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# **Construction Industry Assessment 2014-2015**

## **AGC of Minnesota**

### **November 19, 2014**



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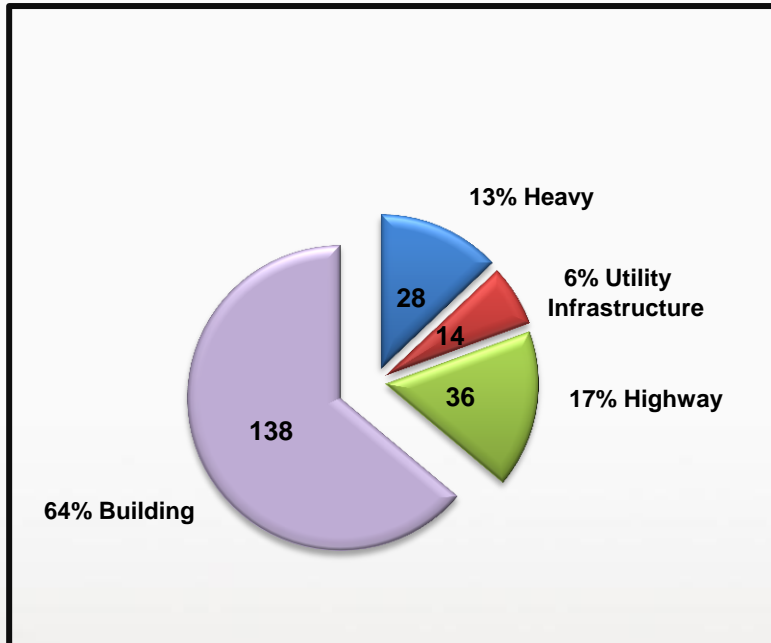
# Executive Summary

- We are pleased to release the AGC of Minnesota Construction Industry Assessment 2014-2015. The survey was conducted electronically via SurveyMonkey. The survey is voluntary and requests one response per company. It opened on August 28, 2014 and closed on October 1, 2014.
- There were 216 responses to this year's survey, down from 237 responses last year.
- A few highlights of the survey are:
  - **Looking ahead to 2015, conditions are improving/improving rapidly for most contractors. The exceptions are highway and utility infrastructure contractors.**
  - **New equipment purchases are projected to be more frequent in 2015 than in 2014. The exception is the utility infrastructure group, 50% of which will use a combination of new, used, and leased equipment.**
  - **Respondents continue to examine their business models in view of alternative procurement and delivery.**
  - **Project funding, credit availability, and healthy partnering relationships with clients/owners are trending more positive.**
  - **Mandated hiring goals and DBE compliance continue to have a negative influence on business conditions.**
  - **The availability of skilled workforce stands out as having a negative/extremely negative influence on business conditions. Workforce availability is having more of a negative impact on general contractors than on any other group.**
  - **Hiring is increasing. Respondents reported difficulty hiring their professional workforce, especially estimating professionals, project managers/supervisors, and safety professionals. On the craft side, qualified carpenters, laborers, and equipment operators are the most difficult to locate and hire.**
  - **The two biggest challenges being faced in 2015 and beyond are (1) assembling and maintaining a skilled workforce and (2) increasing productivity.**



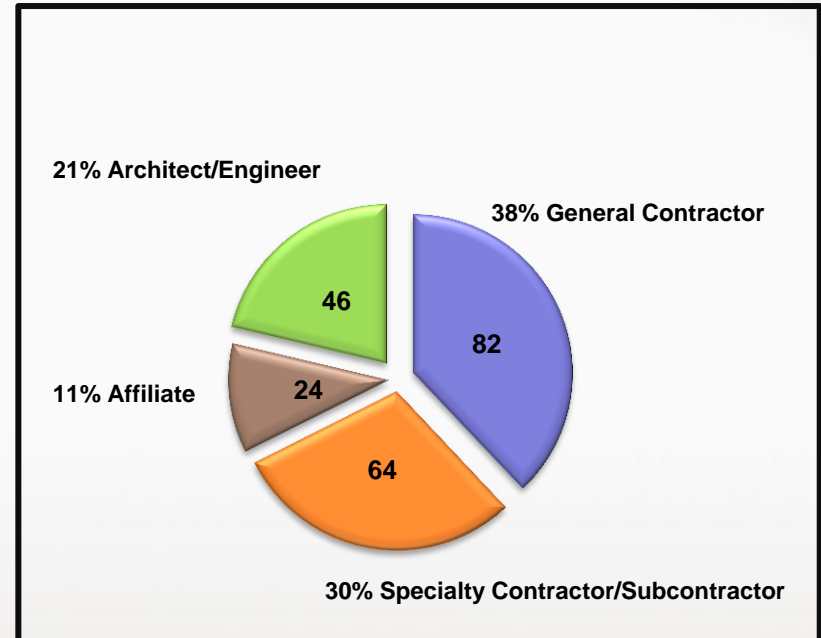
64% of respondents are from the Building sector.

