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THREE OUT OF FOUR CONSTRUCTION FIRMS PLAN TO ADD WORKERS TO MEET STRONG DEMAND FOR PROJECTS IN 2020, BUT WORRIES GROW ABOUT LABOR SUPPLY AND QUALITY

Contractors Expect Demand to Expand in Every Market Segment Next Year despite Signs of a Slowing Economy As They Increase Compensation and Adopt Productivity-Boosting Technologies to Cope with Worker Shortages

Despite signs the overall economy may be slowing, most construction firms expect demand for their services and hiring will expand in 2020, yet even more firms are worried about their ability to find qualified workers to hire, according to survey results released today by the Associated General Contractors of America and Sage Construction and Real Estate. The findings are detailed in [*Strong Demand for Work Amid Stronger Demand for Workers: The 2020 Construction Hiring and Business Outlook Report*](#).

“Contractors are very optimistic about demand for construction in 2020,” said Stephen E. Sandherr, the association's chief executive officer. “At the same time, many construction executives are troubled by labor shortages and the impacts those shortages are having on operations, training and safety programs, and bottom lines.”

The percentage of respondents who expect a market segment to expand exceeds the percentage who expect it to contract for all 13 categories of projects included in the survey. For every segment, between 27 and 36 percent of respondents expect an increase compared to 2019 in the dollar v20. The difference between the positive and negative responses – the net reading – was between 8 and 25 percent for every category.

Water & sewer construction scored the highest net positive reading of 25 percent. For net positive: bridge & highway, K-12 school, hospital construction, and transportation projects and federal construction projects had a net positive reading of 17 percent. For a net positive reading of 16 percent.

Five categories had slightly less positive net readings: multifamily residential construction (11 percent); public building construction (10 percent); retail, warehouse (8 percent). The lowest net positive reading was for private office construction, at 8 percent. Contractors are more optimistic than a year ago regarding institutional and most public categories and the nonresidential segments.

Most contractors plan to add staff in 2020 to keep pace with growing demand. Seventy-seven percent plan to increase headcount this year, similar to the 77 percent with this expectation at the start of 2018. However, just over half of firms (52 percent)

Firms continue to raise pay and provide bonuses and benefits in response to labor shortages. Fifty-four percent of firms report they increased base pay rates more in 2019 than in 2018. Twenty-three percent provided incentives and/or bonuses. Fourteen percent of firms increased contributions or improved employee benefits to cope with workforce shortages.

Construction firms are also investing more in training programs for current and new workers, association officials added. Two out of five (42 percent) of firms report they revamped initiatives to recruit labor last year. Thirty-two percent of firms report they have increased funding for technical education programs and 29 percent have restructured or changed programming for current skilled labor recruits.

“Firms are adopting a variety of approaches to replace workers or allow for use of workers with less experience or training than before,” said Ken Simonson, the association's chief economist. He noted that 32 percent of respondents report their firms are investing in labor-saving equipment, including drones, robots and 3-D printers. Twenty-eight