

Strategies for Tackling Workforce Challenges at Your Construction Company

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The current construction industry outlook indicates that challenges with workforce supply and demand will continue well into the future.

According to Associated Builders and Contractors, “The construction industry will need to attract an estimated 501,000 additional workers on top of the normal pace of hiring in 2024 to meet the demand for labor, with a similar estimate for 2025.”

Businesses can help weather these ongoing challenges by gaining a clear understanding of critical issues and strategies on top of current recruitment and retention efforts that can position them for ongoing success.

A variety of factors contribute to workforce hurdles. Here are the most common.

ATTRACTING NEW TALENT

Attracting new talent to the construction industry is an ongoing challenge. A lack of public education about – and exposure to – construction and trades is a major cause of the labor shortage. There’s still a culture of promoting four-year college education over trade schools.

Beyond high schools and parents promoting alternative career paths, in 2021 the government invested almost \$175 billion into postsecondary education programs and only \$1.3 billion into CTE programs, according to the Government Accountability Office.



With an increase in construction demand and a lack of new workers entering the construction workforce in comparison to the previous generations – and those from previous generations retiring – the skilled-labor gap continues to widen.

AGING WORKFORCE

The construction industry is also experiencing a significant proportion of its population aging out. According to the Bureau of Labor Statistics, nearly half of construction workers are over the age of 45, of which 40% will retire in the next 10 years. Early retirements are also increasing, and individuals are opting to either start their own businesses or completely leave the industry.

The combination of an aging workforce and an ongoing lack of workers inhibits employee mentoring and knowledge sharing, creating a skills and knowledge gap that impacts business success.

SKILLED-LABOR CHALLENGES

Many contractors report shortages of skilled workers as one of the primary challenges in their business. The aging workforce and insufficient new talent entering the industry are the primary causes of these shortages. As a result, many experience declining productivity, increased defects and rework, and rising safety risks. Additionally, wages for top talent are increasing to combat fierce competition amongst contractors.

TOTAL COMPENSATION

Construction salaries vary drastically depending on location, industry segment, experience, and education. According to [payscale.com](https://www.payscale.com), the average hourly rate for an experienced construction worker in the U.S. is \$17.97 while the base salary for a new construction worker or nonfederal contractor under one year is \$15.26.

Evaluating compensation and benefit variables is difficult due to variations in company size and sector. However, the AGC 2024 Outlook Survey reports 63% of firms increased base salary rates an average of 5.5%, and 25% have invested in creating or increasing other incentives.

The 2023 Moss Adams Salary Report found that within the companies surveyed, most construction organizations indicated they have or are in the process of implementing deferred compensation arrangements for key employees, aligning performance metrics with company goals and including retention provisions. The report indicates the majority of respondents implemented salary strategies, including bonuses and cost-of-living adjustments. Results also show the majority of respondents, regardless of company size, indicated they provide comprehensive benefits packages.

Companies looking for a competitive edge when attracting and keeping talent should continue to focus on traditional benefits and bonuses, but also pay close attention to social stewardship, building a strong culture and helping employees grow with their jobs through training programs and integration of technology.

Help overcome common workforce challenges by implementing these actionable steps.

CREATE A STRATEGIC PLAN

Given the challenging labor market, rising inflation, and increased construction demand, a robust strategic plan provides an opportunity for construction leaders to articulate their goals to their team, prioritize challenges, and develop solutions.

An effective plan can help your business set expectations, establish accountability at multiple levels, track meaningful outcomes and metrics, communicate results to internal and external stakeholders, and incorporate directions for following up on results.

While strategic plans are most often shaped by the company's leadership, consider using employee focus groups, surveys, and check-in meetings throughout the process to shape the strategies and activities that will help achieve the company's goals. As the plan is implemented, these should align with department- and division-level performance measures, so each team can track its progress and contribution toward the company's mission and vision.

Linking your strategic plan to your people can be a powerful tool for your organization's management and team members. Communication is key. Employees who feel connected to a company's mission and goals are more likely to stay.

ESTABLISH ORGANIZATIONAL CULTURE

When establishing goals, objectives, and key performance indicators, consider the foundation needed to achieve desired outcomes. In many cases it requires a restructure, new or re-aligned departments, functions, services, and programs; new upskilled positions, skillsets and capabilities; and a new or modernized total rewards program.

DETERMINE COMPETITIVE POSITIONING AND VALUE PROPOSITION

The employer value proposition is an essential tool for attracting and retaining talent. This should go beyond redefining the firm's brand, go-to-market, value proposition and its services, and focus on creating an employer value proposition.

Creating robust training programs is important for not only job safety but also for expanding career path options for employees. Investing in technology to increase safety and efficiency is as important as training employees on how to use the technology advances. Clearly communicating these benefits to current and future employees is key to attracting and retaining quality talent.


PRIORITIZE RESOURCE ALLOCATION

Resource allocation connects to organizational structure by uncovering where people are needed, how many and with what type of skills and capabilities, while also addressing the workforce planning approach, such as full-time, part-time, contractors, laborer, gig workers, outsourcing, and more.

To attract, retain, develop, and incentivize your ideal workforce, you must determine the resources and competencies that will be required at each level and in each facet of your organization. This empowers you to decide how to best cultivate and compensate the workforce needed to achieve your strategic goals.

IMPLEMENT A PEOPLE STRATEGY

The business and people strategies work in tandem to execute and meet business objectives. Implementing proper talent acquisition and management, training, and development programs are important aspects for acquiring talent and can help establish an executable people or HR strategy.

Construction organizations that successfully retain talent implement strong reward programs to facilitate employee longevity and engagement. Strong programs include merit pay, skill-based bonuses, years of service bonuses, cost-of-living-adjustment pay, stock, and more. 



About the Author

Brett Addis is the director of [Moss Adams](#). He has worked in human capital management consulting and several disciplines of HR since 1997. Over the course of his career, Addis has worked across multiple industries leveraging his human capital experience to partner with global HR organizations through their process, technology, and people transformations.

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