



Professional Construction Estimators Association

Orlando, FL

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March 2022



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Don Rolfe
*Balfour Beatty
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The Professional Construction Estimators Association of America, Inc. has as its purpose to promote and improve the construction industry through education of the Association's membership, through the continuing education of construction professionals and craftsmen. The Association will work to define and encourage high ethical standards of conduct among its members and will promote the fraternity of the construction industry through social interaction.

www.pcea-orlando.org

UPCOMING EVENTS

to register visit our website

www.pcea-orlando.org

- **Seafood on the Lake**

April 14, 2022 – 4:30 PM

Orange County Sportsmans Club

- **PCEA Monthly Meeting**

April 26, 2022 – 5:30 PM

Citrus Club, 285 S. Orange Avenue #1800, Orlando

Attendees must register in advance.



PCEA Annual SEAFOOD ON THE LAKE

Orange County Sportsmans Club

April 14, 2022

4:30-8:00 PM

9020 Kilgore Road,
Orlando, FL 32836

650,000 WORKERS NEED TO FILL CONSTRUCTION'S LABOR SHORTAGE IN 2022

The construction industry will need to attract nearly 650,000 additional workers on top of the normal pace of hiring in 2022 to meet the demand for labor, according to a model developed by Associated Builders and Contractors.

"ABC's 2022 workforce shortage analysis sends a message loud and clear: The construction industry desperately needs qualified, skilled craft professionals to build America," said Michael Bellaman, ABC president and CEO. "The Infrastructure Investment and Jobs Act passed in November and stimulus from COVID-19 relief will pump billions in new spending into our nation's most critical infrastructure, and qualified craft professionals are essential to efficiently modernize roads, bridges, energy production and other projects across the country. More regulations and less worker freedom make it harder to fill these jobs."

ABC's proprietary model uses the historical relationship between inflation-adjusted construction spending growth, sourced from the U.S. Census Bureau's Value of Construction Put in Place survey, and payroll construction employment, sourced from the U.S. Bureau of Labor Statistics, to convert anticipated increases in construction outlays into demand for construction labor at a rate of approximately 3,900 new jobs per billion dollars of additional construction spending. This increased demand is added to the current level of above-average job openings. Projected industry retirements, shifts to other industries and other forms of anticipated separation are also factored into the model.

Based on historical Census Bureau Job-to-Job flow data, an estimated 1.2 million construction workers will leave their jobs to work in other industries in 2022. It is expected that this will be offset by an anticipated 1.3 million workers who will leave other industries to work in construction.

"The workforce shortage is the most acute challenge facing the construction industry despite sluggish spending growth," said ABC Chief Economist Anirban Basu. "After accounting for inflation, construction spending has likely fallen over the past 12 months. As outlays from the infrastructure bill increase, construction spending will expand, exacerbating the chasm between supply and demand for labor.

"An added concern is the decline in the number of construc-

tion workers ages 25-54, which fell 8% over the past decade. Meanwhile, the share of older workers exiting the workforce soared," said Basu. "According to the Centers for Disease Control and Prevention, the industry's average age of retirement is 61, and more than 1 in 5 construction workers are currently older than 55.

"The scarcity of qualified skilled workers is an even more pressing issue," said Basu. "Since 2011, the number of entry-level construction laborers has increased 72.8%, while the number of total construction workers is up just 24.7%. For reference, the number of electricians was up 23.9% over that span while the number of carpenters actually declined 7.5%. The number of construction managers has increased by just 2.1%. More than 40% of construction workforce growth over the past decade is comprised of low-skilled construction laborers, who represent just 19% of the workforce.

"The roughly 650,000 workers needed must quickly acquire specialized skills," said Basu. "With many industries outside of construction also competing for increasingly scarce labor, the industry must take drastic steps to ensure future workforce demands are met."

In 2023, the industry will need to bring in nearly 590,000 new workers on top of normal hiring to meet industry demand, and that's presuming that construction spending growth slows next year.

"Now is the time to consider a career in construction," said Bellaman. "The vocation offers competitive wages and many opportunities to both begin and advance in an industry that builds the places where we work, play, worship, learn and heal. ABC member contractors use flexible, competency-based and market-driven education methodologies to build a construction workforce that is safe, skilled and productive. This all-of-the-above approach to workforce development has produced a network of ABC chapters and affiliates across the country that offer more than 800 apprenticeship, craft, safety and management education programs—including more than 300 registered apprenticeship programs across 20 different occupations—to build the people who build America."

SCARCITY OF LABOR AND AGING WORKERS TO WIDEN CONSTRUCTION LABOR AND SKILLS GAPS

The construction industry has faced a growing skilled labor shortage for years. But conditions are expected to substantially worsen in 2022 and 2023.

While the construction industry has been facing a growing skilled labor shortage for years, COVID-19 pushed this shortfall to a far more critical level. Since the start of the pandemic, high levels of workers have exited the industry, or the workforce entirely, heightening longtime challenges in attracting and hiring the next generation and retaining existing talent.

