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THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

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PREPARING THE NEXT GENERATION OF SKILLED CONSTRUCTION WORKERS: WORKFORCE DEVELOPMENT PLAN

2016

Introduction: Why America Needs a Construction Workforce Development Plan

As the construction industry emerges from a severe downturn that began more than eight years ago, many firms report having a hard time finding enough skilled workers to fill key positions. These workforce shortages may at first seem counter intuitive for an industry that was forced to lay off more than 2 million workers since 2006. However, these shortages are the consequence of a series of policy, education, demographic and economic factors that have decimated the once robust education pipeline for training new construction workers.

The lack of a sufficient number of secondary-school career and technical education training programs across the country means that as the construction industry expands to meet growing demand, an increasing number of firms will have a hard time finding skilled workers. Left unaddressed, these shortages will ultimately undermine the industry's recovery and impact broader economic growth as staffing shortages lead to construction delays. That is why the Associated General Contractors of America has identified an array of measures that federal, state and local officials should adopt to expand secondary-school career and technical education and post-secondary training opportunities so more people can enter into a growing number of high paying construction jobs. Those measures are outlined in this plan.

Background

How Construction Worker Shortages Could Slow the Economy

Construction worker shortages pose a threat not just to firms looking to recruit new talent. These shortages have the potential to undermine broader economic growth. As construction firms struggle to fill key positions, they will be forced to propose slower schedules for vital projects, tempering the pace of economic development. After all, construction is one of the few industries where the vast majority of work must be performed on-site and cannot be off-shored.

As those new commercial, industrial and institutional projects languish and maintenance on water and transportation facilities falls further behind, the jobs they offer will also be delayed. In addition, understaffed construction firms may be more hesitant to bid on new projects knowing they lack the manpower to complete the work on schedule. With fewer bidders competing for work, owners are likely to spend more for the projects. As construction projects become more expensive, the appetite and available financing for new projects are likely to be dampened.

What Happened to the Once Robust Construction Education Pipeline?

A number of changing trends have combined to cripple what was once a robust education pipeline for new construction workers. Those factors include the dismantling of the public vocational and technical education programs, declining participation in union apprenticeship training and an increasing focus on college preparatory programs at the high school level.

While the nation once had a thriving public vocational-technical educational program that provided training for a host of skills, including construction, many of those programs have been closed over the past several decades. One reason is that federal funding has largely shifted to promoting college-preparatory programs on the misguided theory that everyone should, can and wants to attend college. During the past eight years alone, federal funding for career and technical education has declined from over \$1.3 billion a year to a 2015 level of just over \$1.12 billion. That is a 29 percent decline after taking inflation into account.

In the wake of declining support for secondary career and technical education training, many remaining programs have struggled to find sufficient support to fund not only operations, but to acquire the often-costly equipment needed to provide meaningful skills training. Many program operators report having to get creative about seeking private-sector funding and donations to acquire needed equipment and materials. Federal, state and local funding cuts for career and technical education are occurring despite the fact these programs have higher graduation rates (90 percent versus 75 percent according to the U.S. Department of Education's Office of Vocational & Adult Education) than college-preparatory education programs.

Another factor contributing to the dismantling of the construction education pipeline is increasing focus on, and demand for, college preparatory programs. As the U.S. economy shifts from manufacturing to knowledge-based, there has been a corresponding shift in interest in establishing educational programs designed to prepare students for college. The consequence has been the overwhelming impression among youths, their parents and teachers that career and technical education is unacceptable, despite the fact construction jobs often pay better than many post-college options, especially post-downturn.

As institutions continue to dismantle public career education programs, changing labor trends have diminished participation in union-based apprenticeship training programs. The number of construction workers who chose union representation shrank by 19 percent, from 1.195 million in 2008 to 968,000 in 2014, according to the Bureau of Labor Statistics' most recent union membership data. As a result, the reach of union apprenticeship training programs has become increasingly limited.

Unfortunately, federal and often state rules make it difficult for open-shop contractors to create similar apprenticeship programs. Federal antitrust rules, for example, make it more difficult for multiple open-shop employers to work together to create apprenticeship training programs. As a result, many firms are hesitant to pay the cost of training on their own, knowing other firms may hire away their newly-trained staff and underbid them for new projects.

Why an Industry that Shed Two Million Jobs has a Hard Time Finding Workers

While the dismantling of the construction education pipeline helps explain why there aren't many new young construction workers available to meet growing demand, different factors explain why there also aren't many older available construction workers. The number of unemployed construction workers currently seeking employment has tumbled from 2.2 million in January 2010 to 525,000 in August 2015 – the lowest amount for the month since 2001, according to the Bureau of Labor Statistics. Meanwhile, construction consultancy FMI estimates that the construction industry will need to add 1.5 million new workers to keep pace with demand and replace retirees by the end of the year.

