ASSOCIATED GENERAL CONTRACTORS

AGC

EST. 1919

of MINNESOTA

MN Construction Industry Assessment 2018-2019

Executive Summary

The AGC of Minnesota Construction Industry Assessment provides a first-hand look at the current conditions and future outlook for Minnesota's construction industry and economy. Now in its eleventh year, the Assessment surveys all segments of the construction marketplace - Architects, Engineers and Contractors. Contractor responses are further segregated among the commercial building and highway sectors, and by general contractor, specialty subcontractor and suppliers.

2018 brings a new look, more depth, and more equalized representation of responses that reflect the perceptions and business planning of the survey respondents. Additionally, given the high level of recent responses citing workforce availability challenges, the Assessment probes deeper into factors that might mitigate or contribute to the unsteady worker availability dynamic.

The most significant 2018 takeaway may be how similar the overall market conditions and perceptions are compared with last year. The industry mood is generally optimistic, reflecting a belief that construction markets are healthy and stable. This optimism is tempered among architects who feel the economy may be approaching its decline.

Engineers, contractors, subcontractors and affiliates see the economy as holding steady although not necessarily growing. Finding the necessary skilled and trained workforce remains the overwhelming concern across all segments of the industry, while a continued degradation of workforce readiness and technical skills is a serious concern to general and specialty/subcontractors. Rising costs attributed to increased administrative compliance and reporting requirements are viewed among the most significant negative downward drags on profitability and growth.

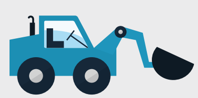
Anecdotally, the industry has become more competitive with trade wars affecting prices and availability at a macro level, a growth in volume and capabilities of firms, pressure to find new ways to deliver products through lean management and technological opportunities, and a frustration tied to compliance with project specific business and employment goals that are more aspirational than realistic. As these trends emerge, long-standing values of good relationships and reputation continue to play significant roles in business growth and success.

The Assessment always ends with an opportunity to comment on anything deemed important to the respondent. These raw statements include both outliers and mainstream thoughts that illustrate the passion generated over specific issues, underscoring the core challenges facing architects, engineers, contractors, workers and professional services providers

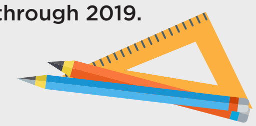
In sum, the Assessment reminds us that construction works best when all elements — owner, professionals, contractor, subcontractors, workers, and affiliates — partner collaboratively to dream the project, overcome obstacles, and build. This partnership is founded on trust and communication.

Finding the necessary skilled and trained workforce remains the overwhelming concern across all segments of the industry.

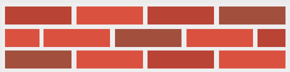
Overall positive economic trends and market conditions indicate continued strong demand for equipment acquisitions across all market sectors.



Affiliate companies cite the cost of materials as a significant factor expected to impact business through 2019.



A continued degradation of workforce readiness and technical skills is a serious concern to general and specialty/subcontractors.

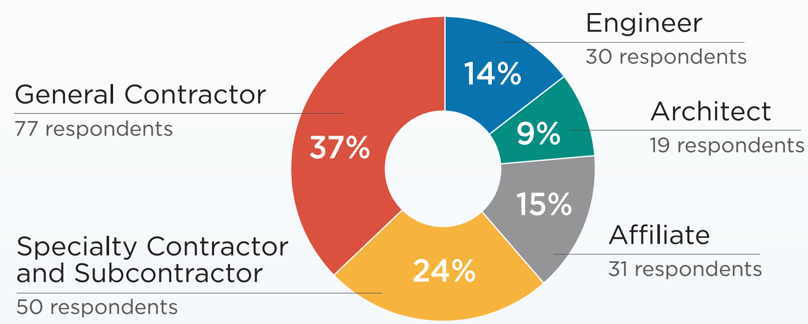


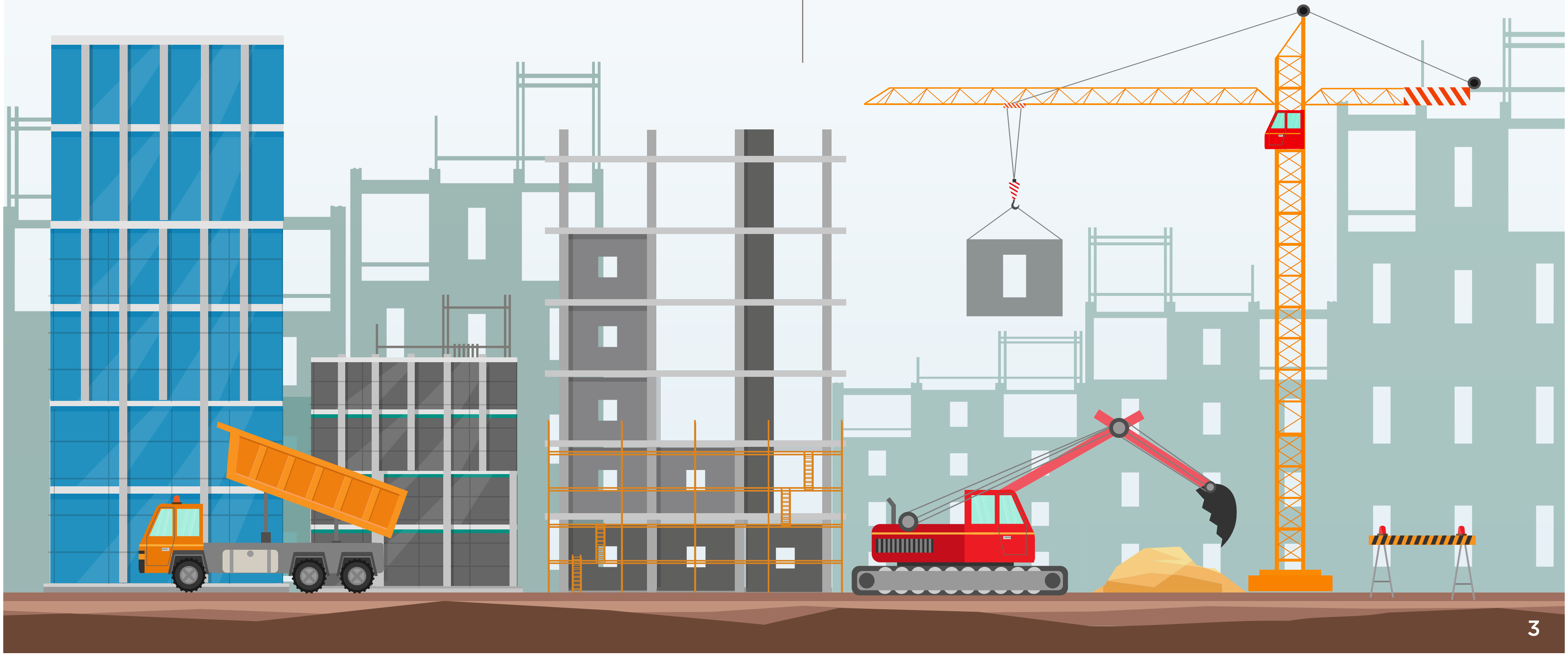
Respondent snapshot

Primary Industry Sector

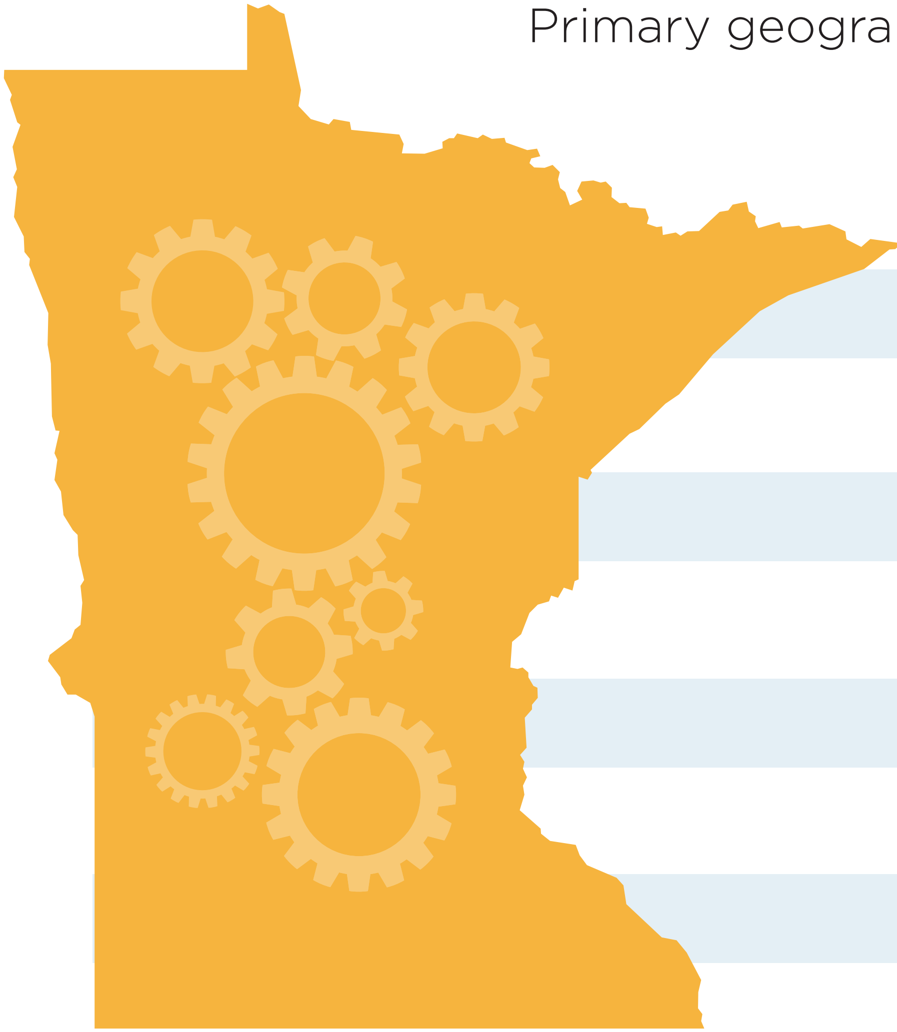
Building	Highway	Heavy	UI
65 respondents	45 respondents	7 respondents	10 respondents
54%	31%	7%	9%

