with Worker Shortages

Despite signs the overall economy may be slowing, most construction firms expect demand for their services and hiring will expand in 2020, yet even more firms are worried about their ability to find qualified workers to hire, according to survey results released today by the Associated General Contractors of America and Sage Construction and Real Estate. The findings are detailed in [*Strong Demand for Work Amid Stronger Demand for Workers: The 2020 Construction Hiring and Business Outlook Report*](#).

“Contractors are very optimistic about demand for construction in 2020,” said Stephen E. Sandherr, the association's chief executive officer. “At the same time, many construction executives are troubled by labor shortages and the impacts those shortages are having on operations, training and safety programs, and bottom lines.”

The percentage of respondents who expect a market segment to expand exceeds the percentage who expect it to contract for all 13 categories of projects included in the survey. For every segment, between 27 and 36 percent of respondents expect an increase compared to 2019 in the dollar value of projects they compete for. Meanwhile, between 11 and 21 percent of respondents foresee less work available in 2020. The difference between the positive and negative responses – the net reading – was between 8 and 25 percent for every category.

Water & sewer construction scored the highest net positive reading of 25 percent. Four other segments had a 20 percent net positive: bridge & highway, K-12 school, hospital construction, and transportation (transit, rail & airport). Power projects and federal construction projects had a net positive reading of 17 percent. Higher education construction had a net positive reading of 16 percent.

Five categories had slightly less positive net readings: multifamily residential construction (11 percent); manufacturing construction (11 percent); public building construction (10 percent); retail, warehouse & lodging construction (10 percent). The lowest net positive reading was for private office construction, at 8 percent. Overall, respondents were more optimistic than a year ago regarding institutional and most public categories but less optimistic about private-sector nonresidential segments.

Most contractors plan to add staff in 2020 to keep pace with growing demand. Seventy-five percent of firms plan to increase headcount this year, similar to the 77 percent with this expectation at the start of 2019 and 75 percent at the start of 2018. However, just over half of firms (52 percent) report their expansion plans will only increase the size of their firm by 10 percent or less. About one-fifth (19 percent) of respondents plan to increase headcount by 11 to 25 percent. Only 5 percent of respondents plan to increase employment by more than 25 percent.

Despite firms' plans to expand headcount, 81 percent report they are having a hard time filling salaried and hourly craft positions. That share is up slightly from 78 percent at the start of 2019. In addition, 43 percent expect it will continue to be hard to hire in the next 12 months and 22 percent expect that it will become harder to hire in 2020.

Labor shortages are having an impact on construction costs and project schedules, association officials noted. Forty-four percent of respondents report that staffing challenges drove costs higher than anticipated. In reaction, 41 percent of firms are putting higher prices into new bids and contracts. Similarly, 40 percent report projects have taken longer than they anticipated and 23 percent report putting longer completion times into their bids or contracts.

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Firms continue to raise pay and provide bonuses and benefits in response to labor shortages. Fifty-four percent of firms report they increased base pay rates more in 2019 than in 2018. Twenty-three percent provided incentives and/or bonuses. Fourteen percent of firms increased contributions or improved employee benefits to cope with workforce shortages.

Construction firms are also investing more in training programs for current and new workers, association officials added. Two out of five (42 percent) of firms report they revamped initiatives to recruit labor last year. Thirty-two percent of firms report they have increased funding for technical education programs and 29 percent have restructured or changed programming for current skilled labor recruits.

“Firms are adopting a variety of approaches to replace workers or allow for use of workers with less experience or training than before,” said Ken Simonson, the association's chief economist. He noted that 32 percent of respondents report their firms are investing in labor-saving equipment, including drones, robots and 3-D printers. Twenty-eight percent of respondents are using methods to reduce onsite worktime, including lean construction, building information modeling or offsite pre-fabrication.

Officials with Sage noted that nearly half (46 percent) of respondents will increase their information technology (IT) investments in 2020. The largest share of firms, 30 percent, plan to increase their investments in project management software. About a quarter of firms will increase their investments in document management software (25 percent) and fleet tracking/management software (23 percent). Yet even as firms embrace information technology, 43 percent report their biggest IT challenge is that they lack the time needed to implement and train on new systems.

“We’re seeing an increasing number of firms embrace technology, especially mobile technologies in the field, as a way to help increase efficiencies and achieve business objectives,” said Dustin Anderson, vice president of Sage Construction and Real Estate. “Technology will continue to play an important role in bridging the gap between growing industry demand, more complex projects, and a less experienced workforce.”

Association officials noted that the federal policy implications for the 2020 construction outlook are clear. They urged federal officials to promote pro-growth economic policies including new infrastructure investments and continue to make needed regulatory reforms. They also called on federal officials to double funding for career and technical education over the next five years, make it easier for people enrolled in short-term construction programs to qualify for federal Pell Grants and evaluate high schools based on career placement rates in addition to college placements.

“Washington officials must take steps to prepare and place more people into high-paying construction careers,” Sandherr said. “They also need to recognize the need to allow more people to lawfully enter the country to address workforce shortages while the domestic pipeline for preparing and recruiting workers is being restored.”

Sandherr urged Congress to pass a temporary visa program for construction workers, protect the legal status of workers in the country as part of the Temporary Protected Status program, and advance comprehensive immigration reform. He also called for additional steps to secure the border to ensure undocumented workers aren’t exploited by unscrupulous firms who are then able to underbid more responsible employers.

“A thriving, successful and diverse construction industry is the essential foundation for America’s continued economic prosperity, security and well-being,” Sandherr said. “Investing in infrastructure, making needed investments in career and technical education and reforming the immigration system will ensure that contractors can keep pace with strong demand for their services.”

The Outlook was based on survey results from nearly 1,000 firms from 48 states. Varying numbers responded to each question. Contractors of every size answered over 20 questions about their hiring, workforce, business and information technology plans. Click here for *Strong Demand for Work Amid Stronger Demand for Workers: The 2020 Construction Hiring and Business Outlook Report*. Click [here](#) for the survey results.