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2021 WORKFORCE SURVEY RELEASE
Virtual Media Event Talking Points
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Steve Sandherr Remarks

Hello and thank you for joining us today. My name is Steve Sandherr and I am the chief executive officer of the Associated General Contractors of America. With me today are Ken Simonson, AGC's chief economist; Allison Scott, Autodesk's Director of Construction Thought Leadership and Customer Marketing; Chris Carson, the President and COO of Springfield, Missouri-based Carson-Mitchell, Inc; and Brett Strassel, who is the vice president for operations at Hedrick Brothers Construction in West Palm Beach, Florida.

Each year, the Associated General Contractors of America partners with Autodesk to evaluate the state of the construction labor market. This annual Workforce Survey is designed to measure the scope of labor shortages, explore some of their causes and identify their impacts on the industry and broader economy. More recently, the survey has helped us gauge how the pandemic has impacted the industry and its workforce.

This year's results show an odd paradox. On the one hand, construction firms are experiencing pre-pandemic levels of workforce shortages. At the same time, many construction firms are dealing with the impacts of delayed or canceled projects, suffering from construction materials shortages, delivery delays and lagging demand.

Prior to the pandemic, construction firms have typically either been worried about finding enough work to keep workers busy OR worried about finding enough workers to keep pace with busy demand. But today, largely because of the pandemic, construction firms are worried about finding enough work even as they struggle to find enough workers.

The good news is that many of the challenges affecting contractors are being driven by the pandemic and policy responses to it, instead of typical market conditions. Once the pandemic wanes and policies that have kept people from seeking employment expire, demand for construction is sure to rebound and the labor pool is likely to expand.

I've asked our chief economist, Ken Simonson, to walk us through some of the key findings showing how contractors are being impacted by tough market conditions and workforce shortages. Ken…

Ken Simonson Remarks

Thank you, Steve.

The survey results identify several ways that market conditions are challenging.

Nearly nine out of ten firms are experiencing project delays. Among all respondents, seventy-five percent cite delays due to longer lead times or shortages of materials, while 57 percent cite delivery delays. Sixty-one percent of firms said their projects are being delayed because of workforce shortages among their teams or those of their subcontractors. Delays due to the lack of approvals or inspectors or an owner's directive to halt or redesign a project are each cited by 30 percent of contractors.

More striking, 93 percent of firms report that rising materials costs have affected their projects. These rising costs are undermining firms' abilities to profit from the work they have, with 37 percent reporting they have been unsuccessful in passing those added costs onto project owners.

As a result of all these challenges, more than half of firms report having projects canceled, postponed or scaled back due to increasing costs. Twenty-six percent report their projects have been delayed or canceled because of lengthening or uncertain completion times and 22 percent say changing market conditions have led to project delays or cancelations.

These challenges are a key reason why 26 percent of respondents expect it will take more than six months for their firm's revenue to match or exceed year-earlier levels, and 17 percent are unsure when to expect a return to previous demand levels.

Yet despite these challenges, contractors report as much difficulty filling positions as they experienced before the pandemic. Eighty-nine percent of firms that are seeking to fill hourly craft positions report having a hard time doing so. And 86 percent of firms seeking to fill salaried positions are also having a hard time.

There are two main reasons so many firms report having trouble finding workers to hire. The first is that 72 percent of firms say available candidates are not qualified to work in the industry due to a lack of skills, failure to pass a drug test, etc. And 58 percent of respondents report that unemployment insurance supplements are keeping workers away.

Many construction firms report they are taking steps to address labor shortages. Thirty-seven percent report they have engaged with career-building programs at the high school, collegiate or career and technical levels. Thirty-one percent have added online strategies – like Instagram live – to better connect with younger applicants or used a staffing firm. And roughly a quarter say they have partnered with government workforce development or unemployment agencies, or used software to track vacancies and job applications.

Almost one-third of firms report they have increased spending on training and professional development. Twenty-six percent have lowered hiring standards, while 24 percent have increased the use of virtual learning programs to supplement training efforts.

Most firms, 73 percent, report they have increased base pay rates during the past year. And just over one-third of firms have provided hiring bonuses or incentives during the past year.

Many firms have turned to new technologies and new techniques to become more efficient operates. We have invited Autodesk's Allison Scott to share some more observations about how technology can help firms address labor challenges and improve their productivity…

Allison Scott Remarks

Thanks Ken.

In the second year of the pandemic, it's not surprising that we're seeing continued challenges across construction, and our industry is of course not unique here.

However, there are some promising trends you indicated that I'd like to double click on. Although we are still in the midst of a labor shortage, it's really promising to see the industry branching out in new ways and investing in hiring, training, professional development and technology, and I think it indicates a cultural shift in construction that can pay dividends in the long run.

- In addition to what Ken mentioned, 57 percent of respondents in this year's survey said the rate of technology adoption at their firms has increased over the last 12 months, and nearly 60 percent said they anticipate the rate of technology adoption to further increase over the next 12 months.