Type of Firm





Primary geographic area where work is performed



Northern Minnesota 7%
22 respondents

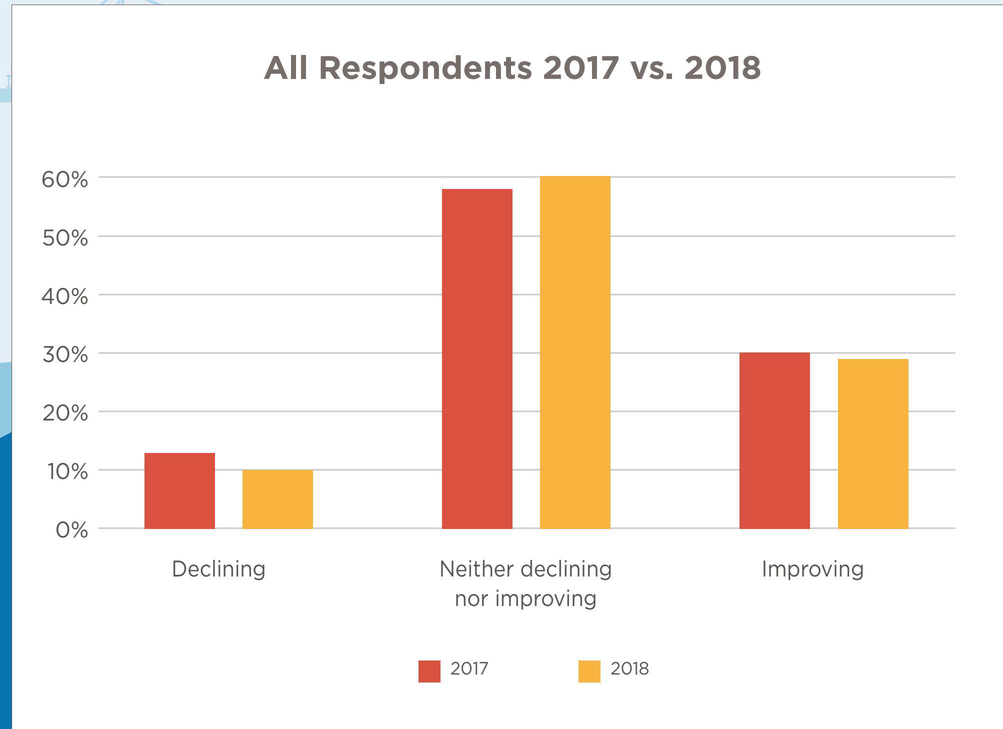
Western Minnesota 2%
5 respondents

Twin Cities Metro 73%
151 respondents

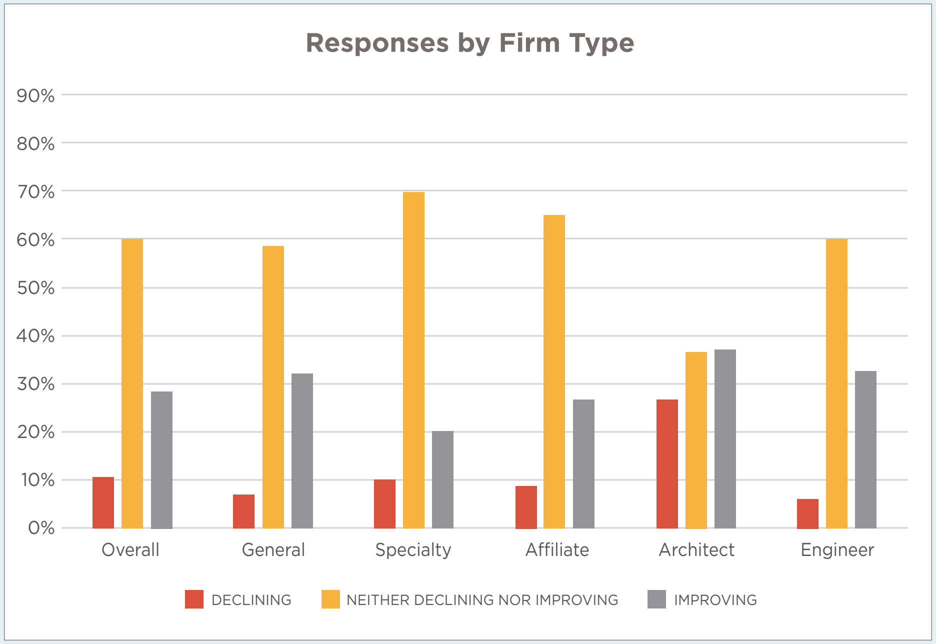
Southern Minnesota 6%
12 respondents

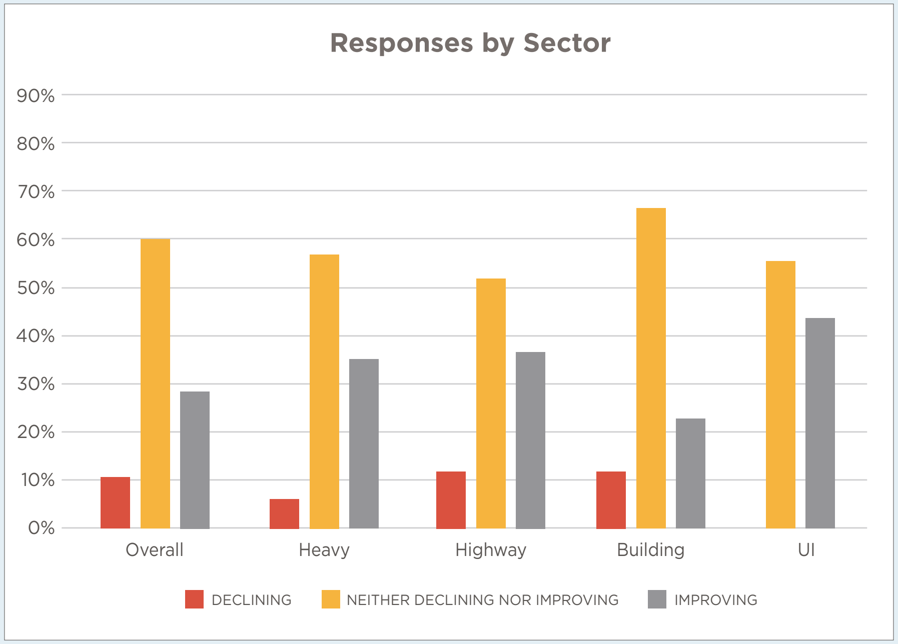
Other States 11%
22 respondents

Looking ahead: How respondents perceive market conditions affecting their firm

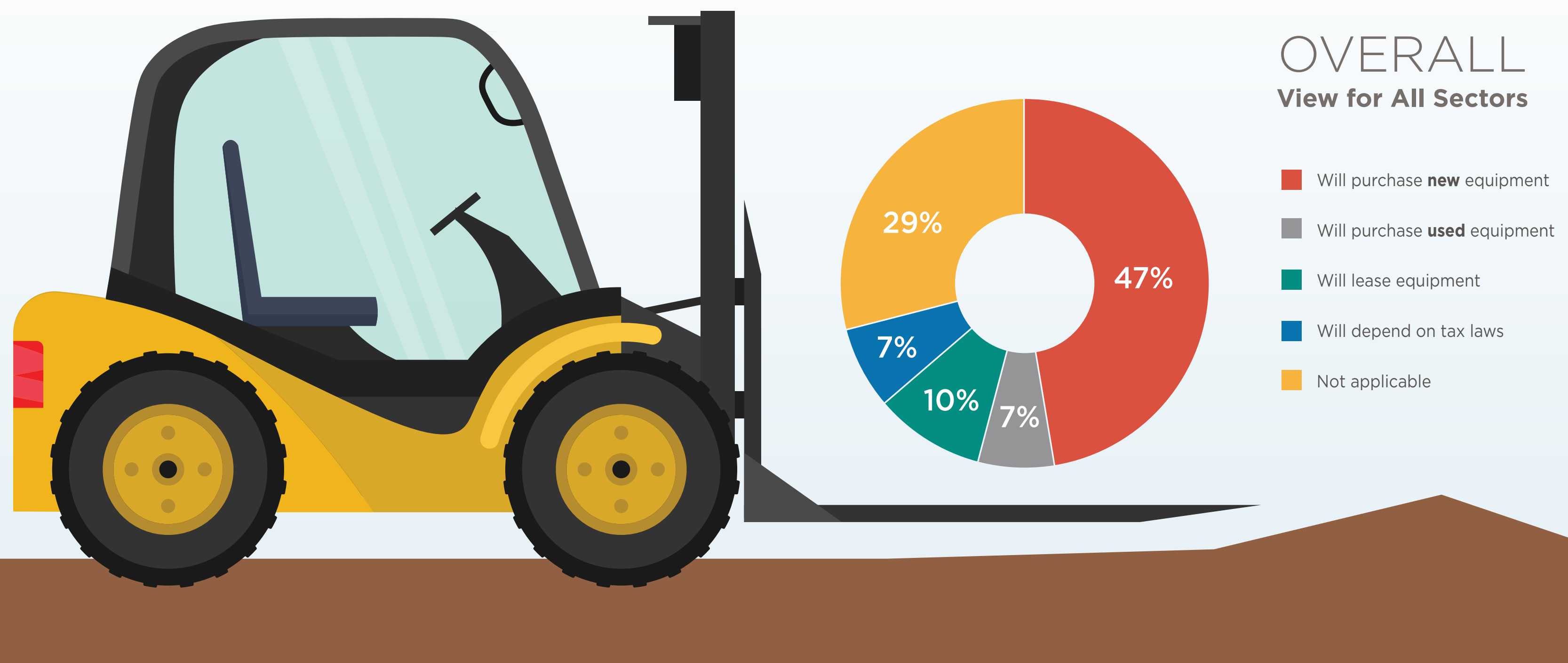


Looking ahead: How respondents perceive market conditions affecting their firm





Equipment plans for 2019



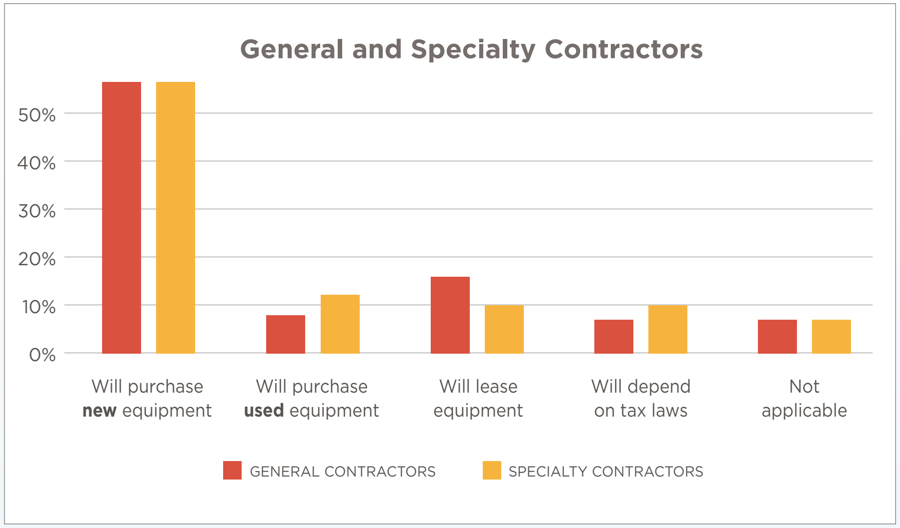
47%
Will purchase **new** equipment in 2018

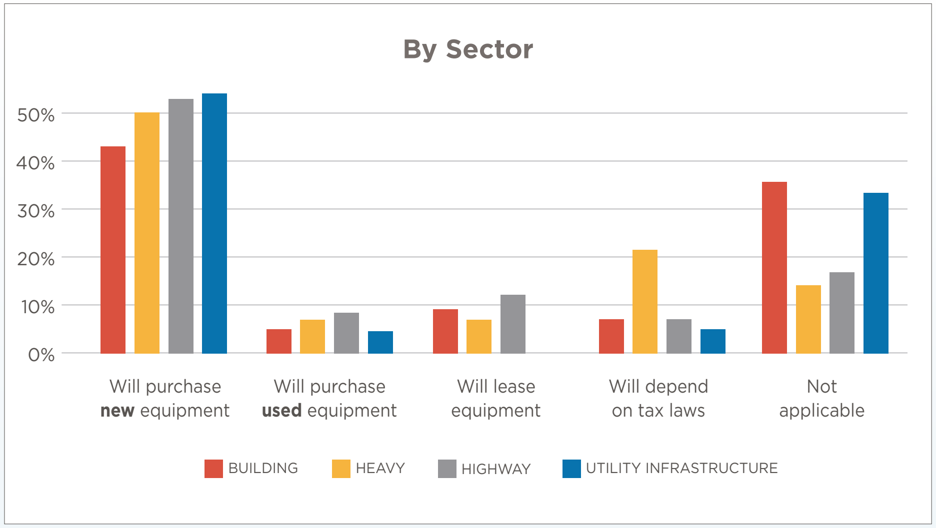
7%
Will purchase **used** equipment in 2018

