2025 Construction Hiring & Business Outlook Media Call Remarks

January 8, 2025

KEN SIMONSON

Hello and thank you for logging in today. My name is Ken Simonson, and I am the chief economist of the Associated General Contractors of America. Joining me today is global head of construction at Sage, Dustin Stephens. We also have several contractors on the line. They are Norbert Schulz, vice president of marketing and business development for FILANC in Escondido, California, and Andy Heitman, vice president and operations manager for Turner Construction out of Kansas City, Missouri.

As you heard just now in that video from our CEO, Jeff Shoaf, contractors have a largely positive view about prospects for projects available to bid on in 2025.

We measure contractors' outlook for different market segments in the net reading—the percentage of respondents who expect the available dollar value of projects to expand compared to the percentage who expect it to shrink. This year the net reading is positive for 15 of the 17 categories of construction included in the survey.

The highest net reading, 42 percent, is for data centers. Contractors are also very bullish about the prospects for water and sewer projects, with a net reading of 35 percent, and for power projects, with a net reading of 32 percent. They also are bullish about healthcare construction, with a net of 27 percent for non-hospital healthcare facilities, such as clinics, testing facilities and medical labs, and 24 percent for hospitals.

Survey respondents are largely positive as well about manufacturing plant construction, with a net reading of 25 percent. Contractors are also optimistic about the education sector with a net reading of 13 percent for kindergarten-to-12th-grade schools and 12 percent for higher education construction.

Five other segments have readings that range from moderately positive to negative. The net reading for warehouse construction is 14 percent, while the reading for multifamily residential construction is 12 percent.

Contractors have a slightly positive net reading, 7 percent, for lodging. Meanwhile, the net reading for private office is -3 percent. And the outlook for retail projects is -5 percent.

Expectations are high for a range of infrastructure segments. The net reading for transportation structures, such as airport and rail projects, is 29 percent. Expectations for bridge and highway work are net 24 percent positive. The reading for federal contracts, for agencies such as the General Services Administration and the U.S. Army Corps of Engineers, is 22 percent.

One other public category—public buildings—drew a moderately positive net reading of 14 percent.

One reason contractors have a relatively positive outlook for many public sector market segments is that more contractors are starting to see the effects of increased federal investments in infrastructure. This year 18 percent of respondents say they have worked on new federally funded infrastructure projects, double the 9 percent who said that was the case a year ago. In addition, 5 percent have won bids but have not started work and 7 percent say they have bid on projects but have not won any awards yet.

Most firms anticipate adding workers in 2025 to accommodate the higher demand for many types of projects. More than two-thirds of the respondents expect to add to their headcount, compared to only 10 percent who expect a decrease. While just under half of firms expect to increase their headcount by 10 percent or less, more than one-fifth anticipate larger increases.

Yet, more than three out of four firms report having a hard time filling either hourly craft positions, 78 percent, or salaried openings, 77 percent. In addition, the majority expects that hiring craft workers will continue to be hard or will become harder. Only 12 percent say it will become easier or remain easy to hire.

Both union and open-shop firms report difficulty filling positions: 81 percent of open-shop firms and 74 percent of union firms report difficulty filling hourly craft positions. Similarly, 76 percent of open-shop firms with unfilled salaried positions say the positions are hard to fill, as do 78 percent of union firms.

Likely because of these labor shortages, most firms took steps in 2024 to attract and retain workers. Fifty-three percent increased base pay rates by more than they had in 2023. Additionally, 28 percent of firms provided incentives or bonuses, and 28 percent increased their portion of benefit contributions and/or improved employee benefits.

Contractors continue to see a significant number of project postponements and cancellations. Roughly two-thirds of respondents say projects have been postponed or canceled. Forty-two percent of firms report projects were postponed in 2024 but rescheduled, while 34 percent of respondents report projects were postponed or canceled and not rescheduled. Sixteen percent have already experienced postponement or cancellation of a project that had been scheduled for either the first half of 2025 or later.

Supply chains are coming back online, however. Nearly half of respondents report no supply-chain issues in 2024. This is a huge improvement from the previous two surveys. Only 23 percent of respondents in 2024 and just 9 percent in 2023 said they had had no such problems. To cope with—or avoid—problems, 41 percent of respondents have accelerated purchases after winning contracts, while 32 percent have turned to alternative suppliers, and 25 percent have specified alternative materials or products. Ten percent have stockpiled items before winning contracts.

Among contractors' top concerns for 2025, the three that were most frequently listed are all workforce related. Sixty-two percent pick rising direct labor costs (pay, benefits, employer taxes) among their top three concerns, while 59 percent list insufficient supply of workers or subcontractors, and 56 percent name worker quality. The only other concern cited by a majority – 54 percent – of respondents is materials costs. Given the supply chain improvements, this concern is likely related to President-elect Trump's threats to impose a broad range of new tariffs.

Now, I will turn things over to Dustin Stephens with Sage to provide some more insight into the technology findings in this year's Outlook. Dustin…

DUSTIN STEPHENS

Thank you, Ken.

As the industry navigates challenges such as labor shortages and productivity demands, technology will continue to play a critical role in helping teams increase their efficiency with limited resources. Nearly all firms surveyed plan to increase or keep their current level of investment in software. Only 1 percent to 3 percent of firms plan to decrease spending in any of the technology categories listed in the survey.