- At the organizational level, our research with the AGC this year found:
    - **Nearly half** (45 percent) of firms adopted project management technology,
    - **And more than a quarter of** respondents reported adopting tools in categories like estimating (29 percent), bidding (28 percent), document management (28 percent), workforce management (27 percent) and site safety (26 percent)

    - This is in line with usage data for Autodesk Construction Cloud and with broader digitization trends as well; we've seen over 150 percent increase in new projects on our preconstruction and building collaboration tools. Similarly, in a study highlighted on CIO Dive last year, 58 percent of surveyed executives said the pandemic has pushed employees to adopt enterprise technology that was previously rejected and ignored. The pandemic has not been easy on anyone, but it's also had an interesting effect of accelerating digital transformation for the construction industry and increasing a focus on things like resiliency and this study supports that thinking. The construction industry is aligning with the broader digital transformation and resiliency-building taking place across industries.

- We've also known for a while that construction has a bit of an image problem when it comes to attracting younger talent, so it's wonderful that we are going to meet talent where it is on places like social media and increase the perception of what kinds of roles and skillsets are out there for the modern construction workforce.

- We are also introducing the types of work opportunities that today's fresh talent is looking for, including the ability to use technology on the job. At Autodesk, we see our tools being used by high schools, colleges, universities and unions who are teaching *both emerging and seasoned talent* how to improve workflows across construction with technology to drive efficiencies. We also have contractors across the country tapping into our catalogue of online training materials.

The challenges in construction are certainly there, but a true bright spot is that we're trying to reach new talent and the workforce is learning new skills. Even more promising is that these trends build on what we saw in our workforce survey results last year.

The impacts of such hiring, training and technology investments take time to appear at the industry level, but the industry appears to be on the right track, committed to building better and building resiliency across the workforce.

And now I would like to turn things back to Steve to wrap up our analysis of this year's survey results.

Steve Sandherr Remarks

Thank you, Allison and Ken, for sharing your insights into the survey results.

Despite extremely challenging market conditions for the construction industry, workforce shortages are severe and having a significant impact on construction firms.

Construction firms, however, are taking a range of steps to address these workforce shortages. This includes raising pay, investing more in training, and taking a more active role in workforce development. Even as they work to address labor shortages, firms are also changing the way they operate – including by adopting new technologies – to be able to perform work more efficiently and mitigate the impacts of labor shortages.

Public officials need to take steps as well to address the industry's current challenges. This includes boosting demand for construction to offset current market uncertainties. The best way to do that is be enacting the bipartisan infrastructure bill that has already passed in the Senate. Meanwhile, Congress and the Biden administration must work together to increase investments in career and technical education and other workforce development measures.

The federal government currently spends only one dollar on career training for every six dollars it puts into college prep. That is $120 billion a year for colleges and only $20 billion a year for career training, despite the fact only one in three jobs requires a full college degree. This funding gap for career training is one of the main reasons so many contractors have a low opinion of the current pipeline for preparing new craft construction professionals. Boosting federal investments in career and technical education will help attract, and prepare, more people for high-paying careers in construction.

Federal officials must avoid harming current labor shortages by imposing unwise policies. Tariffs on key construction materials are a significant reason for price increases and shortages of key components.

Federal officials must also avoid imposing labor and regulatory measures that exclude workers. The Biden administration, for example, must avoid imposing government mandated project labor agreements for federal projects that effectively limit who can participate in public infrastructure work.

Likewise, federal officials must drop efforts to pass the dangerous PRO Act that would impose a host of measures designed to discriminate against workers who choose not to join a union. And state and local officials should avoid restrictive measures, such as local hire requirements, that exclude workers based on geography while absolving local officials from the need to invest in workforce development measures.

The Associated General Contractors is supporting members' efforts to address labor shortages. We have launched a targeted digital advertising campaign, "Construction is Essential," to help recruit more people into the industry. We are providing resources to members to help them establish or improve construction training programs. And our "Culture of Care" program is designed to help firms retain newly hired workers.

At the same time, we are working to encourage federal officials to do their part. We are fully engaged in urging House officials to quickly pass the bipartisan infrastructure bill. And we lead the effort on Capitol Hill to boost funding for career and technical education programs and other measures designed to expose more Americans to career opportunities in construction. We are also engaged in efforts to prevent federal official from imposing counterproductive measures.

Our goal is to for contractors to have plenty of work, and plenty of qualified workers to keep pace with that demand. Doing so will require overcoming an awful pandemic and bad policies. But we are optimistic that we can do both.

Now before we open things up for questions, I would like to invite the contractors on the call, Chris Carson and Brett Strassel, to share some observations about the labor market conditions, demand for construction and the impacts of the coronavirus in your respective areas.

Let's start with Chris…

Thanks Chris. Brett…

And now let's open things up for questions.

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