

## THE PANDEMIC'S GROWING IMPACTS ON THE CONSTRUCTION INDUSTRY:

The Associated General Contractors of America works to ensure the continued success of the commercial construction industry by advocating for federal, state and local measures that support the industry; providing opportunities for firms to learn about ways to become more accomplished; and connecting them with the resources and individuals they need to be successful businesses and corporate citizens. Over 27,000 firms, including more than 6,500 of America's leading general contractors, nearly 9,000 specialty-contracting firms and almost 11,000 service providers and suppliers belong to the association through its nationwide network of chapters. Visit the AGC Web site at [www.agc.org](http://www.agc.org).

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## SUMMARY

The pandemic is prompting many owners to delay or cancel projects, causing delays in the completion of ongoing projects and increasing the cost of construction. Most contractors expect demand for many categories of construction to shrink in 2021 and few expect the market to recover to pre-pandemic levels for more than six months. As a result, relatively few contractors plan to expand their headcount in 2021.

The pandemic has put a spotlight, however, on the need for firms to invest in new technology, both to increase their efficiency and to comply with new coronavirus safety protocols. Despite the difficult market conditions, most firms plan to maintain their current levels of information technology investments in 2021.

The fact remains, however, that without some significant change in the construction marketplace, 2021 will be one of the most difficult years for the construction industry since the recession of the late 2000s. New federal investments in infrastructure – something officials from both parties repeatedly claim they support – would provide a much-needed boost for construction demand.

Federal officials should consider the economic consequences before imposing new regulatory measures. fto02 Tc 0.002 Tw 025 0 Td(new)Tj0 Tc 0 Tw 1.83 0 Td3 Tc 0 Tw 004 Tw w 0.b

## **CONTRACTORS EXPECT DEMAND FOR CONSTRUCTION TO SHRINK FOR MOST MARKET SEGMENTS**

Contractors expect the market for most categories of construction to shrink in 2021 as the pandemic undermines demand for projects. The net reading – the percentage of respondents who expect the available dollar value of projects to shrink compared to the percentage who expect it to expand—is negative for 13 of the 16 categories of construction included in the survey.

For a significant number of major market segments, contractors are overwhelmingly pessimistic. For example, the net reading for the retail sector is -64 percent, a ratio far worse than the most optimistic expectations from last year, which topped out at positive 25 percent.

Private sector uncertainty and shrinking state and local budgets have led most contractors to believe that demand will decline in 2021 for many other key market segments. For example, contractors also are extremely pessimistic about the demand for lodging and private office construction, with a net reading of -58 percent for both; higher education construction, a net of -40 percent; public buildings, a net of -38 percent, and K-12 school construction, a net of -27 percent.

Contractors are also pessimistic about the demand for transportation projects such as transit, rail and airports, with a net reading of -19 percent. The net reading for manufacturing construction is -17 percent; for bridge and highway construction it is -11 percent; and -10 percent for federal construction projects. There is a net reading of -8 percent for both power and multifamily construction. And there is even a net reading of -3 percent for hospital construction.

There are only three market segments where slightly more contractors expect demand to increase instead of contract. These are the water and sewer construction market, with a net positive reading of 1 percent; the warehouse construction market, with a net positive reading of 4 percent and the other healthcare segment, which includes clinics, testing facilities and medical labs, with a net positive of 11 percent. These latter



## **MANY OWNERS ARE DELAYING OR CANCELLING PROJECTS**

One reason so many construction firms expect

## RELATIVELY FEW CONSTRUCTION FIRMS EXPECT TO ADD

And while they are no longer among the most frequently mentioned concerns for contractors, worker shortages and worker quality remain a key concern for many contractors. When asked to identify which issues are the biggest concerns to their firm, 43 percent of respondents listed worker shortages and 40 percent picked worker quality.

The fact many contractors remain worried about workforce shortages seems at odds with the much larger number of av02 Tc i14311e

## **CONTRACTORS PLAN TO MAINTAIN CURRENT LEVELS OF INVESTMENT IN INFORMATION TECHNOLOGY**

While the past year has been filled with many challenges, technology has played an integral role in keeping people connected and businesses up and running. Firms are becoming more strategic about information technology (IT) as they try to remain competitive in the current environment. Sixty-two percent of contractors indicate they currently have a formal IT plan that supports business objectives, up from 48 percent last year. An additional 7 percent of contractors plan to create a formal IT plan in 2021.

Most firms plan to keep their technology investment about the same as last year. When asked whether they planned to increase or decrease investment or stay the same in 15 different types of technologies, the majority of respondents



and job information, and 55 percent using mobile technology for the sharing of drawings, photos, and documents.

The use of information technology, however, is not without its challenges. Forty-four percent of contractors say it's difficult to find the time to implement and train on new technology, up slightly from 43 percent last year. Forty-one percent cite employee resistance to technology as a top challenge, up from 38 percent last year. topical (68)-10 (t) J0 ( (oy)4 (e)1)-2

counterproductive. That is why the association will push Congress and the incoming Biden administration to enact legislation providing financial support for state and local construction budgets. Washington made a down payment on these kinds of investments with the coronavirus recovery bill that passed at the end of 2020. But without significant new funding, many state and local construction budgets will shrink in 2021.

The association will also educate the incoming Congress and presidential administration about the risks of imposing burdensome new regulatory measures while the economy remains crippled by the pandemic. While many of these measures may be well intended, the fact is few businesses can afford to expand and bear the burden of costly new mandates at the same time.

Even as we work to advocate for measures to rebuild demand for construction, we also need to take longer-term steps to continue developing the construction workforce. With more than half of firms reporting trouble filling positions even during a challenging year, workforce shortages will only become more severe once demand resumes.

The association is addressing the workforce challenge by crafting a new plan that focuses on continued advocacy, helping chapters and members establish or improve training programs, and launching a new, national workforce recruiting effort. This new effort, "Construction is Essential," will use targeted digital advertising to complement and build on the many existing local and regional construction workforce campaigns that already exist.

By all indications, this will be a challenging year for the construction industry.

