STATE OF THE INDUSTRY

Worker Shortage

impact of the “great resignation” on contractors

By Danielle Waltz and William Lewis

Since the emergence of COVID-19 two-and-a-half years ago, the unpredicted consequences of the pandemic continue to affect nearly every industry in the United States, including the construction industry. From the passage of the trillion-dollar Infrastructure Investment and Jobs Act in November 2021 to the continued shortage of materials and supplies across the nation, the construction industry has experienced both unexpected and rapid change within the past few years, including changes within the hiring arm of the industry. While hiring difficulties existed before the pandemic in the construction industry, the consequences of the pandemic have exacerbated this issue, leading to the Great Resignation trend (which began in early 2021).

THE GREAT RESIGNATION

In recent years, quit rates (the number of quits in a month as a percentage of total employment) within the construction industry mirror national trends associated with the Great Resignation. In both the general labor market and within construction, quit rates bottomed out at the start of the pandemic, dropping as low as 1.4% for construction in August 2020. Since this low point in the summer of 2020, quit rates continue to climb into 2022. The overall quit rate nationally reached 2.9% in recent months, while the quit rate within the construction industry peaked at 3.3% in March 2022.

Since 2021, a variety of factors continue to fuel the spike in resignations across all industry sectors. Notably, American workers cite a lack of opportunity for advancement, low pay, and feelings of disrespect in the workplace as major reasons they resign. Construction industry workers echo these viewpoints. Based on a 2021 survey conducted by the Building Talent Foundation (BTF) for the residential construction industry, BTF found that the main reason employees reported for leaving the industry is a lack of opportunity for career advancement. Conversely, the top reasons for why construction employees stayed in their jobs is the opportunity for advancement and respect by management in the workplace. Therefore, as contractors attempt to address the worker shortage, they should consider policies that encourage worker advancement and opportunity to succeed.

MODERN TRENDS

In recent years, the Associated Builders and Contractors (ABC) and BTF conducted studies to analyze and address the modern employment trends within the construction industry; these studies focus on addressing the shortage of nearly 650,000 construction workers required to meet the current demand for labor within the industry (the demand for which has only increased since the passage of the Infrastructure Investment and Jobs Act). Recent expansions, like the 2021 shift to completely online testing for the ABC’s National Center for Construction Education & Research (NCCER), intend to increase construction worker access to opportunities for continued education and training during the pandemic. Additionally, modernization efforts within the industry are taking traction and appealing to the interests and values of younger generations. The modern cultural focus on workplace “flexibility,” particularly popular with Generation Z, is one such area where contractors will potentially benefit from new and creative approaches to traditional workplace scheduling.

Private organizations and contractors are not the only groups that are proactively attempting to reverse recent trends within the construction industry. Although contested within the industry itself, states like California and Massachusetts are focusing on the enforcement of prevailing wage laws with the purported benefit to boost workplace retainment within the construction industries of each state. California’s addition of Section 1785 to the Labor Code in 2021 creates a new strategic enforcement unit under the Department of Industrial Relations (DIR), which is tasked with enforcing prevailing wages for publicly-funded “construction, alteration, and repair projects.” Similarly, New York enacted Bill A-3350, effective Jan. 4, 2022, which establishes general contractor liability for any wage-related claims owed to a wage claimant by a subcontractor, in an apparent effort to better guarantee employee payments.

Although wages are the explicit focus of these new state initiatives, additional underlying themes of workplace training and safety are also enshrined within these policies.

CLOSING THOUGHT

The Great Resignation exacerbated the pre-existing hiring and retention issues afflicting the construction industry. In response to this, private organizations, contractors, and state governments have taken proactive steps to improve employee retention and hiring rates for the industry. It remains to be seen if current efforts are enough to have a meaningful impact on the industry. Contractors continue to face potential economic and legal consequences, like a failure to meet contractual deadlines due to hiring shortages and low retention rates within the industry. Contractors must be mindful of these potential legal pitfalls and address accordingly until hiring and retention issues improve. ■

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