"The pandemic resulted in a 14.5% decline in construction employment from February to April of 2020," says Dr. Anirban Basu, chief construction economist, Marcum LLP. "Rather than helping the situation, that further exacerbated industry challenges by persuading some workers to enter retirement earlier than anticipated and inducing others to seek employment in other industries, including those that offer the ability to work remotely and/or on flexible schedules."

With this and the ongoing exodus since, construction labor costs have continued to surge. The 2021 Marcum JOLTS Analysis – an annual analysis of the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), produced by Marcum's National Construction Services group – showed substantial increases in construction wages.

"Over the past 12 months, construction wages climbed 5.1%, increasing \$0.19 in January 2022 alone," Basu points out. "Construction input prices have also raced higher. Not only does that squeeze industry margins, it jeopardizes industry recovery altogether by causing certain project owners to delay or cancel projects because of elevated bids."

Unfilled Jobs at Record Levels

The JOLTS Analysis reports an average of 4.4% of construction jobs went unfilled in 2021, an historic level for the industry. "That was easily the highest proportion over the course of the two decades that the Bureau of Labor Statistics has monitored such things," Basu states.

The difficulties in filling open positions worsened through much of the year, rising from 3.9% in January to 5.7% by October. The latter part of 2021 saw some signs of relief. "By December 2021, the proportion of positions that remained unfilled had declined to 4.3%," says Basu, "though that remains well above the 2.5% average that prevailed during the decade preceding the pandemic."

Yet, even with this late-season easing, most construction industry pundits expect labor and skills gaps to expand in 2022 and 2023, as funds under the Infrastructure Investment and Jobs Act and other COVID-19 relief stimulus continue to be released.

"As outlays from the infrastructure bill increase, construction spending will expand, exacerbating the chasm between supply and demand for labor," Basu predicts.

Labor and Skills Gaps to Widen

Construction labor market conditions are forecast to worsen throughout the course of 2022 and 2023. A recent study by the Associated Builders and Contractors (ABC) estimates the industry will need to attract nearly 650,000 more workers this year on

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Scarcity of Labor and Aging Workers to Widen Construction Labor and Skills Gaps

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top of its normal pace of hiring. In 2023, it will need nearly 590,000 new workers above normal hiring levels – presuming that construction spending growth slows.

Unfortunately, there is still more to worry about. “An added concern is the decline in the number of construction workers ages 25-54, which fell 8% over the past decade,” says Basu. “Meanwhile, the share of older workers exiting the workforce soared.”

The median age of construction workers has risen, with the Center for Disease Control and Prevention reporting more than 1 in 5 at age 55 and older. This is particularly problematic for an industry with an average retirement age of 61.

A pre-pandemic study in 2019 predicted that 41% of the construction workforce was expected to retire by 2031. This percentage has undoubtedly grown during the COVID crisis. And worker numbers and skills have been unable to keep pace.

“Since 2011, the number of entry-level construction laborers has increased 72.8%, while the number of total construction workers is up just 24.7%,” Basu reported on behalf of the ABC. “More than 40% of construction workforce growth over the past decade is comprised of low-skilled construction laborers, who represent just 19% of the workforce.”

This means that the roughly 650,000 workers entering the construction workforce in 2022 will need to acquire specialized skills, and quickly.

This will place even greater pressure on construction industry workforce development efforts. “With many industries outside of construction also competing for increasingly scarce labor, the industry must take drastic steps to ensure future workforce demands are met,” Basu stresses.

ARCHITECTURE BILLINGS CONTINUE GROWTH INTO 2022

Architecture firms began 2022 with a slight improvement in business conditions, according to a new report released from The American Institute of Architects (AIA).

AIA's Architecture Billings Index (ABI) score for January was 51.0 compared to 51.0* in December (any score over 50 indicates billings growth). Inquiries into new work and the value of new design contracts both remained strong with scores of 61.9 and 56.1 respectively.

“Architecture billings, while remaining at very healthy levels in recent months, have slowed considerably from the middle of last year,” said AIA Chief Economist, Kermit Baker, Hon. AIA, PhD. “This no doubt reflects delays in the construction sector caused by supply challenges for both labor and materials, as well as ongoing staffing constraints at architecture firms.”

Key ABI highlights for January include:

- Regional averages: South (61.2); Midwest (51.5); West (47.6); Northeast (46.8)
- Sector index breakdown: mixed practice (59.3); commercial/industrial (54.2); multi-family residential (50.1); institutional (47.3)
- Project inquiries index: 61.9
- Design contracts index: 56.1

The regional and sector categories are calculated as a three-month moving average, whereas the national index, design contracts and inquiries are monthly numbers. Visit AIA's website for more ABI information.

*Every January the AIA research department updates the seasonal factors used to calculate the ABI, resulting in a revision of recent ABI values.