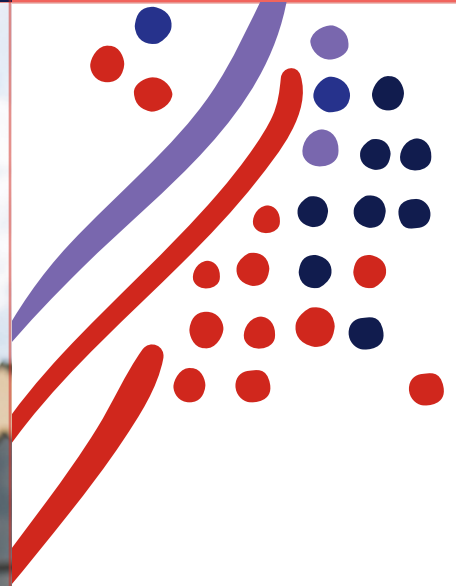


# 5 key challenges shaping the construction industry and how to handle them



Always Designing  
for People®



# Introduction

Staying ahead of the curve in the construction industry depends on knowing how to quickly adapt and overcome change. The good news is that there are tools to help you navigate this ever-shifting landscape. This guide will help you understand and tackle five key challenges that are shaping the construction industry this year.

**1** Labor shortages

**2** Uncertain economic conditions

**3** Compliance concerns

**4** Shifts in what employees value at work

**5** Requirements for increased investment in technology



# The labor shortage

## Recruiting

The labor shortage is not specific to the construction industry; according to internal ADP research, it's the topmost challenge across all industries. This challenge uniquely affects construction because baby boomers are aging out of the workforce faster than younger talent can be sourced to fill their positions. And on top of that, the perception that construction work is low-paying or unstable may deter younger workers from entering this field. This means more time and money are required to recruit qualified younger employees as baby boomers reach retirement age and leave the workforce.

## Retention

Retaining employees is another piece of the labor shortage puzzle. Nowadays, it's not uncommon for employees to leave for a job at a different construction firm after only a short time because the other firm's benefits and wages are more attractive. This form of turnover leads to increased investment in recruiting, onboarding and training to hold on to the new employees that firms work so hard to hire.

## Benchmarking

Benchmarking can be an effective strategy for staying one step ahead of the labor shortage. Benchmarking gives companies access to industry analytics and data. Real-time statistics and analysis empower leaders to make informed decisions about competitive offers for new employees while also remaining competitive with their existing employees. Knowing what your competitors are paying their employees and being able to quantify the cost of unplanned absences and overtime takes away the guesswork.

**Labor shortages**

[Uncertain economic conditions](#)

[Compliance concerns](#)

[Shifts in what employees value at work](#)



### Expert insight

In terms of retention across the board, special bonuses and increased pay are perceived as the most important thing to offer employees to get them to stay.

—**Julie Arzonico**, market insights senior director, ADP

[Requirements for increased investment in technology](#)

2

## The economy trending in an uncertain direction

Economic shifts have a multifaceted impact on the construction marketplace. Inflation demands have caused many companies to raise their prices as margins have fallen. And supply shortages continue to drive up project costs while delays impact overall timelines and completion dates.

[Labor shortages](#)

### Impact on supply

The industry outlook continues to show a high demand for new construction projects. But the tightened supply and demand curve makes materials more difficult and expensive to secure. This means that, while jobs continue, any supply chain shortages dramatically affect project completion dates — and therefore cost. Plus, the high demand for construction work is not projected to decline soon. The combination of this high demand coupled with rising costs (i.e., inflation) may cause firms to pass the increased supply costs on to customers.

**Uncertain economic conditions**

### Impact on labor incentives

Economic uncertainty and rising costs also directly impact incentives like signing bonuses and overtime pay. Many employers consider increased pay or bonuses the best way to retain their employees, but tightened budgets due to economic concerns may not allow them to provide these incentives. However, not all incentives are monetary, and experts suggest using career development programs to keep employees engaged and coming to work.

[Compliance concerns](#)

[Shifts in what employees value at work](#)

[Requirements for increased investment in technology](#)

[Conclusion](#)





# 3

## Compliance concerns

The phrase "compliance concerns" probably sounds like a big warning bell for those who have managed a construction payroll. There's no shortage of complexities when it comes to paying construction workers. Layering union workers with non-union workers and tackling government-funded and private projects is complicated. Additionally, employees swapping back and forth between jobs creates a long list of labor cost codes.

