



Inside Contractor's Top Concerns for the 2023 Construction Season

The biggest challenges facing the industry today, plus tips for thriving during uncertain times.

Like most industries, construction is vulnerable to the challenges posed by inflation, labor shortages, and supply chain disruptions. With terms like "recession" and "economic downturn" being thrown around lately, many contractors are concerned about how these issues will affect their business during the upcoming construction season.

Unfortunately, experts are expecting continued slowdowns in construction due to supply chain bottlenecks, rising costs, and high interest rates. This will be felt by contractors most in the spring as construction picks up.

Since these challenges aren't likely to be resolved any time soon, the best thing contractors can do ahead of the 2023 season is to become aware of the top concerns in the industry and identify workarounds to keep their projects on track.

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CURRENT CHALLENGES IN CONSTRUCTION

The construction industry remains an essential part of the world economy, and has proven that it can endure and thrive in even the most difficult circumstances. The question isn't whether the construction industry will make it through the challenges ahead, it's how well individual companies will fare.



Luckily, knowing what issues the industry faces can help contractors plan for success.

Labor Shortages

In construction, business has been ramping up, but the same can't be said for employment. Companies across industries have been struggling to hire and retain good workers, but the construction industry has been hit particularly hard.

The demand for construction workers is up and the number of skilled workers able to fill those positions is lower than ever. This has been felt industry wide, with last year's [Associated General Contractors of America](#) survey showing that 91% of contractors reported having trouble filling positions. What's more, the construction industry will need to hire an estimated [546,000](#) additional workers to meet production demands in 2023 and into 2024.

The construction industry depends on skilled workers and an array of specialties, with each project requiring many different crafts before completion. While the jobs are there, many critical positions are difficult to fill and maintain.

Individual companies will have to find ways to work around this challenge to succeed in the coming year. This can mean raising wages, improving work culture, and providing incentivized training opportunities to help existing employees level up their skill.

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Supply Chain Disruptions

The supply chain is still recovering from the massive bottleneck caused by COVID-19, which means we're not out of the woods yet. As the construction season picks up this spring, the industry is likely to feel the supply chain's slowdown more than ever.

In addition to the supply chain woes, U.S. contractors are feeling the strain of the [Build America, Buy America](#) act, which impacts federally funded construction projects, and requires that more parts and materials be purchased in the United States. Unfortunately, many construction companies have had difficulty attaining U.S. made materials due to a current lack of manufacturing capacity for certain items.



Together, these issues are making material wait times unprecedentedly long. By ordering materials early, construction companies may be able to reduce the impact of material lead times.

Contractors should also double down on waste and theft by deploying security cameras, overseeing proper material storage, and providing employee training. These steps can help reduce losses, which is a priority when materials are scarce and costs are high.

Inflation and Material Costs

As worldwide production increases and the world returns to the new normal after the pandemic, the effects of inflation have compounded and are taking a toll on construction.

According to [Associated Builders and Contractors](#), construction input prices have increased by 37.7% since 2020, and since last year, they've increased by 4.9%. While this might sound bleak, the year-over-year increase has improved significantly from 2021, which was up 23.1% from 2020.

Although the cost of some materials has dropped steadily over the past year, like lumber and softwood lumber, down 12.3% and 44.1% respectively, other materials have seen a sharp increase in recent months.

Construction machinery and equipment is up 12.2% since last year, which has contributed to the growing

popularity of construction equipment rentals. Concrete products have also seen a big increase in price, at 14.8% higher than last year.

The takeaway is that many essential materials cost more now than they did last year. This means contractors are backed into a corner - they have to purchase materials despite the high costs, or delay project starts until further notice. While neither scenario is ideal, many companies will have to do a little of both to stay afloat in the coming year.

Because of this, contractors are going to need to pull out all the stops to ensure 100% of their purchased materials are put to good use. It's more important than ever that contractors protect their assets from theft, vandalism, damage, or rework. Site cameras, proper insurance, and well-trained employees will go a long way towards keeping projects on track.

THRIVING DURING UNCERTAIN TIMES

Settling into the new norm is the only realistic option right now, which means contractors are looking for ways to cut costs, protect their assets, and stay ahead of potential losses for their company.

