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2022 WORKFORCE SURVEY RELEASE

Virtual Media Event Talking Points

Wednesday, August 31, 2022

Ken Simonson Remarks

Hello and thank you for joining us today. My name is Ken Simonson and I am the chief economist for the Associated General Contractors of America. With me today are Allison Scott, Autodesk's Director of Construction Customer Experience and Industry Advocacy; LaTasha McCall, the President of LM2 Construction & Consulting, LLC in Lee's Summit, Missouri; Stephen Sines, vice president of operations at The Morganti Group in West Palm Beach, Florida; Stephanie Simpkins, the president of North Star Enterprises in Liberty Lake, Washington; and Brandon Bull, the Oklahoma City area lead for Lithko Contracting in Edmond, Oklahoma.

The Associated General Contractors of America and Autodesk each year partner to measure the state of construction workforce shortages, better understand why those shortages exist, assess the impacts of labor shortages on construction projects, and learn what firms are doing to cope with and overcome those shortages.

The results of this year's Workforce Survey show that construction labor shortages remain severe. Ninety-three percent of firms report they have open positions they are trying to fill, and among them, 91 percent are having trouble filling at least some of those positions, particularly among the craft workforce that performs the bulk of the on-site construction work.

All types of firms are experiencing similar challenges. Nearly identical results were reported by contractors that use exclusively union craft labor and by firms that operate as open-shop employers; by firms with \$50 million or less in annual revenue and ones with more than \$500 million in revenue; by companies in all four regions of the country; and by contractors doing building construction, highway and transportation projects, federal and heavy work, or utility infrastructure.

One of the main reasons labor shortages are so severe in the construction industry is that most job candidates are not qualified to work in the industry. The most common explanation for difficulty in filling positions, cited by 77 percent of firms, is that available candidates lack the skills needed to work in construction or cannot pass a drug test.

These shortages are exacerbating the impacts of widespread supply chain disruptions that have made it difficult for firms to get materials delivered on time and that are driving up the cost of those materials. Eighty-two percent of firms report projects they work in have been delayed because of supply chain challenges and two-thirds – 66 percent – have projects that have been delayed because of labor shortages.

Supply chain problems and labor shortages are making construction more expensive. Eighty-six percent of firms have raised base pay rates for their workers while 70 percent have passed along rising materials

costs to project owners during the last year. Fifty-eight percent of respondents report owners canceled, postponed or scaled back projects due to increasing costs.

Many construction firms are working aggressively to cope with and/or overcome workforce shortages. In addition to raising base pay rates, 45 percent are providing incentives and bonuses and a quarter of firms (24 percent) have also improved their benefits packages.

Beyond improving compensation, they are also getting more involved in preparing future workers for careers in construction. Fifty-one percent of survey respondents—up from 37 percent in the 2021 survey—report they have engaged with career-building programs such as high school, college, or technical school construction programs.

Firms are also boosting investments in their own internal training programs as they come to terms with a workforce that lacks many of the basic skills former workers possessed. Forty-seven percent of firms are boosting spending on training and professional development programs, 25 percent are enhancing their online and video training capabilities and 16 percent are using augmented and virtual reality technology to better train workers.

Technology is also playing an important role in helping firms cope with labor shortages and other challenges they face. We have invited Autodesk's Allison Scott to share some more observations about how firms are coming to increasingly rely on technology...

Allison Scott Remarks

Thanks Ken.

The construction labor shortage and digital skills gap are widespread challenges in our industry. And while these challenges are not new, they have been amplified by the pandemic, which has contributed to the shifting landscape of available talent and the increased demand and use of construction technology.

Despite the very real challenges expressed by survey participants around the labor and supply chain issues, there are promising trends around digital skills, training and flexibility that point to a larger cultural shift in construction. We see similar trends within our community of construction professionals using our tools.

- For instance, Ken described how 47 percent of firms are boosting spending on training, and 25 percent are enhancing their on-line training. Autodesk has increased investment in learning initiatives for construction, and we see similar growth in digital learning. For example, Autodesk Construction Cloud Learning Center houses courses and learning materials free to everyone and translated into five languages on how to use Autodesk Construction Cloud products. Since its launch last year, there have been more than 50,000 course enrollments with registration from 134 countries.
- We've also seen increased demand for our technology from universities, unions and other industry training centers. These educators are responding to the industry's growing appetite for talent with technical skills. This trend is reflected in the survey as well with

more than half (51 percent) of firms reporting they are engaged with a career-building program, at high schools, colleges, or career and technical education programs.

- The survey also reflects how critical construction technology is to modern construction operations. Eighty-seven percent of firms agree that their employees need to possess digital technology skills to be successful. And while few candidates possess all the skills firms want, nearly two-thirds of responding firms say at least half of the people they are hiring possess the technology skills they need. This is a strong indicator of the larger digitization trend taking hold in construction and shows that firms should continue to upskill digital nomads – those who came up in the industry without these tools – while also attracting digital natives, those who have been using connected technology since its inception.

The labor shortage in the construction industry will only get more dire as the current workforce retires. Our customers consistently voice concerns that, though there will be an influx of new projects and roles, the industry is not attracting enough people to fulfill their increasing needs or growing the right skillsets. Construction learning initiatives are being employed to help companies move fast, so they can remain competitive and stay ahead of the curve during the industry’s digital transformation. This is a promising trend that sets the industry up for increased growth.

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

Ken Simonson Remarks

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

In short, labor shortages and supply chain problems are making it more expensive and more time-consuming to build projects today. These increased costs and delayed schedules are undermining demand for construction, as a significant percentage of owners seek to delay, downscale, and cancel projects in the face of rising costs and slower schedules.

The main culprit for these workforce shortages is that too few people are being prepared with the skills needed to work in the industry.

Construction firms are addressing these workforce shortages. Firms are increasing pay and improving benefits. They are getting more involved in construction education programs to help ensure new workers have basic, essential skills. And they are boosting investments in their own training programs as they accept more workers who lack those key skills.

The Associated General Contractors of America and its chapters are supporting the industry with a broad range of workforce development initiatives. This includes the national association’s Construction is Essential targeted digital recruiting campaign and its Culture of Care workplace retention program.

Public officials also have a vested interest in making sure new workers are better prepared for high-paying construction careers. Without enough workers to keep pace with demand, the federal

governments' new infrastructure funding and more recent investments in semi-conductor factories and energy infrastructure projects will not deliver as much as promised.

Federal, state and local leaders must invest in the kind of career and technical education programs that will expose more existing and future workers to the many career opportunities that exist in construction. These programs also provide the kind of essential skills employers are seeking.

Investing in new career and technical education programs will take time to deliver results. In the meantime, federal officials should take steps to allow more workers to lawfully enter the country to help meet in-filled demand.

Public officials must also continue working to untangle supply chains. These supply chain problems have a similar potential to undermine new infrastructure and manufacturing investments as do labor shortages.

There is plenty of work for the industry to perform. Unfortunately, there aren't enough people to do the work or enough materials to complete the projects. Addressing labor shortages and supply chain problems will ensure that the construction industry can upgrade America's infrastructure, modernize our manufacturing sector and help deliver a more reliable and cleaner energy grid.

Now before we open things up for questions, I would like to invite the contractors on the call LaTasha McCall, Stephen Sines, Stephanie Simpkins and Brandon Bull, 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 LaTasha...

Stephen...

Stephanie...

And Brandon...

And now let's open things up for questions.

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