



Worker Shortage Survey Analysis

SUMMARY

As the construction industry continues to recover from a years-long downturn, one of the biggest challenges many firms are running into is the lack of available qualified professional staff and craft workers.* The Associated General Contractors of America first identified labor shortages back in 2013 when it released the results of an initial survey of construction worker shortages. During the past twelve months, however, many of our members have indicated that the labor market has only become tighter. As a result the association decided it was time to conduct another exhaustive survey of construction firms to gauge the extent of worker shortages, measure their impact on the industry and how firms are coping with the challenge, and try to better understand the root cause of the worker shortages.

What is clear from the following results is that construction worker shortages, particularly among craft workers, are becoming more severe. This shortage has a lot to do with the poor quality, and quantity of local construction training programs, particularly for craft workers. These shortages are prompting contractors to pay more to retain and recruit talent and forcing them to increase their use of subcontractors and staffing agencies to complete projects. Yet despite improving compensation levels, many firms continue to lose talent to other higher-paying employers. Ultimately, tight construction labor conditions will lead to higher construction costs as firms struggle to protect already extremely thin margins.

*For the purposes of this survey, “professional staff” refers to all types of employees other than craft workers. This includes executives, managers, office professionals and field supervisors. Craft workers include professional carpenters, equipment operators, plumbers, laborers, etc.

SURVEY ANALYSIS

Worker shortages are getting worse, particularly among craft workers. A year ago when AGC of America first surveyed construction firms about the state of the labor market, seventy-four percent of firms reported having a hard time finding qualified craft workers while 53 percent reported having a hard time filling professional positions. Now, 83 percent of construction firms report having a hard time finding enough qualified craft workers while 61 percent report having a hard time finding qualified construction professionals.

As a result, many firms are changing the way they operate. Indeed, nearly half of responding firms (48 percent) report they have increased their use of subcontractors during the past 12 months because of difficulty filling positions. Thirty-seven percent of firms report increasing their use of staffing firms while 19 percent have invested in labor saving equipment, tools and machinery to cope with worker shortages.

Worker shortages are prompting many firms to increase pay, benefits and overtime. Fifty-nine percent of construction firms report they have increased base pay rates for construction craft workers in an effort to retain and attract workers. Twenty-four percent report providing incentives and/or bonuses while 23 percent have increased contributions to, or improving benefits for craft workers.

Even though craft worker shortages appear more severe, similar numbers of firms have improved pay and benefits to retain and recruit construction professionals. Fifty-six percent of firms report increasing pay for construction professionals, while 28 percent are offering incentives and bonuses and 24 percent improving benefits to recruit or retain key construction professionals.

Despite offering higher pay and better benefits, many firms are losing workers to construction firms and other industries. Twenty-eight percent of firms report losing craft workers to other local construction firms while 15 percent report losing them to construction firms in other parts of the country. At the same time 25 percent of firms say they lose craft workers to other industries in their area while 15 percent say they lose them to other industries around the country.

Many firms also report having a hard time hanging on to qualified construction professionals. Twenty-two percent report losing construction professionals to nearby contractors while 14 percent say they lose them to contractors outside of their area. Seventeen percent of firms say they lose construction professionals to other industries in their area while 9 percent say they lose them to other industries around the country.

Most firms don't expect the market for qualified workers will get any better. Eighty-two percent of firms believe it will become harder, or continue to be hard, to find and hire craft workers during the coming 12 months. Only 4 percent of firms expect it will get easier. Meanwhile, 70 percent of firms expect the market for construction professionals will remain tight, or get tighter, during the coming 12 months, while only 6 percent think it will get easier.

Most contractors have a low opinion of the craft workers training pipeline. One reason many contractors don't think the labor market will improve soon is because they have a particularly low opinion of the training pipeline for craft workers, and to a lesser extent for construction professionals. Fifty-five percent of firms rate the overall quality of the local pipeline for new construction craft workers as poor or below average while only 8 percent say it is above average or better. Meanwhile 35 percent rate the pipeline for preparing new construction professionals as poor or below average while 18 percent rate it as above average or better.

Craft worker shortages are slightly less severe in the northeast, compared to the rest of the country, while professional position shortages are relatively consistent across the country. There is a direct relationship between the severity of craft worker shortages and the quality of the local training pipeline. In the south, where 86 percent of contractors report having a hard time finding qualified construction craft workers, 67 percent of contractors rate the local training pipeline as below average or worse. Conversely, in the northeast, where only 67 percent of contractors in the northeast report having a hard time finding qualified construction workers, contractors have a better opinion of the quality of the construction training pipeline, with 53 percent saying local training programs are average or above.

CONCLUSIONS

What this survey makes clear is that the construction industry is likely to face significant, and growing, worker shortages, as demand for construction continues to rebound. These shortages will help boost already generous construction pay levels, but are also likely to force contractors to charge more to complete construction projects or forgo bidding on projects they lack the manpower to complete. Rising construction costs and slower scheduled could in turn undermine the already tepid recovery in demand.

The solution is to improve the pipeline for recruiting and preparing the next generation of construction workers. That is why the Associated General Contractors of America crafted [*“Preparing the Next Generation of Skilled Construction Workers: A Workforce Development Plan for the 21st Century.”*](#) The plan identifies a series of steps that federal, state and local officials should take to reinvigorate the pipelines for new construction workers. Among those steps, increasing funding for career and technical school programs via the Perkins Act, making it easier to establish construction career academies and enacting comprehensive immigration reform.

The plan is also designed to compliment steps chapters are already taking to address growing construction workforce shortages. And it is designed to work in conjunction with a range of steps AGC of America is taking to support national construction recruiting campaigns like Hiring Our Heroes, Build Your Future and Skills Challenge USA. The association’s goal is clear, to make sure firms that once struggled because of the lack of work don’t have to continue suffering because of a lack of workers.

BACKGROUND

The Associated General Contractors of America conducted the survey of its members starting in August and lasting through September 2014. Over one-thousand firms, representing a broad range of firm types and sizes, completed the survey. Among responding firms, 34 percent perform highway work, 50 percent work on public buildings, 51 percent work on retail, warehouse and lodging structures, 50 percent build private office buildings, 37 percent build manufacturing facilities and 27 percent build multi-family structures. Thirty-five percent of responding firms perform \$10 million a year or less worth of work. Twenty-six percent perform between \$10.1 million and \$30 million while the rest perform more than \$30 million worth of work each year. Respondents were not paid or otherwise compensated for their responses.