Many laid-off construction workers likely opted to return to work in other sectors of the economy. Many of those workers may now be driving trucks, operating heavy equipment or doing other jobs as part of the country's energy sector. Other unemployed construction workers may lack the skills needed to qualify for in-demand positions, like pipefitters.

Other laid-off construction workers simply decided to hang up their tool belts and retire. According to the U.S. Census Bureau's 2013 Current Population Survey, roughly 40 percent of the construction workforce is 45 years of age or older. That means there are 3.7 million construction workers who will be approaching retirement within the next 10 years.

The result of these changing demographics and employment trends is that many former construction workers are no longer seeking jobs within the industry. As a consequence, construction firms are having difficulties filling key construction positions. Nearly two-thirds of construction firms responding to a recent AGC survey reported having a hard time finding qualified workers to fill key positions, and equal numbers predicted hiring conditions will remain challenging or worsen as demand for construction expands.

The Plan

Given the potential negative economic impacts of construction worker shortages, and the need to re-invigorate the construction skills education pipeline, the Associated General Contractors of America has identified a range of measures that federal, state and local officials should take. These measurements include an array of legislative and regulatory reforms that are designed to make it easier for private construction firms and not-for-profits to finance and operate their own training programs. These changes would expand training opportunities while rightly shifting additional responsibility to the private sector.

Taken together, the measures outlined below have the potential to significantly improve the scale and quality of the domestic training pipeline. That is why we urge officials to adopt this plan in its entirety, instead of as an a la carte menu.

Reform and Reinvigorate the Perkins Act. Congress and the administration must work together to make a number of reforms to the Carl D. Perkins Career & Technical Education Act – the primary federal funding vehicle for career and technical education programs. For example, the act should be amended to give states increased flexibility to select and fund high-quality training programs in response to labor market needs. In addition, the legislation should give states increased autonomy to establish sector partnerships focused on promoting collaboration among secondary and post-secondary training programs. And the reformed program must include clear benchmarks for success.

In addition, given the higher graduation rates of career and technical programs and expanding demand for construction jobs, Congress needs to boost funding for the Perkins Act. Specifically, funding should go from the current level of \$1.12 billion in 2015 to its 2007 level of \$1.30 billion. This additional flexibility and funding will make it easier for school districts to expand their career and technical program offerings. These programs should undergo an annual review to make sure they effectively matriculate participants into the next stage of their training, and ultimately into jobs.

Offer Community College Career and Technical Programs to High School Students for Free. Other states should follow the lead of states like Kansas and Tennessee, which has enacted legislation allowing high school students to enroll in public community college career and technical programs and have those courses count toward their high school diploma. Students can graduate high school with applicable technical skills and knowledge to go to work immediately, prepared for a career or to secure a good paying part-time job while attending college. Allowing high school students to take these kinds of community college courses is a relatively easy and affordable way to expand career and technical offerings in many public school districts.

Encourage Private Funding for Craft Training Programs. The federal courts have long recognized an exception to the federal antitrust laws for craft training programs that are the product of collective bargaining. It has long been lawful for the members of a multiemployer bargaining unit to agree that each will contribute a certain amount per hour to fund such programs as long as their agreement is embodied in a collective bargaining agreement with an appropriate union. To meet the construction industry's future needs for craft training, open-shop contractors need to have the same option. Congress and the administration need to enact legislation that would expand the antitrust exemption to open-shop contractors, allowing them to enter into similar agreements among themselves to provide funding for craft training programs. Such a step would empower the construction industry to self-fund much more of the craft training that it requires, and reduce the need for public support.

Make it Easier for Veterans to Get Training and be Hired. Congress should enact measures to allow veterans participating in pre-apprenticeship training programs to receive the same amount of educational assistance as individuals participating in apprenticeship programs. This will make it easier for veterans to begin the process of acquiring construction skills. In addition, Congress should extend the Work Opportunity Tax Credit, which aids employers in hiring veterans, as well as individuals receiving disability rehabilitation and residents of empowerment zones and rural renewal counties. Also need to adjust apprenticeship rules to be aligned to with veterans' work experience so returning service members do not have to go backwards in their careers. In addition, more construction firms should take advantage of AGC-supported programs like Hiring our Heroes and Hard Hat Heroes that provide a vast array of services to help connect veterans with firms looking to add staff.