10%
Will lease equipment in 2018

7%
Will depend on tax laws

Equipment plans for 2019



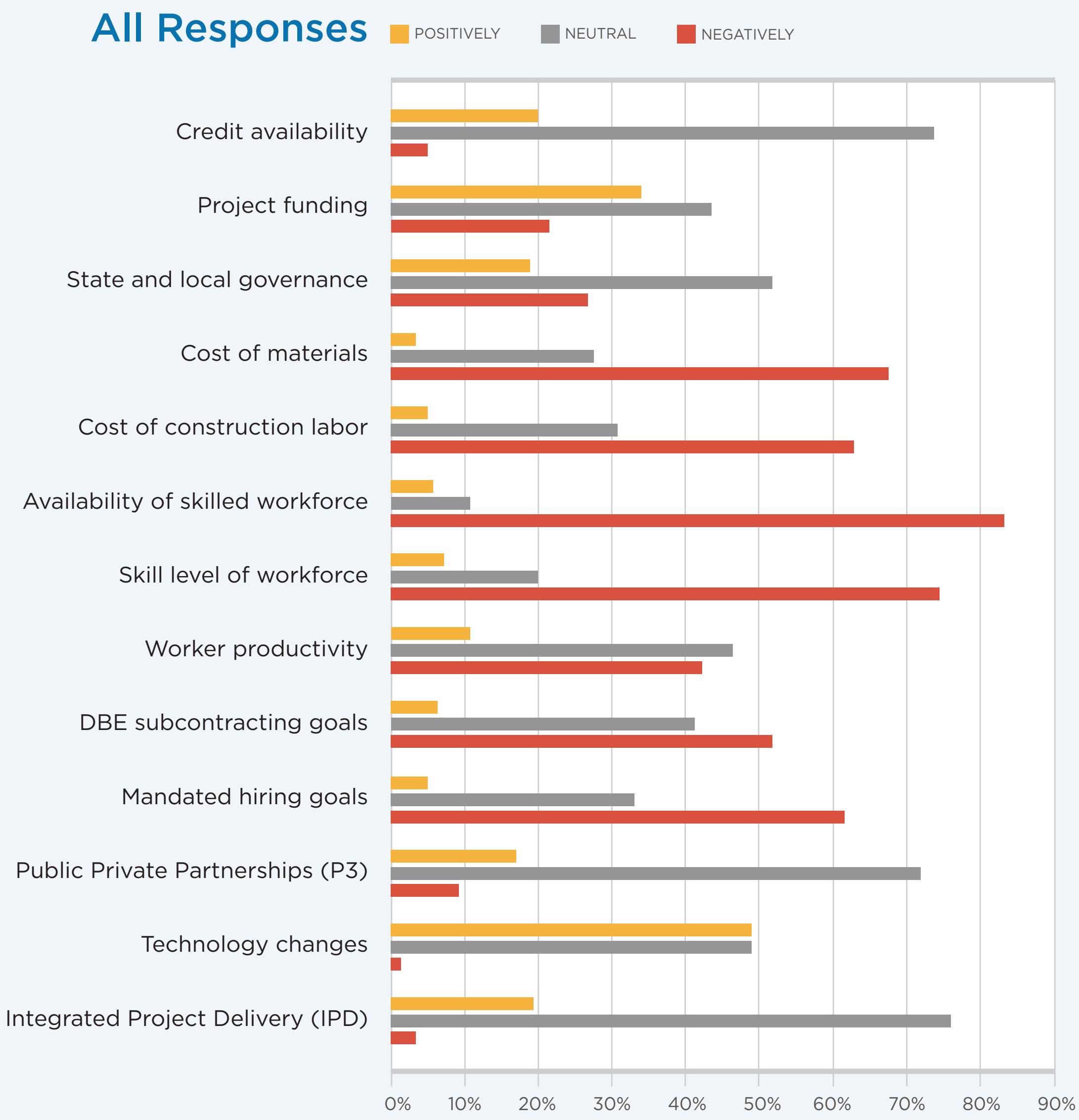


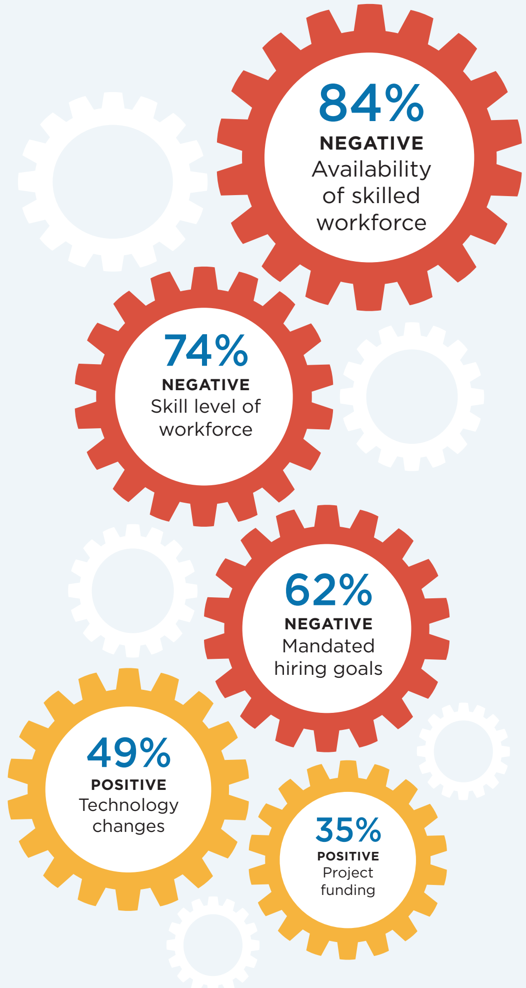
60%

General and Specialty Contractors plan to purchase new equipment in 2019

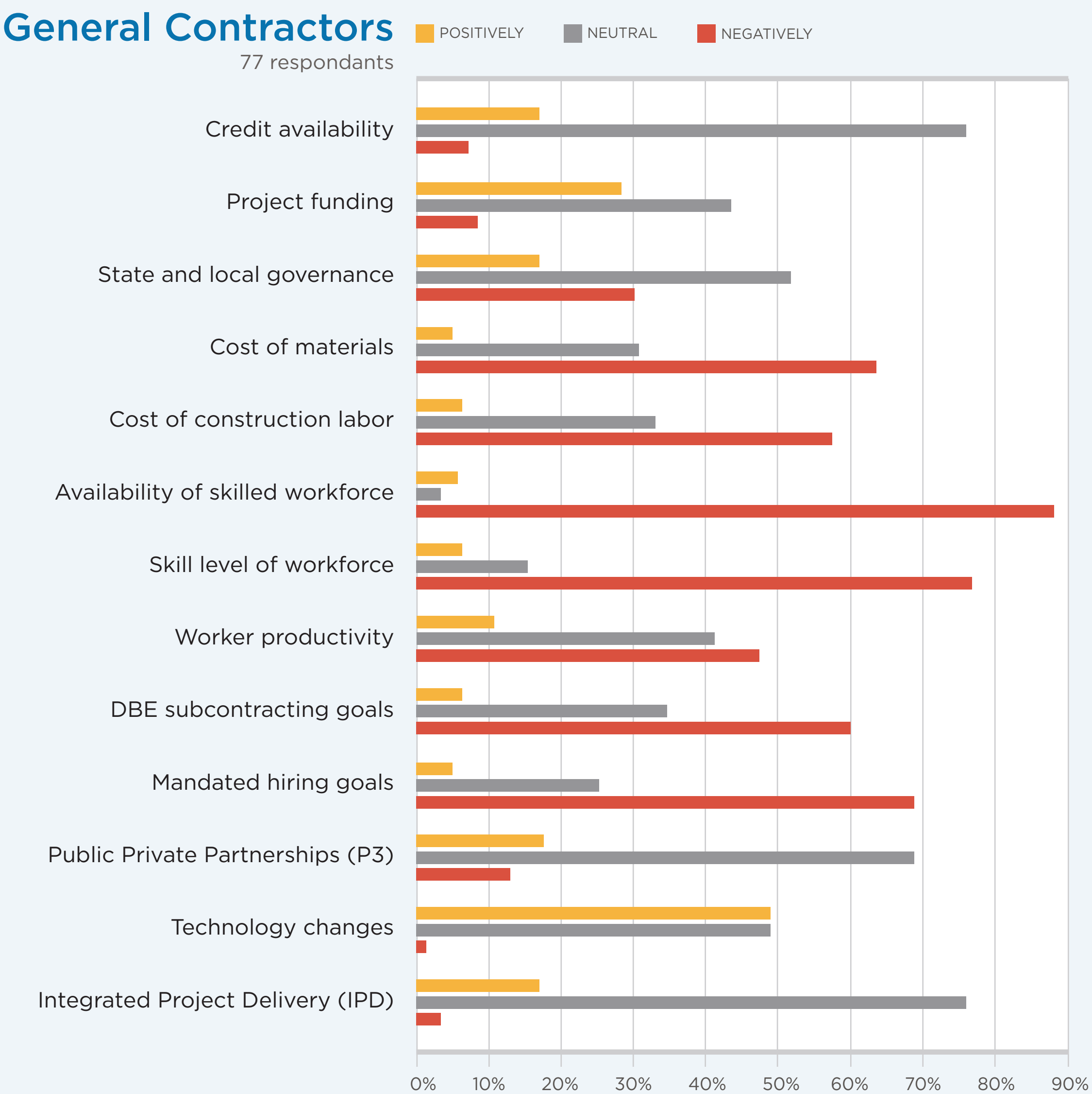
UNDER 10% OF CONTRACTORS IN ALL MARKET SECTORS WILL PURCHASE USED EQUIPMENT IN 2019

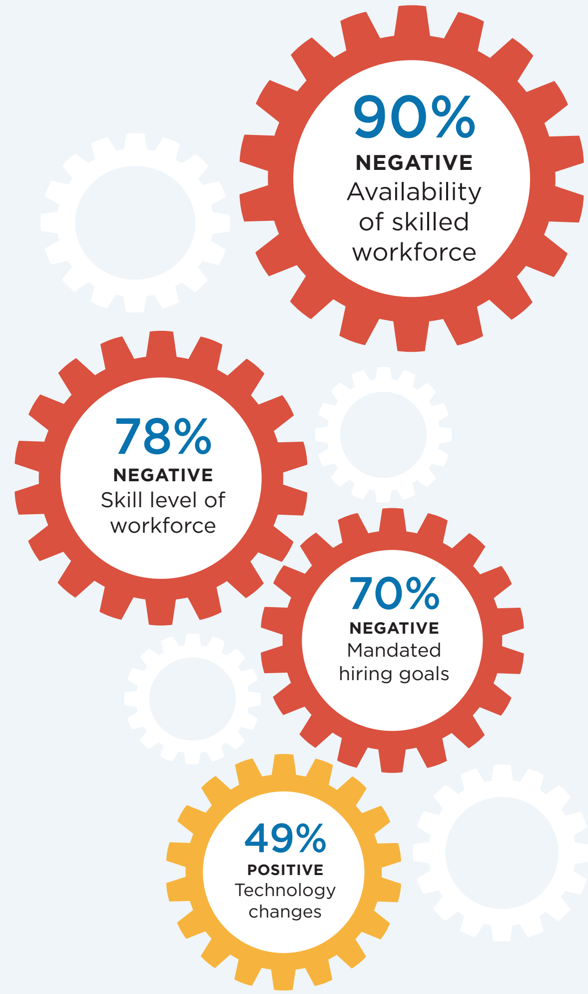
Factors expected to impact respondent business through 2019