On the bright side, many economists and contractors have been through similar economic downturns in the past, with many believing that the economy is still strong enough to keep the construction industry out of serious trouble. Their experience can help other players in the industry get a handle on what's needed to not just survive, but thrive in the current climate.

Stay Informed

Contractors need to stay in the know if they hope to keep up with the ebb and flow of the industry. By keeping up to date with industry concerns, trends, and downturns, contractors can get ahead of challenges and adjust their strategies accordingly.

Construction related articles, reports, and newsletters help keep the industry informed and working together. Construction professionals should also seek out content from large companies, like [PCL Construction](#), to keep in touch with the industry and get a better understanding of what successful contractors are doing to stay ahead.

Here's a roundup of some of today's best construction information sources for contractors:

1. [Associated Builders and Contractors](#)
2. [Associated General Contractors of America](#)
3. [Construction Dive](#)



Plan for Setbacks

The state of the supply chain means that even the most diligent contractors are likely to get burned by parts shortages and delays. By employing the tips below, companies can increase their chance of success.

- Place orders early to minimize delays.
- Develop a contingency plan for part shortages or delays to help keep projects moving along on schedule.
- Shop around for backup vendors, subcontractors, and better rates.
- Deploy site cameras, security cameras, and surveillance systems to safeguard purchased materials.

Focus on Workers

Maintaining a strong business during these uncertain times depends on project completions, and those projects depend on workers. That means finding and retaining skilled employees must be a major priority moving forward.

Tips to Attract and Retain Good Workers

01 Offer Competitive Pay - Prospective employees are looking for a decent paycheck, but they're also making judgments on the company's quality based on what they're paying. Highly skilled workers' expectations are going to be higher, which means companies who offer competitive pay and benefits packages are likely to attract higher quality workers.

Employers can make sure they're offering competitive wages by finding out what other companies are offering and setting rates accordingly.

Additionally, an employee benefits poll can be a great way to ensure employees are happy with their health plans, giving them one more reason to stick around.

02 Focus on Diversity - Women, minorities, and military veterans are all underrepresented in the construction industry, which means there are many existing opportunities to diversify the construction workforce.

Interestingly, a study by [McKinsey & Company](#) found that companies with higher gender diversity were 25% more profitable than less diverse companies. This is as good a reason as any to focus efforts on building a more diverse workplace.

03 Look for New Recruitment Opportunities - Getting people interested is half the battle. Participating in job fairs and trade shows can be a great way to attract workers from both inexperienced and skilled backgrounds.

04 Build a Supportive Work Culture - It's simple: good workers stay at companies that are good to work for.

Providing a safe and enjoyable work environment with opportunities for advancement is a great start. Workers want to feel like they're valuable members of a cohesive team, and they'll often thrive when they're set up for success. Companies should provide clear expectations and pathways to integrate into the company's culture right from the start.

To help workers succeed while helping to close the skilled labor gap, companies may want to consider incentivizing employees for continued education.

[Associated Builders and Contractors](#) offers education programs, certifications, and other resources to help the construction industry build a more skilled workforce.

Unfortunately, experts predict that the labor shortage in construction is not going to resolve any time soon. As the construction industry continues to grow, that labor gap is likely to become larger. This means construction companies will continue to face this problem head on until there are enough skilled workers to close the gap.



Prevent Loss

High materials rates and supply chain issues have made everything, from workers to time and materials, more valuable than ever before.

Preventing the loss of valuable materials is essential to maintaining a profitable construction business, particularly when costs are so high. This means that once materials are on site, contractors have to make sure they're safe from theft, damages, and rework.

One of the best ways to prevent losses while boosting site safety is to take advantage of insurance reward programs, like the one many insurance agencies offer to contractors who deploy site cameras on their projects. In addition to the savings, having site cameras can help ensure employees and materials are safe.

While cameras can serve as a safety reminder to employees, they can also deter theft and capture incidents for insurance purposes. This can help get contractors the insurance payouts they deserve.

Ultimately, building a safeguard against profit losses is one of the most effective steps a contractor can take to protect their company.

Even in these uncertain times, the construction industry has staying power, and so do the millions of contractors who represent it. By staying ahead of challenges, working together, cutting costs, and maintaining hope for the future, the industry is likely to come out stronger than ever.



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