1. Please indicate your primary industry sector.



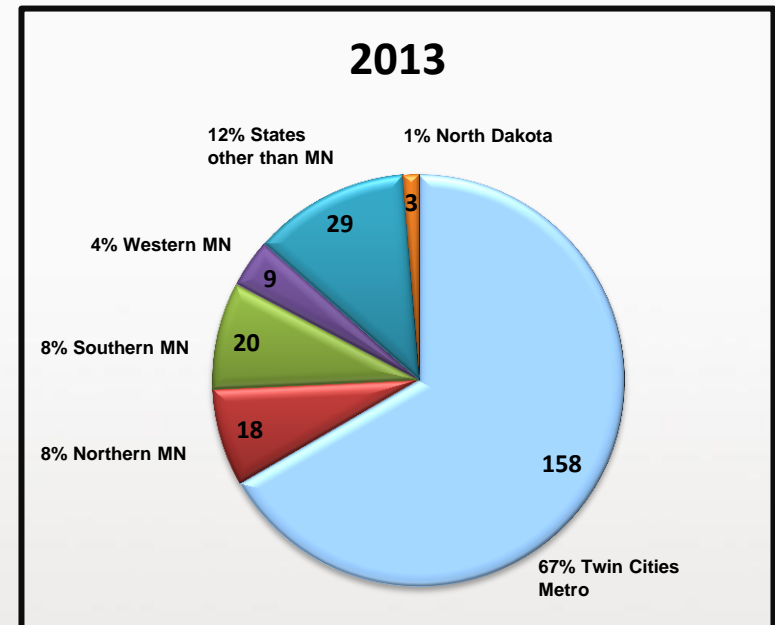
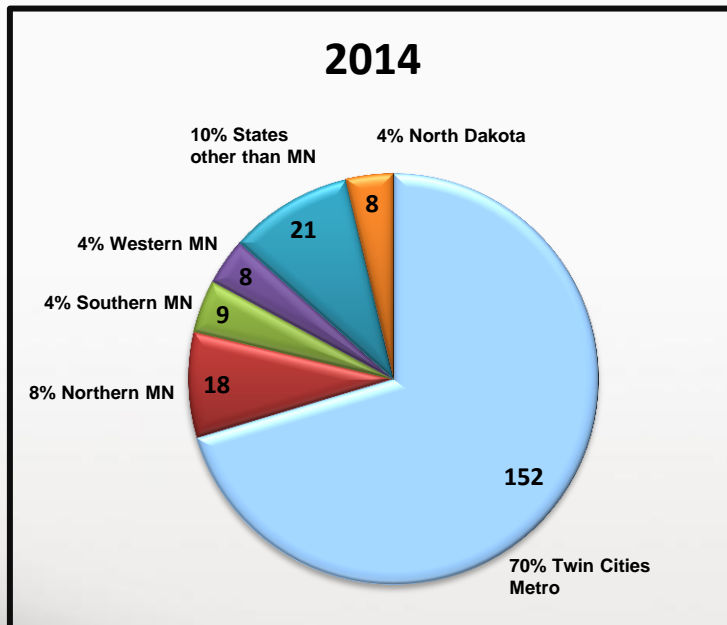
68% of respondents are contractors.