Factors expected to impact respondent business through 2019

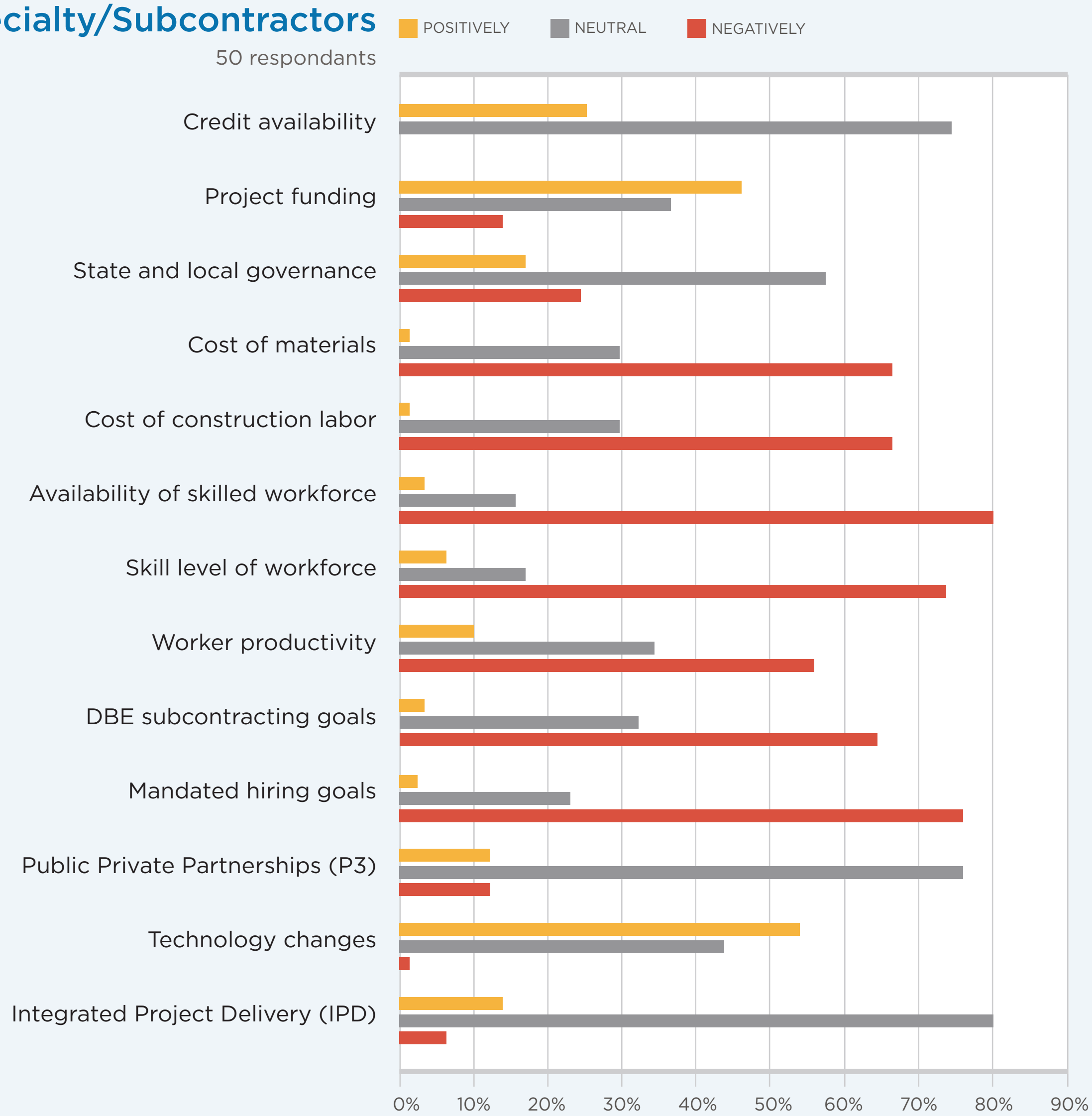


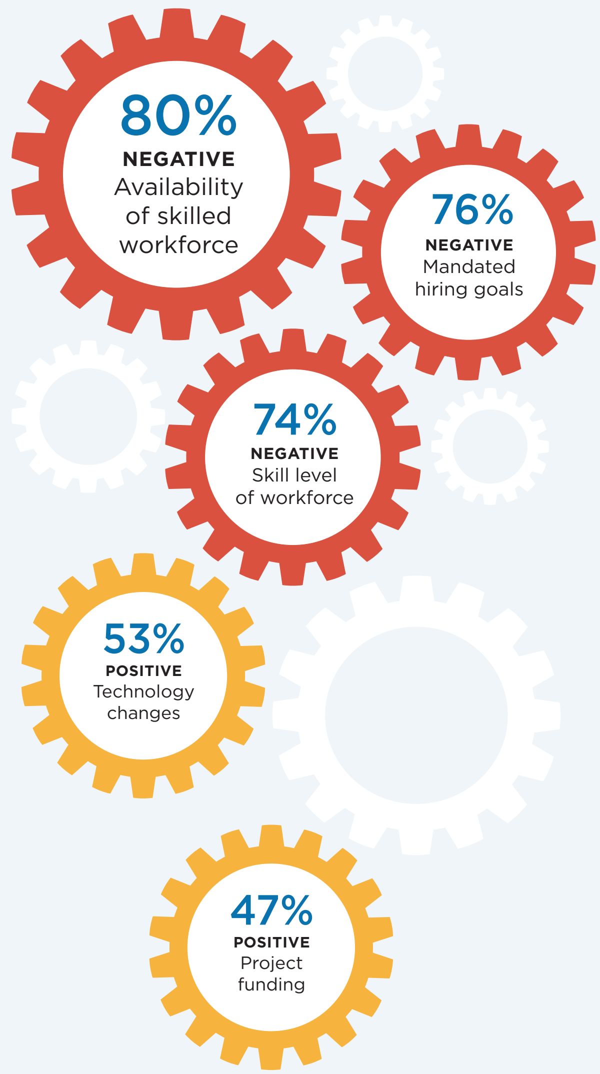


Factors expected to impact respondent business through 2019

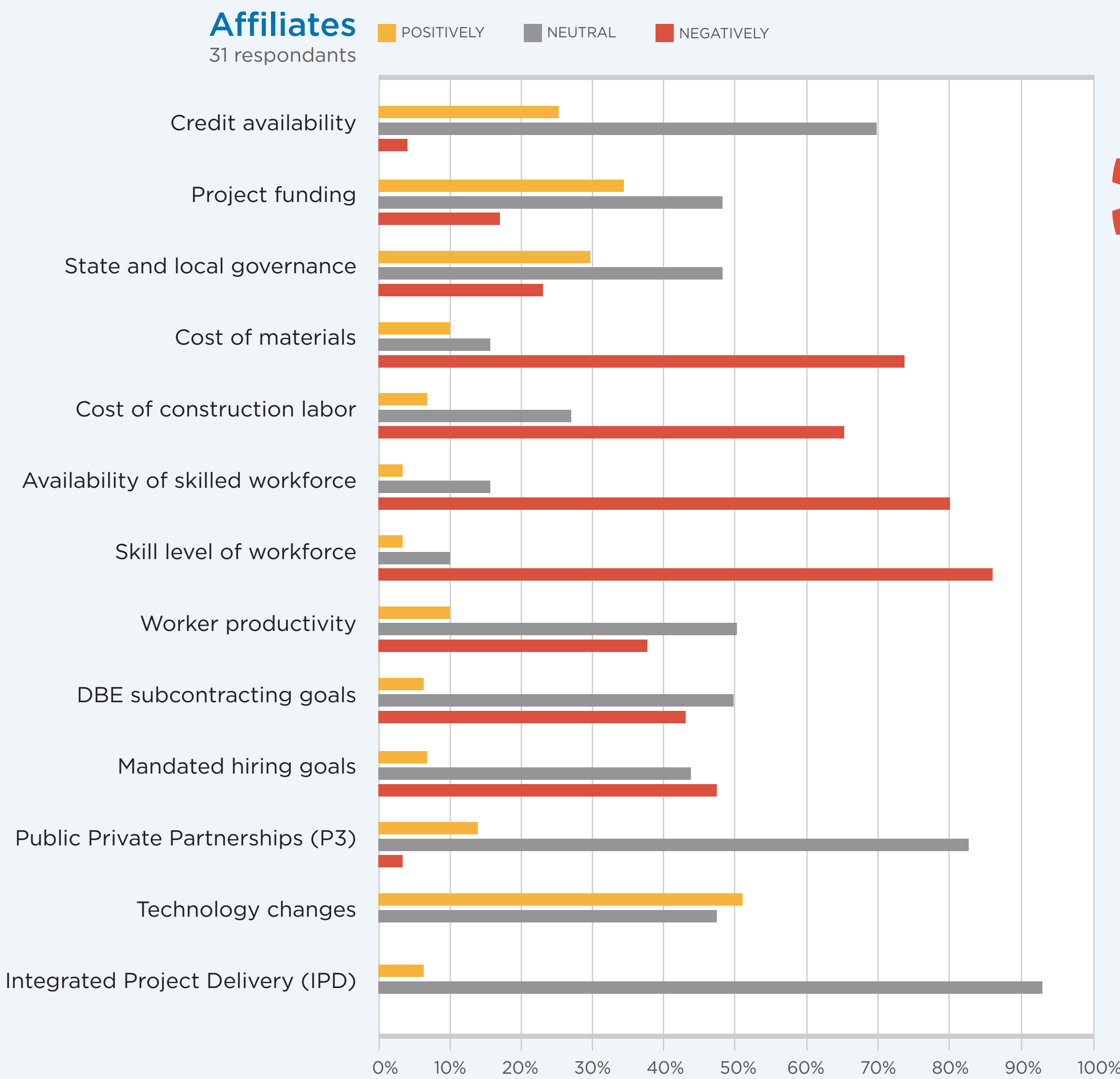
Specialty/Subcontractors

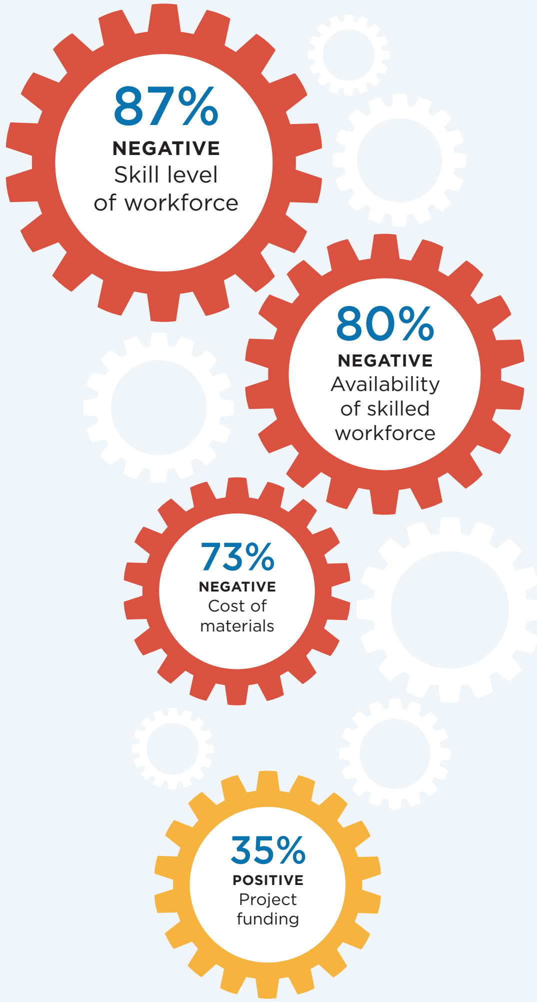
