

WORKPLACE IN FOCUS

CONSTRUCTION



BUILDING A STRONG FOUNDATION:
**ADDRESSING LABOR SHORTAGES IN
THE U.S. CONSTRUCTION INDUSTRY**

Introduction

The market size of the American construction sector hit a peak value of approximately **1.8 trillion dollars**¹ in 2022. While this number was an uptick from previous years, it was not a harbinger of good things to come.

In fact, the overall value of construction in the United States, including residential, non-residential, and non-building segments, is not expected to resume growing until 2026. While this is an optimistic expectation, it is not a certainty.

Construction jobs are physically demanding, require long work hours, and completion is often left to the mercy of unpredictable weather. These negatives have resulted in a downturn in recruitment. *According to ABC*², the number of available construction jobs plummeted by 248,000 from December 2022 to January 2023 without a noticeable increase in hire rates.

The decline in construction spending, lack of jobs, and challenges facing the construction industry pose significant threats to the sector's sustainability. Pair these hurdles with an aging workforce that is steadily retiring, and you have increasing labor shortages. **See Fig 1.1.**

FIG 1.1 – CONSTRUCTION INDUSTRY JOB OPENINGS AND LABOR TURNOVER DATA: JANUARY 2023

	January 2023	December 2022	January 2022	1-Month Net Change	12-Month Net Change	12-Month % Change
TOTAL						
Job Openings	248,000	488,000	396,000	-240,000	-148,000	-37.4%
Hires	391,000	380,000	324,000	11,000	67,000	20.7%
Total Separations	365,000	335,000	325,000	30,000	40,000	12.3%
Layoffs & Discharges	172,000	166,000	140,000	6,000	32,000	22.9%
Quits	176,000	153,000	177,000	23,000	-1,000	-0.6%
Other Separations	17,000	16,000	8,000	1,000	9,000	112.5%
RATE						
Job Openings	3.0%	5.8%	5.0%			
Hires	5.0%	4.8%	4.3%			
Total Separations	4.6%	4.3%	4.3%			
Layoffs & Discharges	2.2%	2.1%	1.8%			
Quits	2.2%	2.0%	2.3%			
Other Separations	0.2%	0.2%	0.1%			

Source: U.S. Bureau of Labor Statistics

Let's dissect the six prominent challenges confronting the construction industry and identify solutions to solve for labor shortages.