2. Which of the following best describes your firm?



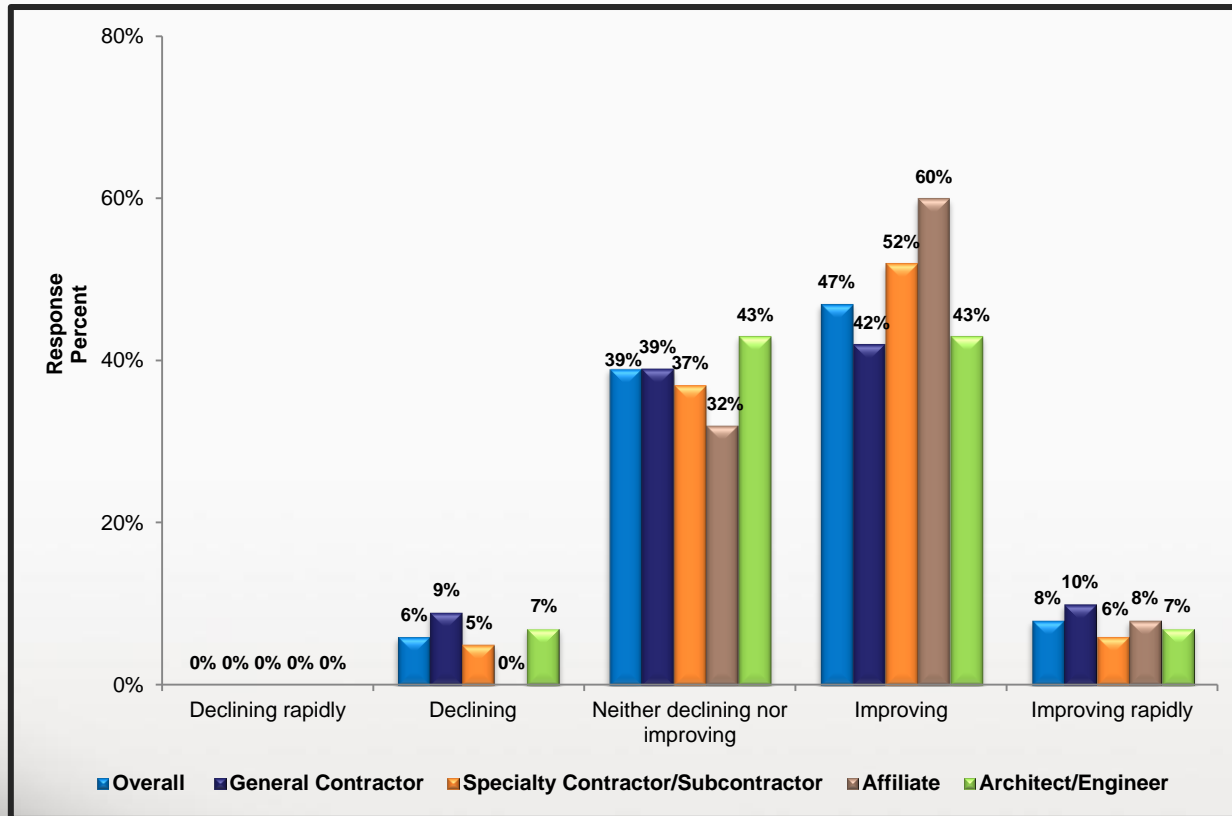
### 3. Please indicate the primary geographic area where you perform work.

70% of respondents report their primary geographic work area is the Twin Cities Metro area.