50 respondants



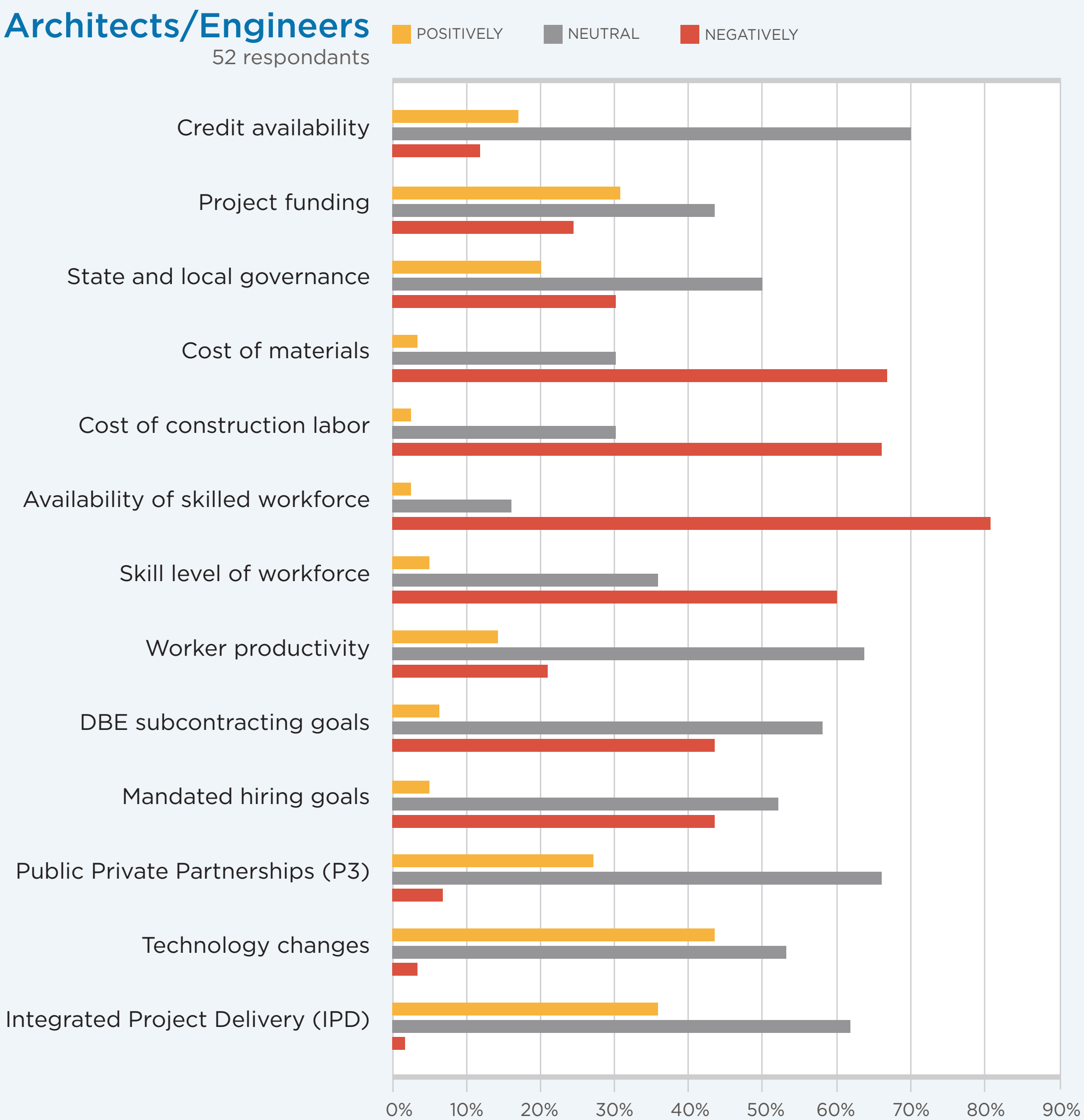


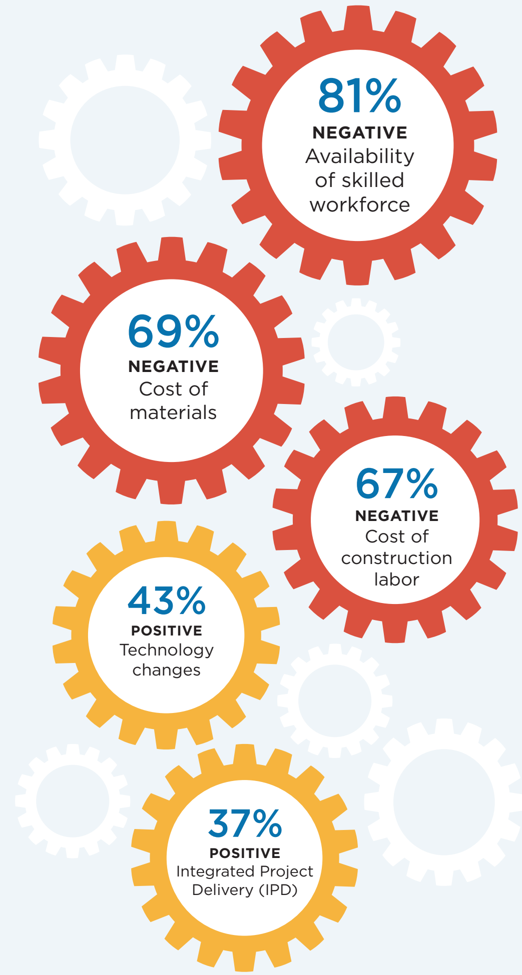
Factors expected to impact respondent business through 2019



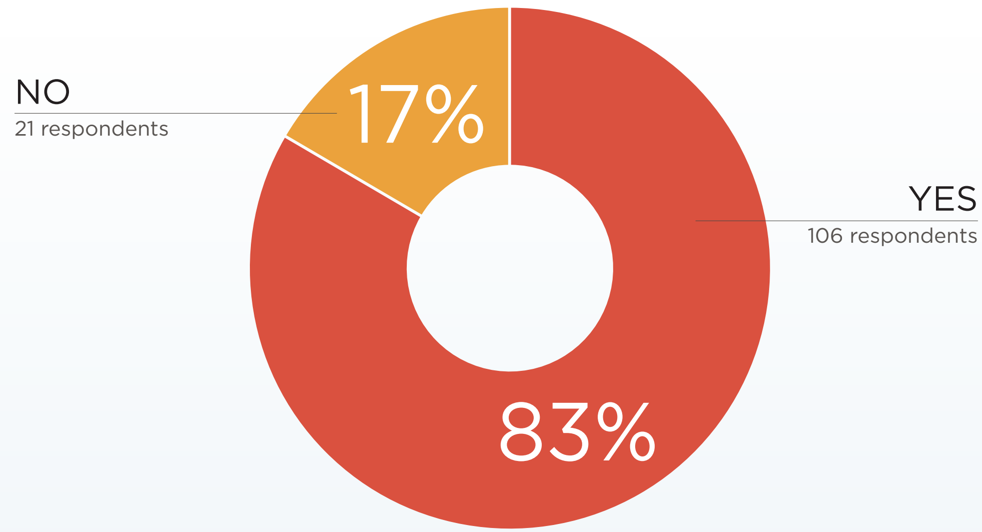


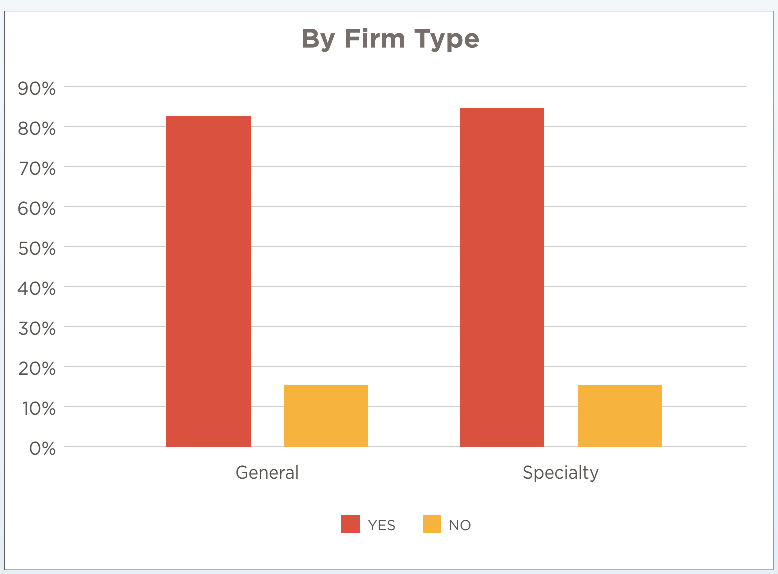
Factors expected to impact respondent business through 2019

