

CHALLENGES FACING THE CONSTRUCTION INDUSTRY IN 2023

The construction industry has enjoyed strong growth during the past several years and it continues to be an interesting time for small and medium sized companies. Infrastructure projects have increased significantly due to funding by Congress, and although overall spending has been at an all-time high, there are significant challenges to navigate, particularly as it relates to attracting and retaining qualified employees.

Challenges & Solutions to the Tightened Labor Market & Shifting Demographics

Inflation is a major challenge for the construction industry. Setting aside the obvious price increases of building materials, inflation significantly impacts labor costs. There is currently a shortage of laborers resulting from changing (and aging) demographics, workers pushing for higher wages and demanding a better working environment.

Studies have revealed that approximately 21% of employees in the construction industry are age 55 or older, compared to just 9% that are twenty-four or younger. Workers in construction are retiring at a faster rate than the younger generation is coming in. The millennials are not entering the market, which will continue to cause issues for firms as they seek to meet the growing demand. The lack of diversity and the uncertainty of immigration reform will only make matters worse.

Increased government regulations have changed the industry, while new OSHA rules and building codes requirements have forced the industry to become nimble in navigating the challenges. The pandemic handcuffed the industry for more than two years. While we have finally come through this period of uncharted waters, the construction industry continues to have an uphill battle searching for qualified laborers and convincing existing employees not to chase new careers.



Construction firms have done a decent job of creating in-house training and apprenticeship programs, as well as collaborating with state and local governments to create programs designed to attract and train new talent for careers in construction. This trend will have to continue as labor shortages will be an ongoing challenge.

Challenges & Solutions to Productivity Issues

A report from McKinsey & Co. finds that “While many U.S. sectors including agriculture and manufacturing have increased productivity ten to 15 times since the 1950s, the productivity of construction remains stuck at the same level as 80 years ago. Current measurements find that there has been a consistent decline in the industry’s productivity since the late 1960s.”

Those findings are troubling, especially as construction projects are becoming increasingly more complex. There are a number of factors that lead to poor productivity on construction projects. These can be due to inadequate planning and scheduling, lack of collaboration and communication between stakeholders on the project, and idle time wasted by having to wait on materials and supplies to be delivered or for prior work to be completed. In recent years, the labor shortage has played a role in hindering productivity with workers not having the skills or experience needed. The result is companies are trying to complete more work with fewer workers. Fragmentation in the industry from working in silos is also a major contributor to the lack of improvement in productivity levels over the years.

Construction methods like design-build and lean practices, which require a high level of communication and collaboration among key players, have shown to improve efficiency and productivity on projects. Technology such as building information modeling (BIM) and project management software are also tools that contracting firms can use to bolster productivity.

Challenges & Solutions to Workplace Safety Issues

Worker safety continues to be an issue plaguing the construction industry. For years, construction has led all industries in the total number of worker deaths. The number of workplace injuries and illnesses has remained constant for years. Keeping workers safe and protecting them against accidents and injuries should be the top priority for all business owners.

Training is the number one way to keep workers safe on the jobsite. Safety training must be an ongoing discipline, which is needed throughout a worker’s career to emphasize the importance of safe working practices and to reinforce the lessons they’ve been taught. History tells us that there is no such thing as too much safety training.

Summary

From technological advancements to ongoing labor shortages and supply chain disruptions, you can expect to see some significant construction industry trends continuing to impact all corners of our market. The good news is the industry outlook remains relatively stable.

The construction industry is notoriously slow at adopting new technologies. Countless studies and surveys over the years have shown that business owners continue to underinvest in technology, despite the many benefits that technology can provide in running businesses more efficiently, implementing key processes and managing construction projects.

Technology is going to be a critical component of all construction projects. Companies that are early adopters and implementing new tech into their workflows and jobsites are going to have a noticeable advantage over those who fail to adapt. Companies that fail to see the advantages of technology or continue to underinvest in these tools will not have the competitive edge to survive in this rapidly changing environment.

For further information on the construction industry, please contact PLDO Managing Principal Gary R. Pannone at 401-824-5100 or email gpannone@pldolaw.com.



Gary R. Pannone
Managing Principal

PANNONE LOPES
DEVEREAUX & O'GARA LLC
c o u n s e l o r s a t l a w

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