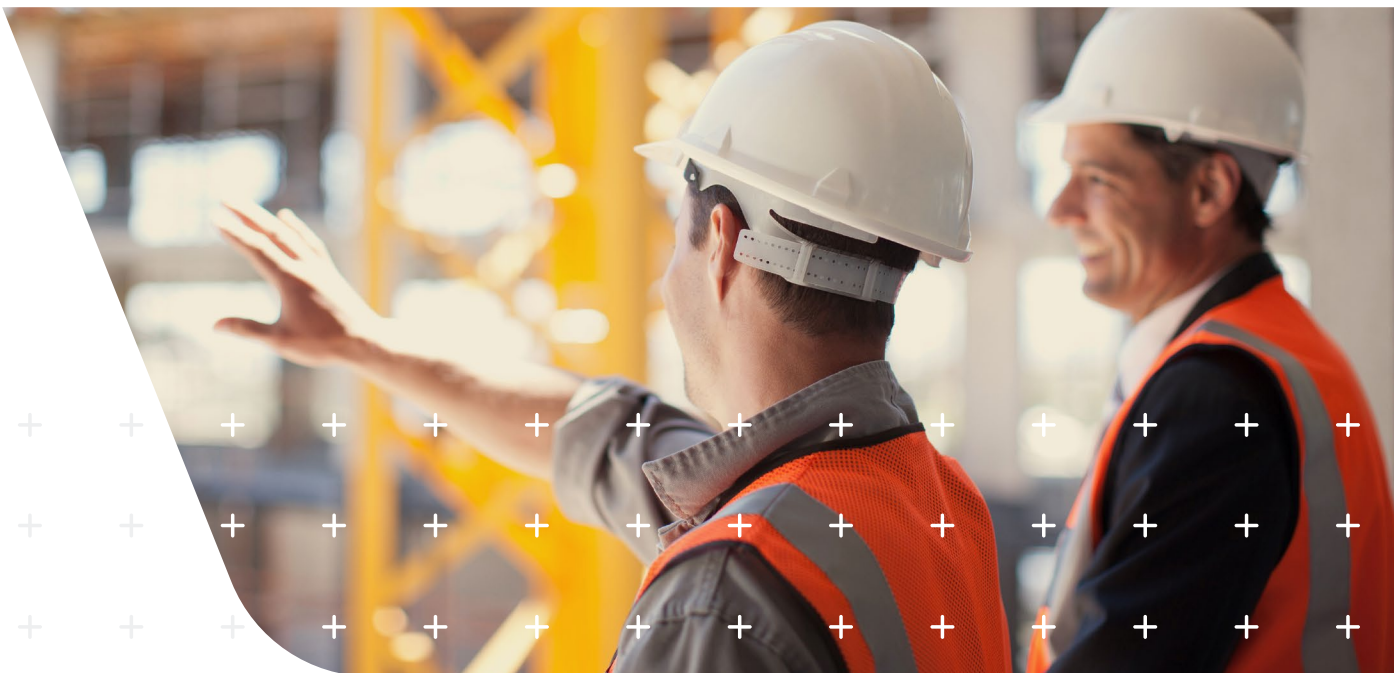
PRIORITIZE

A CULTURE OF SAFETY

Construction work is dangerous and stressful. Construction workers engage in various activities that include heavy machinery operation, working at heights, handling power tools, and dealing with toxic materials. Some of the daily hazards in construction work include falls, electrical risks, struck-by accidents, and malfunctioning equipment, leading to accidents, cuts, abrasions, and more serious injuries. The work is physically dangerous and mentally taxing.

The Occupational Safety and Health Administration (OSHA) sets regulations for construction safety to protect workers from potential hazards. **While it is crucial for construction workers to follow safety protocols, wear appropriate personal protective equipment (PPE), and stay vigilant to minimize the risks associated with their work, construction companies should take the following measures to help worker safety:**

- + Conduct regular safety training sessions to promote awareness and adherence to safety standards.
- + Encourage a culture of mutual responsibility, where every team member is accountable for their safety and the safety of their colleagues.
- + Promote a positive culture that prioritizes worker well-being and a focus on mental health.



AGING WORKFORCE

The construction industry is grappling with many experienced professionals approaching retirement. Encouraging knowledge transfer from older workers to younger ones is crucial. Implementing mentorship programs, where seasoned workers pass on their expertise to new hires, ensures the preservation of valuable skills and experience. **Construction companies can incentivize seasoned labor to stay on by providing improved work-life balance in the following ways:**

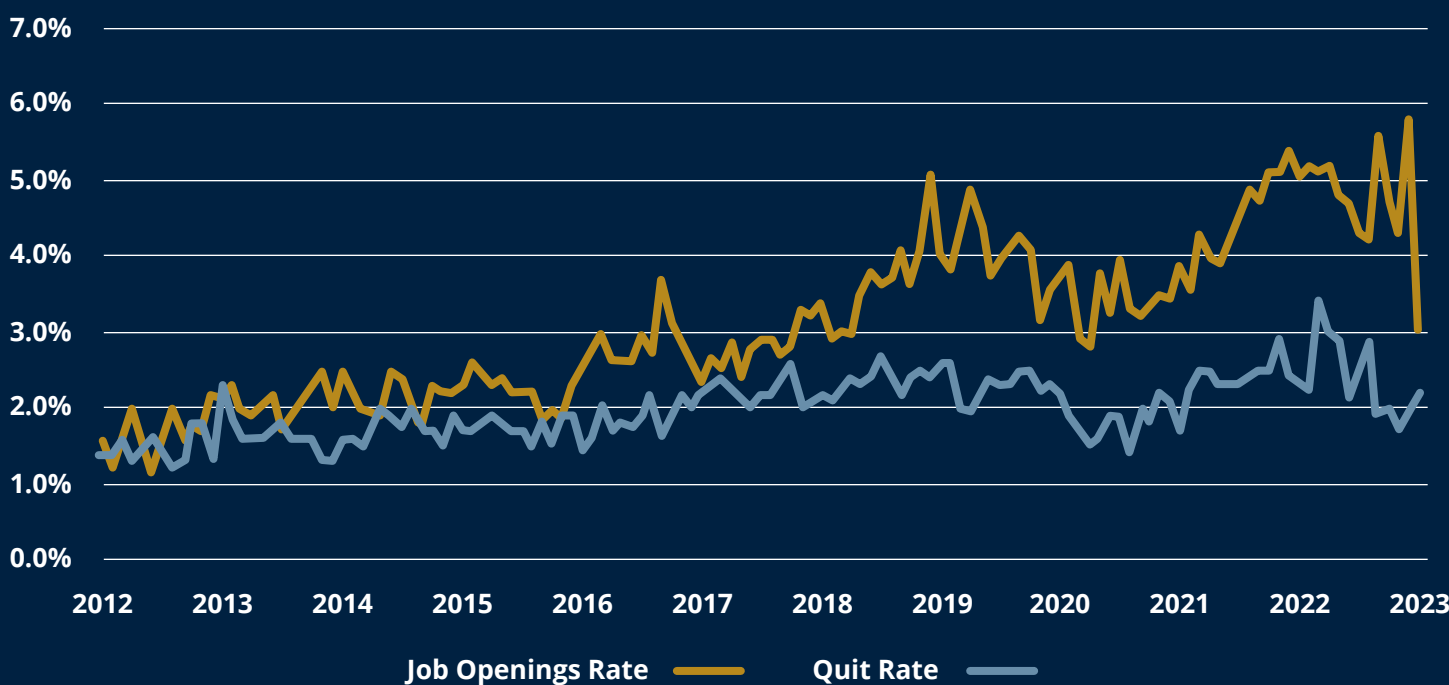
- + Introduce flexible work schedules to accommodate diverse lifestyles.
- + Explore remote work options for administrative and planning roles.
- + Foster a positive work culture that values employee contributions.