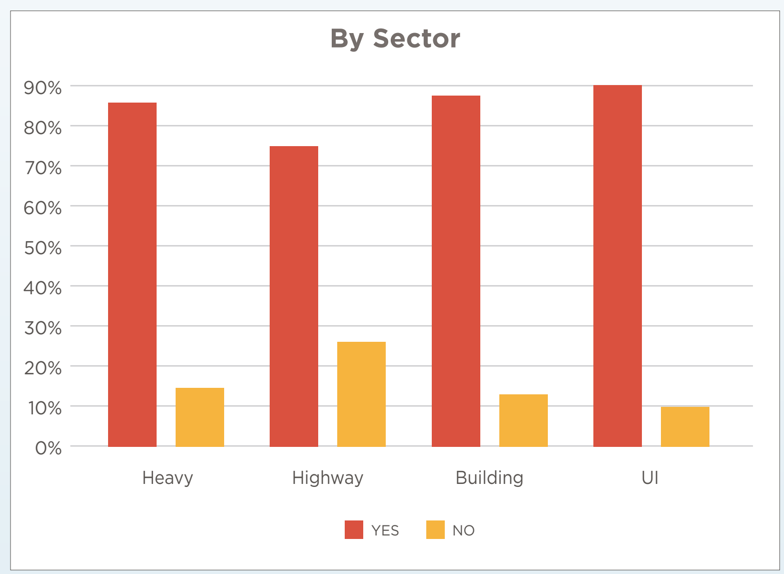




Contractor Signatory Status

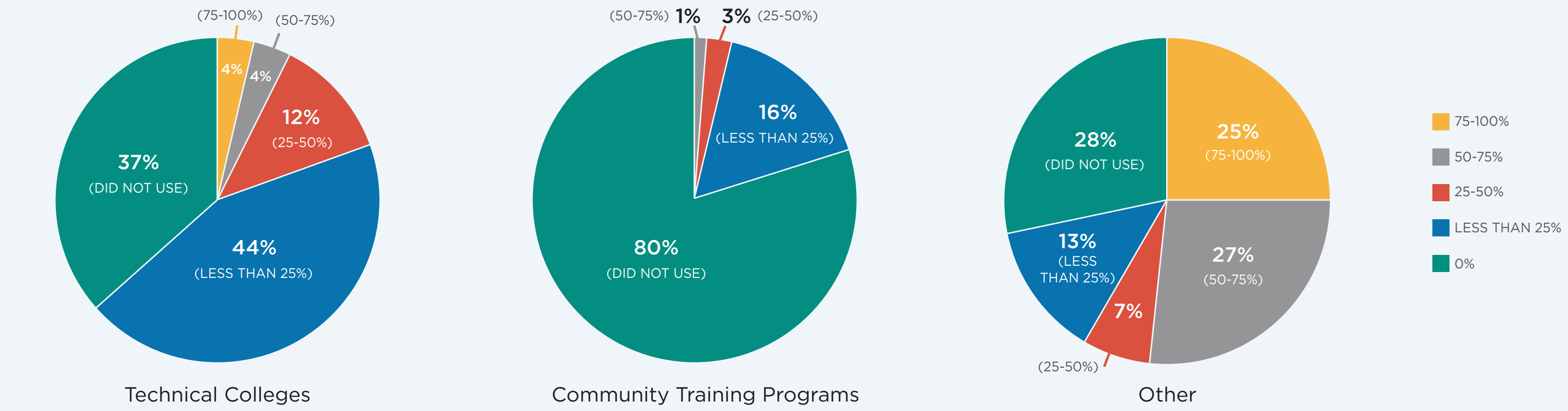






Non-Union Contractors

Thinking of your hiring in the past two years, what percentage of hiring have you done through the following workforce pools?



