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How to Manage Workforce Challenges In the Construction Industry

With the strong demand for new construction, additions and renovations since the beginning of the COVID-19 pandemic, contractors have had a hard time keeping up. How will contractors adapt to this high level of demand, especially given the labor shortages that have plagued practically every industry on the planet? One option is undertaking strategic planning that is bold and innovative, allowing the contractor to adapt to dramatic changes in society while addressing industry challenges, providing them with the opportunity for strong growth long into the future.

Construction Workforce Management Challenges

Though the industry has had a continuous issue with finding skilled workers after the recovery from the 2008 financial crisis, demand has only increased over that time. Even prior to the pandemic, Bureau of Labor Statistics' numbers from 2018 already showed two job opportunities for every person who was looking for a job. Though there were initial job losses during the early months of the pandemic due to restrictions on projects, workers staying home and supply chain disruption, construction demand quickly returned, as individuals working from home created a strong interest in starter homes, additions and improvements.

Construction Labor Demand: Industry Outlook

It's estimated that 35% of contractors have reported having to turn down work due to labor issues. It's estimated that to fill demand over the next three years, another two million additional construction workers will be needed. Because hiring competition equates to wage competition, overhead will rise even as projects see lower productivity and longer schedules. However, there are several smart strategies to help you address these issues:

- **Take health and safety seriously.** You don't want to lose precious workers to stress, injury or support issues. Don't forget mental health, as burnout and stress are a strong factor in leaving the workforce.
- **Focus on availability instead of experience.** Available skill levels have dropped as the workforce becomes younger. Adapt your time-to-production expectations and increase training.
- **Adjust project schedules for reasonable shifts.** Tired, overworked employees have more accidents, costing you your valuable workforce.
- **Add to your benefits.** As one of the most dangerous industries, you'll need to be competitive by providing some disability insurance. Think about matching union benefits to increase hiring potential.

- **Offer and promote apprenticeship programs.** Many young people are seeing the drawbacks of higher education or entry-level jobs that provide virtually no growth. By providing an option for on-the-job training and advancement, you'll gain loyal employees.
- **Provide options for personalized and fringe benefits.** Offering tuition reimbursement, wellness benefits, accident insurance and similar options increases your odds of securing promising workers.
- **Develop a mentoring program to increase skills.** You'll need to add some incentives to get your experienced and skilled workforce to work with less-skilled new hires, but you'll see great benefits from the program exceeding the cost significantly.
- **Create a rewards-based referral program.** Your existing and new workers will have friends in the industry that may be interested in new employment options. Add an incentive for both the new hire and the referrer, such as time on the job, certifications, etc.

Construction Supply Chain Management Issues

Supply chain disruptions caused serious problems to just-in-time logistical systems. These issues, combined with inflation, have caused a range of excessive cost increases across every construction vertical, according to a recent AGC report. As delivery delays require long lead times, project schedules stretched due to lack of workers are even more stretched, and project planning uncertainly exacerbates scheduling problems, workflow interruptions and lower productivity. Combined with poor project management and collaboration, it's created a recipe for disaster requiring significant strategy changes to improve supply chain problems

- **Extensive planning.** Use innovative technology and tools so that you can better manage your projects and stay ahead of material demand and delayed shipment issues. Revisit your plans frequently to ensure everything is ready to go at all times.
- **Carefully track materials to reduce waste and improve inventory management.** Consider adding software that allows you to use automated material use recommendations as well as tools that automate material tracking.
- **When possible, order in bulk to keep an inventory in place.** If possible, go for expedited shipping, which is more likely to fulfill and get on the road sooner. Offset this cost by ordering for all projects at the same time to max out the cargo space.
- **Carefully track materials to reduce waste and improve inventory management.** Consider adding software that allows you to use automated material use recommendations as well as tools that automate material tracking.
- **Consider alternative materials to reduce low-supply, high-cost material usage.** As an example, you can also specialize in alternative materials, such as environmentally friendly materials, which will also allow for new opportunities and better profitability.
- **Simplify communications for every stakeholder.** From your subcontractors to your job site workers to your office staff to your clients, make communications as easy as possible to remain productive. Adjustments and updates are easier when everyone can connect on one or two platforms, with mobile-friendly options for the field.

Need Help with Challenges? We're Ready!

Though these challenges have no fast and easy solutions, adapting to the change in the industry requires doing things differently. From staffing to project management, staying on top of issues provides great growth potential. Start with a strong foundation to thrive in the future.

If you have any questions or would like additional information, please contact Frankel Zacharia, LLC at (402)-496-9100 or www.fzacpa.com