The majority of respondents, ranging from 55 to 91 percent, say their investment will remain the same as last year in each of the 21 technologies listed in the survey. Artificial intelligence is the category with the highest projected increase in investment (44 percent). The other top categories for increased technology spending are document management software (40 percent), accounting software (36 percent), estimating software (35 percent), and project management software (35 percent).

Cloud-based solutions offer more flexibility and anytime, anywhere access to critical project data. The most prevalent use of cloud-hosted technology is in project management, cited by 61 percent of firms, up 3 points from last year. Nearly half use cloud technology for accounting (48 percent) and field operations (47 percent), while 41 percent of firms use cloud-based time tracking. 15 percent of firms are using cloud-based tool management solutions, while 20 percent say they do not use the cloud. These percentages are similar to the 2024 and 2023 survey findings.

As we've seen in previous years, when it comes to the use of mobile software technology, the adoption numbers are higher. Sixty-nine percent of firms are using mobile software for daily field reports, while 56 percent use it for access to customer and job information from the field. More than half plan to use mobile software technology for employee time tracking and approval (54 percent), and sharing of drawings, photos, and documents (53 percent). Half use mobile technology for access to job cost and project reports from the field, while 46 percent use it for punch lists (46 percent). 11 percent have no plan to use mobile technology, up 3 points from last year.

When it comes to changing technology solutions, the majority (59 percent) do not plan on changing any of their technology solutions this year. Twenty percent of respondents plan to switch project management/operations software, while 15 percent anticipate changing accounting software. Firms reported being less likely to change HR software (11 percent), preconstruction software (10 percent), and mobile applications (10 percent).

While technology delivers many benefits, firms cite several IT challenges. The top challenge cited this year was keeping company data secure from hackers (41 percent). Last year's top challenge: finding the time to implement and train on new technology, came in second with 38 percent of firms selecting it as a top challenge, down from 42 percent last year. Employee resistance to technology was once again the third biggest challenge, with 36 percent of firms citing it as one of their top IT challenges, down 5 points from last year. The next three biggest challenges selected by respondents are communication between field and office (32 percent), integration between software used inside our company (28 percent), and keeping software current (25 percent).

Businesses can take proactive steps to alleviate some of these challenges, including investing in secure cloud solutions, regularly updating solutions, and implementing robust security policies. It is also important for businesses to prioritize finding the time to implement and train on new technology. Once they do, cloud technology can help alleviate many of the other challenges cited. Plus, once businesses adopt a modern cloud infrastructure, they can benefit from automatic updates, real-time insights, and added functionality, such as the latest advancements in AI.

Now I would like to turn things back over to Ken, who has some additional observations about this year's Outlook.

KEN SIMONSON

Thank you, Dustin.

Ultimately, 2025 offers numerous bright spots for the construction industry even as the outlook for some private sector market segments remains quite dire. But firms expect that regulatory relief will help drive demand, particularly for all manner of public sector projects. As a result, firms will continue to hire when they can, and plan to boost their investments in new technologies, particularly artificial intelligence.

But more than anything else, construction firms are worried about the supply of labor and the potential for materials prices to rise in 2025. This is, in part, because labor is already in short supply and materials prices have been volatile since 2020. But it also reflects the worries many contractors have about the potential impacts of the incoming administration's immigration and trade policies.

That is why the Associated General Contractors of the America is asking the President-elect and the incoming Congress to address construction workforce shortages with short-term and long-term measures. In the short term, we are urging the new administration to work with Congress to establish new programs for temporary work visas that are dedicated to the construction industry. This will allow firms to a way to provide lawful workers so they can keep pace with important economic development projects, like improving infrastructure and building new manufacturing and semiconductor facilities.

We are also asking for significant long-term measures to rebuild the domestic pipeline for preparing and training new construction professionals. President Trump and Congress must find a way to pass the Stronger Workforce for America Act, which significantly boosts funding for post-secondary construction training programs. They must also boost funding for the Carl D. Perkins Career and Technical Education Act that funds high-school construction training programs, among other career and technical education subjects.

President Trump should also take immediate steps to remove limits on who can work on federal construction projects. In particular, he should revoke President Biden's executive order imposing project labor agreements for any federal construction project worth $35 million or more. This measure essentially excludes roughly two-thirds of the construction workforce from participating in federal projects, severely undermining the nation's capacity to build.

We also hope the president will be sparing in his imposition of new tariffs and find ways to exclude products needed to build domestic manufacturing, energy and infrastructure capacity. At the same time, President Trump should remove many of the bureaucratic obstacles his predecessor put in place with the new Buy America requirements. While we support efforts to re-establish a domestic supply chain for construction materials, the Biden administration approach makes it virtually impossible to move forward with projects when no domestic component is available.

We are eager to also work with the new administration to implement many of the measures to streamline permitting that Congress authorized but President Biden largely ignored. The good news is the incoming president has the authority he needs to rapidly accelerate federal reviews without diminishing the criteria used to get to a go or no-go with a project. If President Trump moves quickly to streamline the permitting process, many delayed projects should see a rapid start to construction.

The bottom line is 2025 should be a good year for the commercial construction industry. Especially if the Trump administration is willing to work with us to find a way to address workforce shortages, avoid materials price inflation, remove limits on who can work on federal projects and streamline the permitting process. AGC of America is taking every possible step to encourage the new administration and Congress to do just that.

With that, let me offer the contractors with us, Norbert Schulz with FILANC and Andy Heitman with Turner Construction, an opportunity to share their observations about local market conditions and their expectations for this year. Let's start with Norbert.

###