[Labor shortages](#)

### Union workers

Meeting union wage and benefit requirements and staying current on changes is challenging enough. Integrating these requirements into payroll processing where union members transfer between unions and classes only adds to the complexity. In addition, most unions require very specific remittance reports showing their members were paid the correct pay and deductions. These additional layers of intricacy create challenges that many HCM and payroll platforms aren't equipped to support.

[Uncertain economic conditions](#)

### Government projects

The Infrastructure Investment and Jobs Act (IIJA), signed into law by President Biden in 2021, has flooded the construction market with government projects. And it's not projected to slow down soon with so much of our country's infrastructure to be improved, upgraded or repaired. Winning those public works contracts may depend on an organization's ability to comply with project requirements and show proof via payroll reporting (Certified Payroll Reports). Imagine a scenario where a union worker works a private job but is pulled into a government-funded project. Now, payroll for that worker must reflect union wage and benefit regulations as well as the requirements specific to the government contract job. The requirements are two-fold and all documentation must reflect pay accurately. Construction companies are looking for a more automated solution to address the nuances of union and government projects. Using workarounds or calculating labor and project costs by hand is no longer viable.

**Compliance concerns**

[Shifts in what employees value at work](#)



[Requirements for increased investment in technology](#)

Conclusion



## Shifts in what employees value

It will come as no surprise that the way we work has changed following the pandemic. Whether it's the amount of time workers commit to their jobs, or the benefits they receive in exchange for their work, changes in what employees value are underway.

[Labor shortages](#)

### Flexibility

Many employees are seeking work that allows for more flexibility. People are not content to work the 40- hour week of 9-5s any longer. While flexibility may seem impossible for the construction industry, there's still a push for remote work for non-field employees and more generous and lenient paid time-off opportunities for field workers. Construction companies are also increasing diversity, equity and inclusion (DE&I) efforts as they see the value these efforts bring to the workplace.

[Uncertain economic conditions](#)

### Benefits

As it becomes more apparent that workers are placing value in more than just a paycheck, construction companies are enhancing their benefits offerings to provide more value to their employees. For example, some companies are offering mental health and wellness benefits programs in addition to standard medical benefits. These programs say a lot about a company's culture and how much it values workers' physical, mental and financial well-being. It's vital to evaluate current benefit offerings to ensure they align with the benefits that current and prospective employees want and need. Supporting your workers' mental and physical health and wellness shows them you care about more than what they contribute during their shifts.

[Compliance concerns](#)

**Shifts in what employees value at work**



### Voice of the client

Benefits are one of our top pushes to bring top talent to our corporation. Just having the capability to push out notifications, having online open enrollment and easy access to documents through our system is great.

—**Chelle Turner**, benefits manager, Franklin Electric

[Requirements for increased investment in technology](#)



# Requirements for increased investment in technology

[Introduction](#)

Leaders in the construction industry can attest to the fact that job complexity has increased exponentially in recent years. The struggle is — while technology has gotten better — it's not often available in the same place. This causes processes to become disjointed as leaders try to interpret and work with data from multiple systems.

[Labor shortages](#)

## A single solution

Currently, many construction companies use disjointed solutions to meet the needs of complex job costing. Whether combining multiple technologies, importing labor cost codes through various platforms or filling out certified payroll reports by hand, these workarounds aren't working. Investing in technology that can support multi-job needs is necessary. Yet many construction companies are still nervous about partnering with an HCM solutions provider, fearing that the technology isn't as robust as the provider claims.

[Uncertain economic conditions](#)

## Embracing automation

Manual and outdated processes are putting a strain on payroll practitioners who should be spending their time focusing on the strategic aspects of their businesses. That's why finding technology that keeps up with fast-moving and ever-changing industry requirements has become even more critical. Construction companies are looking for a better way to do job costing, labor forecasting and reporting. If an HCM solution can accomplish this while helping to ensure compliance with government and union requirements, then construction-industry payroll practitioners may have found the solution to their problem.

[Compliance concerns](#)

[Shifts in what employees value at work](#)



### Voice of the client

Ultimately, we are saving a ton of time from where we were before. It was worth it. I can usually get payroll for the prior week finalized by 10 a.m. on a Tuesday. Before, we would still be working on it, printing live checks sometimes Thursday morning.

—Michelle Petty, office manager, Brumfield Construction Inc.