INCREASING KNOWLEDGE GAP

The rapid evolution of technology in the construction sector, an aging workforce, and decreased recruitment have resulted in a knowledge gap among workers. This issue is compounded by a significant rise in resignations over the past decade. Industry challenges are leading construction workers to hand in their notice. See Fig 1.2.

FIG 1.2 – CONSTRUCTION JOB OPENINGS RATE AND QUILTS RATE:
JANUARY 2012 – JANUARY 2023



Source: U.S. Bureau of Labor Statistics

To bridge this knowledge gap, construction companies should invest in ongoing training and upskilling programs. By keeping workers abreast of the latest technologies and construction methodologies, companies can enhance efficiency and competitiveness.

INVEST IN TRAINING AND DEVELOPMENT

The scarcity of skilled workers is a pressing issue in the construction industry. Construction companies should collaborate with educational institutions and vocational training centers to develop tailored courses that equip individuals with the necessary skills. By actively participating in training initiatives, construction companies contribute to the development of a workforce pipeline similar to a baseball farm system.

Additionally, apprenticeship programs can provide hands-on experience, allowing aspiring construction workers to learn from seasoned professionals. **Other solutions to combat the knowledge gap and invest in training and development include:**

- + Collaborate with educational institutions and trade organizations for tailored training programs.
- + Facilitate ongoing learning opportunities through workshops, seminars, and online courses.
- + Implement apprenticeship programs to provide hands-on experience and mentorship.

PHYSICALLY DEMANDING WORK AND HOURS

The physically demanding nature of construction work can contribute to burnout and high turnover rates. Companies can address this by implementing flexible work schedules and providing ergonomic tools that can alleviate the strain on workers' bodies, promoting overall well-being. **Along with investing in modern equipment and tech that can reduce physical strain, companies also need to:**

- + Offer competitive salaries to attract and retain skilled workers.
- + Provide comprehensive health insurance, retirement plans, and other employee benefits.
- + Introduce performance-based incentives to motivate and reward high-performing employees.

HIGH COST OF BUILDING MATERIALS

Another significant factor impacting the construction material is the soaring costs of building materials. Inflation coming out of the pandemic hit the construction industry hard. In 2022, the price of concrete products steadily increased into the early months of 2023, leading to construction companies struggling to deliver quality work on time and maintain a competitive edge, resulting in fewer construction jobs.

Consequently, the construction industry labor shortages are leading to increased labor costs, project delays, an increased workload, poor workmanship, increased builder risk, and decreased client satisfaction. All these factors propel the cycle of fewer job openings and more workers quitting.

CONCLUSION

The challenges facing the U.S. construction industry are formidable, but with proactive measures and a commitment to change, companies can overcome these hurdles. By investing in training programs, adopting innovative technologies, offering competitive compensation, and prioritizing worker well-being, the industry can create a sustainable and thriving future.

It is time for construction companies to embrace a holistic approach that not only addresses immediate labor shortages but also sets the stage for long-term success in a rapidly evolving industry.



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SOURCES

¹ <https://www.statista.com/topics/974/construction/#topicOverview>

² <https://www.abc.org/News-Media/News-Releases/abc-construction-job-openings-plummet-by-a-shocking-240000-in-january>

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