Please rate the performance of the workforce you have hired through the following workforce pools.

Non-union contractor evaluation of hiring sources

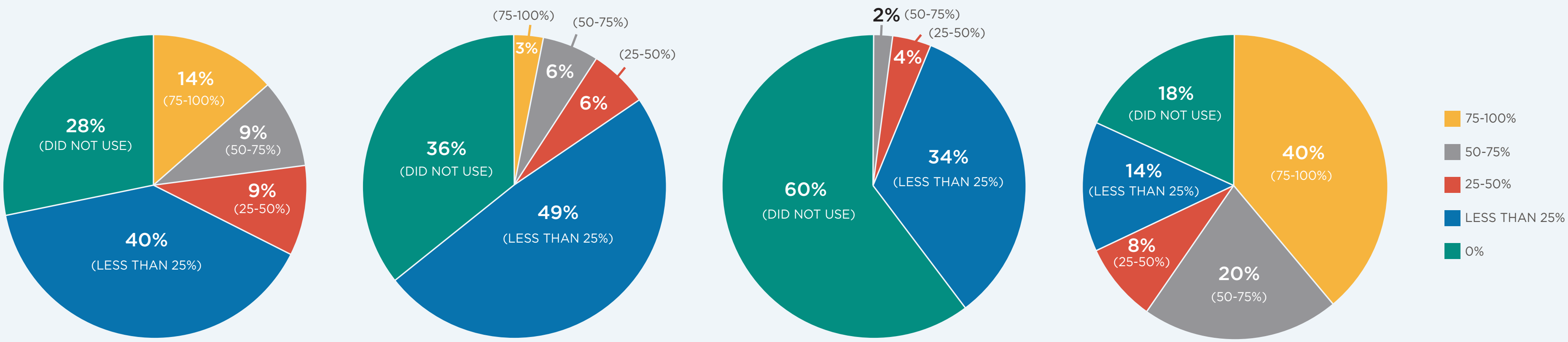
	Strongly Agree	Agree	Disagree	Strongly Disagree	N/A
The pool of workers through technical colleges is empty/exhausted	15%	60%	15%	0%	10%
The pool of workers through technical colleges does not perform at a skill level necessary to do the work	10%	25%	45%	10%	10%
The pool of workers through community training programs is empty/exhausted	5%	35%	10%	0%	50%
The pool of workers through community training programs does not perform at a skill level necessary to do the work	10%	15%	15%	5%	55%

"MOST TECHNICAL SCHOOL GRADS ARE LED TOWARD UNION CONTRACTORS."

"THEY ALL WANT TO WORK IN THE METRO… OUTSTATE IS NOT ATTRACTIVE."

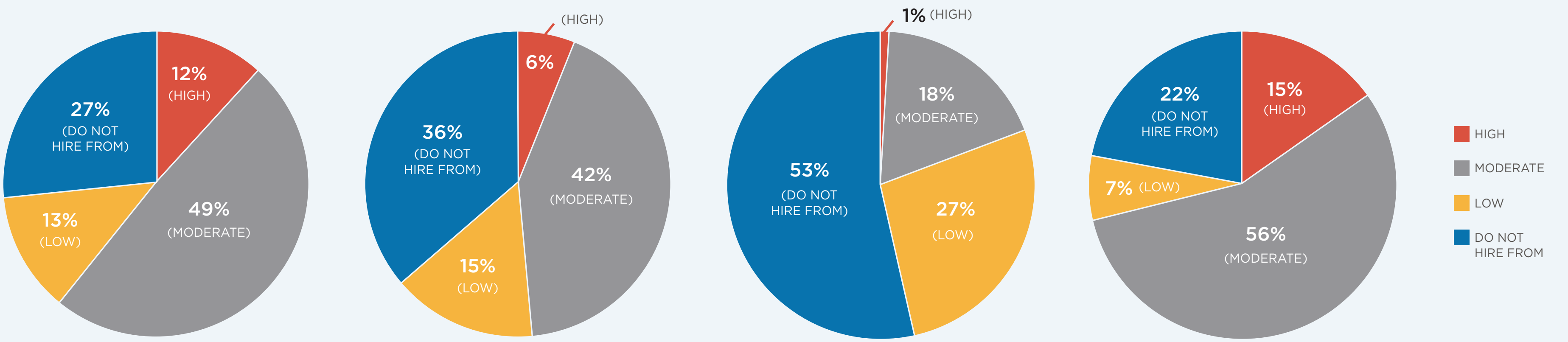
Union Contractors

Thinking of your hiring in the past two years, what percentage of hiring have you done through the following workforce pools?



JATC | Technical Colleges | Community Training Programs | Other

Please rate the performance of the workforce you have hired through the following workforce pools.



JATC | Technical Colleges | Community Training Programs | Other

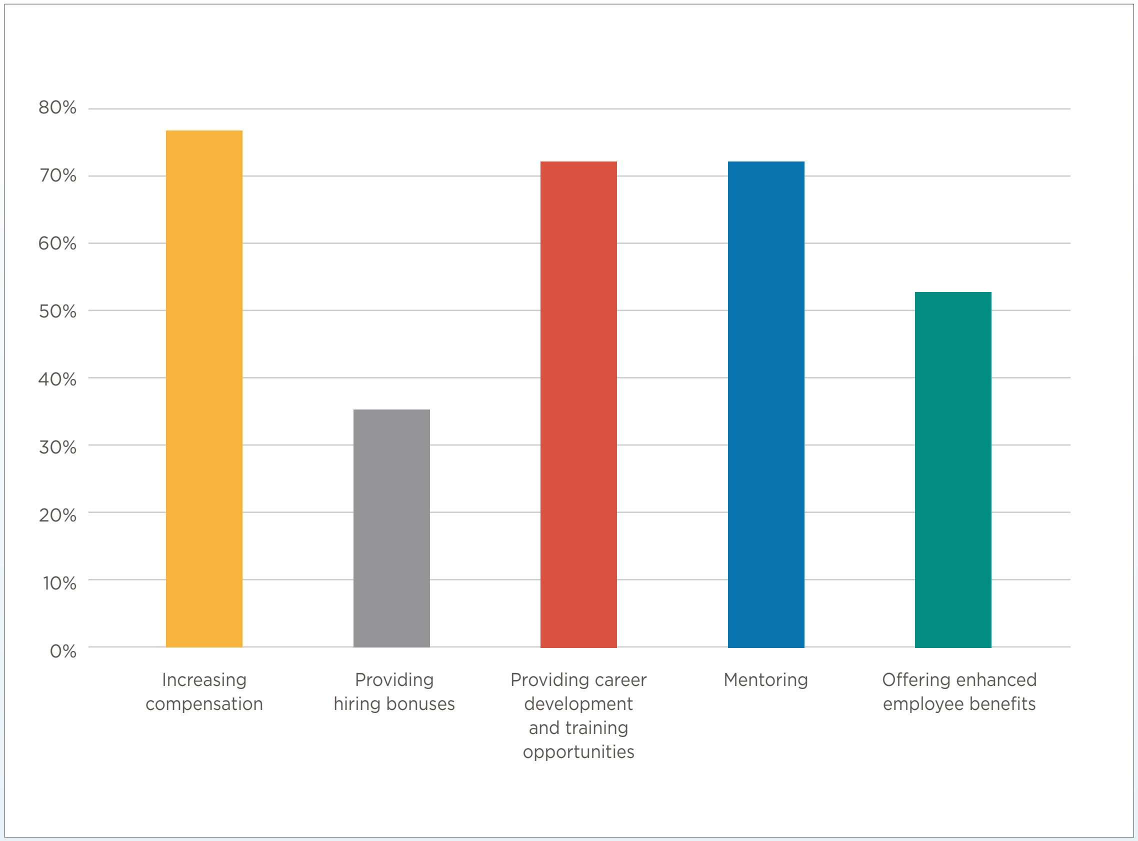
Do the Joint Apprenticeship Training Commitees (JATCs) deliver industry-relevant training? Yes 57% No 43%

Union contractor evaluation of hiring sources

	Strongly Agree	Agree	Disagree	Strongly Disagree	N/A
The pool of union workers is empty/exhausted	21%	55%	19%	2%	3%
The pool of union workers does not perform at a skill level necessary to do the work	13%	42%	37%	5%	4%
The pool of workers through technical colleges is empty/exhausted	4%	40%	24%	0%	32%
The pool of workers through technical colleges does not perform at a skill level necessary to do the work	4%	29%	33%	1%	34%
The pool of workers through community training programs is empty/exhausted	6%	29%	24%	0%	42%
The pool of workers through community training programs does not perform at a skill level necessary to do the work	10%	33%	16%	0%	41%

“MOST OF THE CANDIDATES NEED A LOT OF ATTENTION TO SAFELY PERFORM THE QUANTITY AND QUALITY OF WORK EXPECTED.”

Workforce hiring strategies for contractors



Top 3 most effective strategies

1. Increasing compensation
2. Providing career development and training opportunities
3. Mentoring

Diverse workforce hiring efforts

Has your firm undertaken deliberate measures to attract and retain people of color and women?