**Requirements for increased investment in technology**

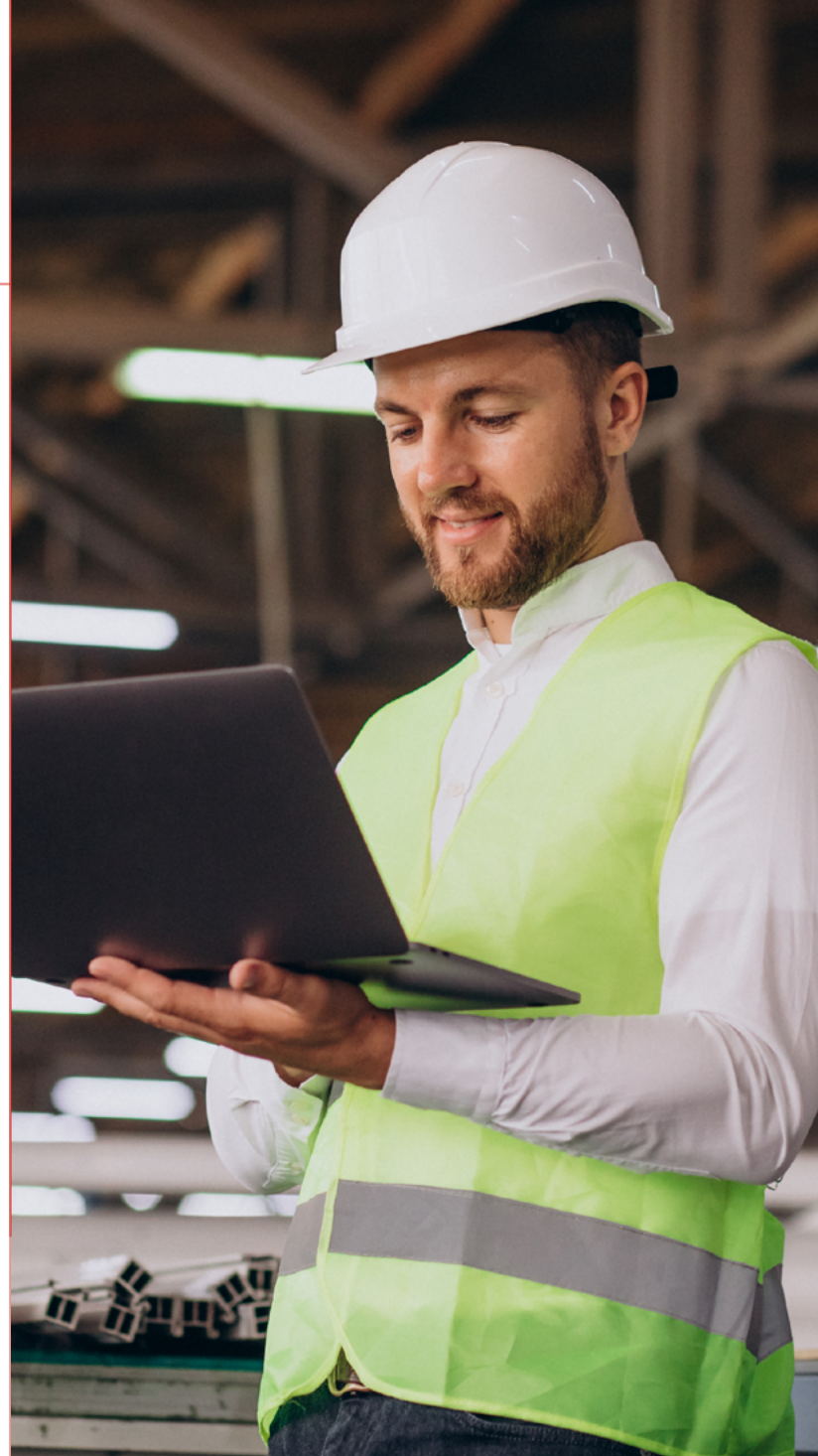
[Conclusion](#)



## Discover the power of construction-specific technology built into the trusted ADP Workforce Now platform.

### Partnering with an HCM solution provider that has labor costing built into its DNA

ADP offers a solution that provides construction industry-specific technology built for job costing and embedded within the ADP Workforce Now® platform. This allows for complex costing, projections and project management to live in one system. And better yet, certified payroll reports are part of the package too.



Note: In 2022, MarketVision Research conducted a qualitative study using in-depth interviews with senior-level executives from construction companies. The study included a range of firm sizes between 50 and 3,000 employees and a mix of Human Capital Management (HCM) and Enterprise Resource Planning (ERP) solutions. The interviewees were highly involved in the decision-making processes for selecting their organizations' HCM solutions. Companies using ADP for payroll, HR or benefits were not involved in the research. This research informed the challenges referenced in this guide and inspired the notes and suggestions for dealing with the effects of this changing landscape.

ADP, the ADP logo ADP Workforce Now and Always Designing for People are trademarks of ADP, Inc. All other marks are the property of their respective owners. Copyright © 2023 ADP, Inc. All rights reserved.