Encourage Partnerships Between Registered Apprenticeship Programs and Community Colleges. A growing number of registered apprenticeship programs have partnered with local community colleges to offer associate's degrees to apprentices who successfully complete their training. Given that apprentices are paid during their training program, this means they are earning community college degrees without amassing large student debt. Officials should encourage more of these collaborations, such as the U.S. Department of Labor Trade Adjustment Community College and Career Training grants (which provided \$500 million worth of grants annually from 2011 to 2014) – or any future similar grant programs which require recipients to partner with at least one registered apprenticeship program that demonstrates measurable success. Similarly, any grant programs should only be given to those colleges that have articulation agreements with at least one registered apprenticeship program and a proven track record of success. Extra incentives should go to those community colleges that dedicate at least one staff position to serve as a liaison to the registered apprenticeship community.

Expand Federal Apprenticeship Resources and Collect More Comprehensive Data on All Apprenticeship Programs. Funding for the federal Office of Apprenticeship has been largely flat-lined over the past few years. The office administers more than 19,000 registered apprenticeship programs serving more than 451,000 apprentices. By comparison, the administration is spending \$1.59 billion in fiscal 2015 for the Department of Labor's Job Corps program, which serves 60,000 youths – ranging in age from 16 to 24 – annually. Congress and the administration should increase funding for the Office, while including clear performance measures and annual reviews for the Office. This increase in funding will provide the Office with the resources it needs to collect data on the quantity and performance of all registered apprenticeship programs across the country – including in states that have established their own apprenticeship agencies – and create new, enhanced tools to provide information on apprenticeship programs and connect job-seekers with local programs.

Enact Immigration Reform. Congress and the administration need to ensure that the millions of undocumented workers who have been participating in the domestic economy for years have a way to attain legal status. Congress and the administration should enact comprehensive immigration

reform that provides such a path to legal status and allows for significantly more construction workers to enter the U.S.

Make It Easier to Establish Public Schools Focused on Career and Technical Education. A number of state and local governments have enacted legislation permitting charter schools and construction career academies to be put in place. In some of those areas AGC chapters have successfully partnered with education providers to establish construction-focused charter schools. These programs have proven to be successful. In Portland, Oregon, for example, a chapter-supported charter school program is proving extremely successful and popular. Unfortunately, many other jurisdictions either lack such enabling legislation or their measures are too restrictive to be effective. State and local officials must enact measures to allow the establishment of new charter schools.

In addition, state and local officials should give local “traditional” public school leaders greater flexibility to establish career academies that focus on construction, like the San Antonio Construction Career Academy in Texas.

Implement Workforce Innovation and Opportunity Act. WIOA streamlines much of the workforce development system, gives states greater flexibility to address the most crucial local worker shortages, and strengthens employer engagement. The final implementation regulations will largely dictate how the act functions and ultimately its effectiveness on training skilled construction workers. While AGC supported passing the bill, it recommends that clear incentives allow employers to partner with the workforce system to design and implement occupational training programs. The employer measures should be objective, not subjective, and should be organized to keep employer burdens to a minimum by identifying a short list of performance indicators the administration should consider. AGC gave recommendations on membership of workforce boards, One-Stop delivery and apprenticeship, industry recognized credentials, work-based training and pay for performance contracts to the administration prior to the rule making. We wait to see if our recommendations will be included in the final rules.

Conclusion

As demand continues to pick up around the country, the construction industry will face worker shortages with increasing frequency. Decades of converging policy, educational, demographic and economic trends have combined to dismantle the once robust vocational education system that provided a steady supply of skilled construction workers. Meanwhile, the regulatory measures put in place when more workers chose union representation no longer make sense in an industry where roughly 85 percent of construction workers are employed by open-shop contractors according to the Department of Labor.

This association and construction firms are working hard to recruit the next generation of construction workers. A number of AGC chapters, for example, have established “Go Build” recruiting programs in their states including in Alabama, Georgia and Tennessee. And the statewide AGC of Wisconsin chapter has established a similar Build Wisconsin recruiting program which AGC of America has made available as a template website for chapters and firms in other states to use. In addition, many firms provide financial, resource and professional support to local construction career academies and charter school. Other firms are taking advantage of nationwide construction recruiting and resource programs like Build Your Future. These are just a few examples of the many ongoing efforts by AGC chapters and members to connect, recruit and train young people, veterans and nontraditional populations, such as women, for promising careers in construction.

Yet while the industry stands ready to make the investments needed, and take the steps required to prepare the next generation of construction workers, current regulations and investment patterns limit their ability to solve the challenge of worker shortages on their own. Fortunately, through a combination of new investments, pragmatic changes and measures like immigration reform, we will have the ability to provide sufficient workers in the short term and a more robust domestic supply in the long term. That is why the Associated General Contractors of America will work to encourage officials at all levels of government to implement the measures outlined in this plan. The consequences of inaction are simply too severe – for both the construction industry and for the broader economy.