Yes	No
73%	27%

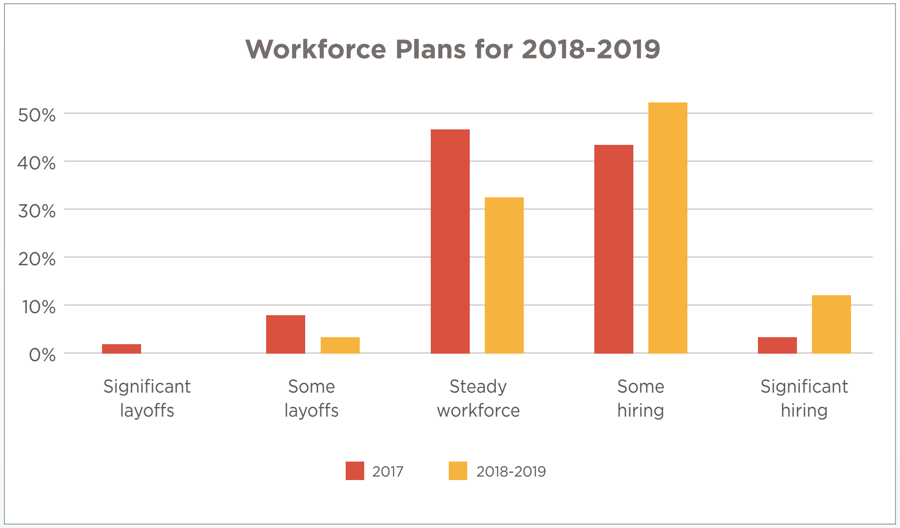
Has your firm increased its percentage of people of color and women in its workforce since employing these strategies?

Yes	No
64%	36%

Top successful strategies

- Word of mouth / personal references
- Diversity and Inclusion training for all employees
- Targeted advertising and recruiting
- Career Fairs
- Mentoring

Workforce plans for 2019



33%
Steady workforce plans for 2019

53%
Some hiring plans for 2019

11%
Significant hiring plans for 2019

0%
Significant layoff plans for 2019

Professional workforce hiring challenges

General Contractors	Least Difficult 1	2	3	Most Difficult 4	N/A
Estimating Professionals	4%	21%	29%	38%	7%
Project Managers/Supervisors	4%	13%	36%	45%	1%
Engineers	5%	17%	24%	8%	47%
Business Development	9%	22%	24%	13%	31%
Safety Professionals	9%	36%	25%	12%	18%
Design Professionals	4%	13%	10%	4%	67%

Specialty Contractors	Least Difficult 1	2	3	Most Difficult 4	N/A
Estimating Professionals	13%	28%	35%	17%	7%
Project Managers/Supervisors	9%	30%	30%	28%	2%
Engineers	2%	18%	9%	9%	61%
Business Development	7%	23%	7%	9%	53%
Safety Professionals	16%	16%	22%	4%	42%
Design Professionals	7%	12%	10%	5%	67%

Architects/Engineers	Least Difficult 1	2	3	Most Difficult 4	N/A
Estimating Professionals	0%	0%	20%	10%	70%
Project Managers/Supervisors	0%	8%	20%	45%	28%
Engineers	2%	10%	27%	32%	29%
Business Development	10%	20%	35%	10%	25%
Safety Professionals	0%	20%	15%	0%	65%
Design Professionals	0%	10%	45%	30%	15%

PROJECT MANAGERS/SUPERVISORS AND ESTIMATING PROFESSIONALS REMAIN THE MOST DIFFICULT POSITIONS TO FILL FOR BOTH GENERAL AND SPECIALTY CONTRACTORS.

ENGINEERS AND ARCHITECTS REPORT SIGNIFICANT DIFFICULTY IN FINDING QUALIFIED PROFESSIONALS FOR **MANAGER, ENGINEERING, AND DESIGN POSITIONS.**

Craft workforce hiring challenges

General Contractors	1 (Least Difficult)	2	3	4 (Most Difficult)	N/A
Bricklayers	0%	0%	6%	13%	81%
Carpenters	3%	16%	28%	19%	33%
Cement Masons	2%	5%	19%	25%	50%
Drywall Installers	0%	6%	6%	6%	81%
Electricians	0%	2%	3%	8%	87%
Equipment Operators	0%	16%	38%	30%	17%
Ironworkers	0%	3%	8%	11%	77%
Laborers	3%	30%	44%	18%	6%
Millwrights	2%	0%	3%	10%	86%
Painters	0%	2%	3%	6%	89%
Pipefitters/Welders	0%	0%	10%	8%	82%
Plumbers	0%	0%	2%	10%	89%
Roofers	0%	0%	2%	8%	90%
Sheet Metal Workers	0%	0%	3%	8%	89%
Tile Setters	0%	0%	0%	10%	90%
Truck Drivers	3%	6%	21%	29%	41%

Specialty Contractors	1 (Least Difficult)	2	3	4 (Most Difficult)	N/A
Bricklayers	0%	2%	9%	12%	78%
Carpenters	0%	5%	17%	5%	74%
Cement Masons	0%	2%	7%	24%	67%
Drywall Installers	0%	2%	2%	0%	95%
Electricians	2%	0%	7%	2%	88%
Equipment Operators	2%	16%	23%	21%	37%
Ironworkers	5%	17%	5%	0%	74%
Laborers	0%	35%	28%	9%	28%
Millwrights	0%	5%	0%	0%	95%
Painters	2%	5%	2%	0%	90%
Pipefitters/Welders	2%	0%	7%	0%	90%
Plumbers	0%	0%	5%	0%	95%
Roofers	0%	0%	2%	5%	93%
Sheet Metal Workers	0%	0%	2%	2%	95%
Tile Setters	0%	5%	2%	5%	88%
Truck Drivers	0%	12%	21%	16%	51%

TOP 3 MOST DIFFICULT POSITIONS TO FILL: LABORERS, EQUIPMENT OPERATORS, TRUCK DRIVERS

TOP 5 OVERALL BUSINESS CHALLENGES FOR 2019

1	2	3	4	5
Finding skilled and trained workers	Developing new leadership	Increasing productivity	Finding available workers	Discovering new markets

Business Challenges for 2019 and Beyond	Overall	General	Specialty	Affiliate	Architect/ Engineer
Finding skilled and trained workers	**52%**	67%	62%	37%	26%
Developing new leadership	**28%**	27%	30%	33%	26%
Increasing productivity	**26%**	17%	32%	33%	31%
Finding available workers	**24%**	29%	17%	33%	17%
Discovering new markets	**21%**	19%	15%	7%	40%
Reducing costs	20%	19%	23%	33%	10%
Workforce hiring goals	13%	23%	13%	4%	2%
Managing client expectations	12%	9%	4%	4%	31%
Managing cash flow	5%	1%	6%	11%	7%
Navigating the regulatory environment	5%	1%	9%	4%	7%
Implementing Integrated Project Delivery (IPD)	2%	0%	2%	4%	5%

Below are all unedited comments from respondents for our final question.
To view all data for the entire survey, click here.

Please tell us what we haven't included in this survey that keeps you up at night:

Possibility of recession.

Government regulations and changes in taxes.

This is somewhat included but more specifically... the onerous documentation required to prove compliance with our affirmative action program and to prove our good faith efforts.

The predictive scheduling proposals from Mpls and other communities. We need to partner with the Chamber to fight these workforce mandates that are being completed City by City. We need preemption in order to have a statewide program.

Making sure we have a long term view of the market to maintain market sector diversity and reduce the impact of market cycles on our work volume.

The economy in the future (1 or 2 years down the road) brings a lot of uncertainty, so we are preparing as much as possible for a future downturn.

Meeting the increased DBE and minority/women workforce goals that came out last year.

Labor shortages in people and craft/skill that result in increased construction costs and deminisioned construction quality, therefore decreasing life expectancy of buildings, which also results in negative environment impacts.

Clients asking for more services but being unwilling to pay for them.

Healthcare

I hate strategic hiring. Just because you take a job in a time of need, it typically can only be done while waving money in the candidate's face, when an office/company is desperate for staff. Please take care of the loyal employees that you have at hand and were in place prior to the demand. WE ALL DO BETTER WHEN WE ALL DO BETTER.

Republican obstruction of government. Republican sabotage of constructive and civil society.

Obtaining new work.

The current regime at the Laborers Union and their unchecked arbitrary enforcement of the CBA.

We are a engineering firm that provides special inspection and testing - no trade school offers that training if they do it is very limited in scope.

Being a General Contractor, Subcontractor availability can be a challenge in Northern MN.

The biggest challenge we face as a company is a shrinking marketplace. There is too much competition, too few projects to pursue and negative margins. It's unsustainable.

Materials availability, increased roadway congestion, and looming retirements.

Long term funding solution for transportation.

Below are all unedited comments from respondents for our final question.
To view all data for the entire survey, click here.

Finding enough work to keep 135 employees gainfully employed for them and their families.

When is the next recession going to hit? Why do the general contractors even with the current laws take so long to pay?

Finding and retaining qualified employees. Meeting EEO/DBE goals. Staffing future projects.

Very complete. Thank you.

Lack of youth coming into trades and excitement as a construction worker in our industry.

Lack of work in Heavy Highway funding.

The outdated approach to ADA pedestrian facilities being imposed into highway projects across the country is a waste of our tax payer dollars that could otherwise be used for more and better rural roads and infrastructure. ADA mobility equipment - including track wheelchairs and new personal drone technology, along with cell phone GPS Apps, voice guidance software, and other guidance system technologies - will soon make obsolete all of the current project installations which are intended to accommodate the disabled.

Tariffs, funding and the ever changing regulatory environment.

Work is plentiful. Margins are very tight. Too much risk for too little reward.

Truck drivers running the show. They don't show up, when they do it's late and then they have to leave early all the time. We need more drivers and the ability to haul more per axle.