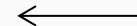


#### 4. Looking ahead to 2015 in Minnesota, market conditions affecting your firm can be projected to be:

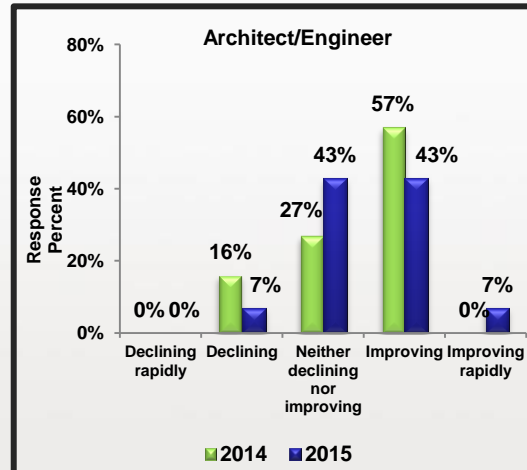
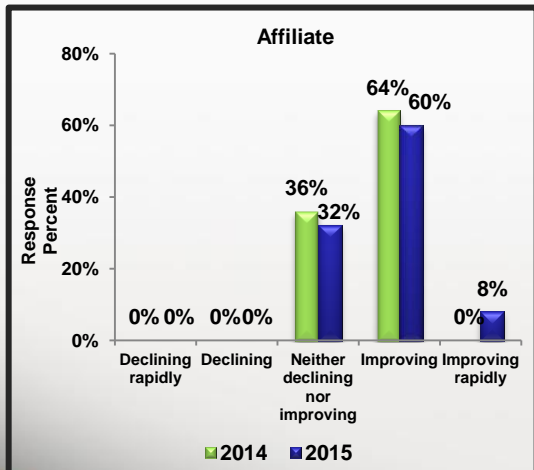
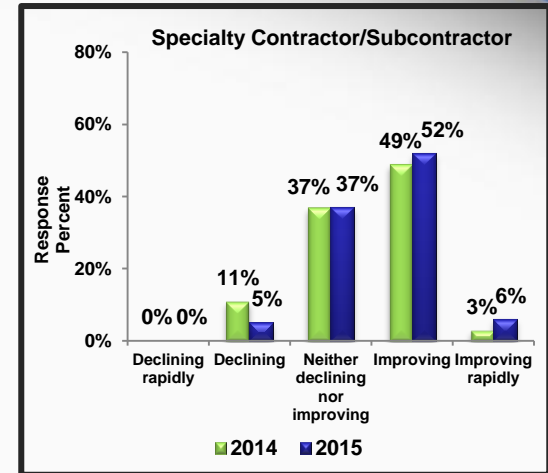
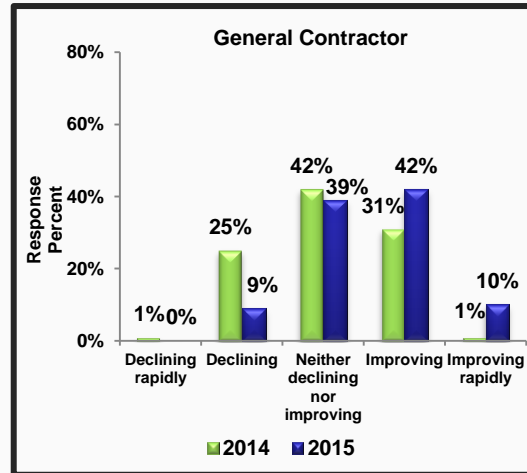
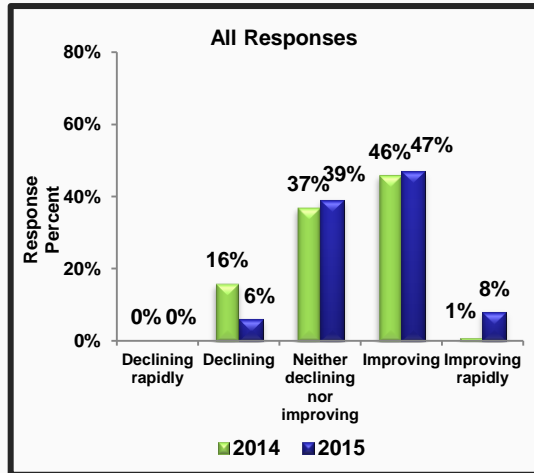
All Responses



Improving/Improving rapidly  
55% Overall Responses  
52% General Contractor  
58% Specialty Contractor/Subcontractor  
68% Affiliate  
50% Architect/Engineer

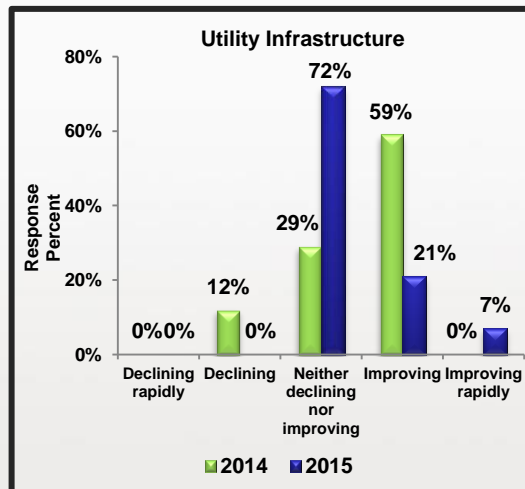
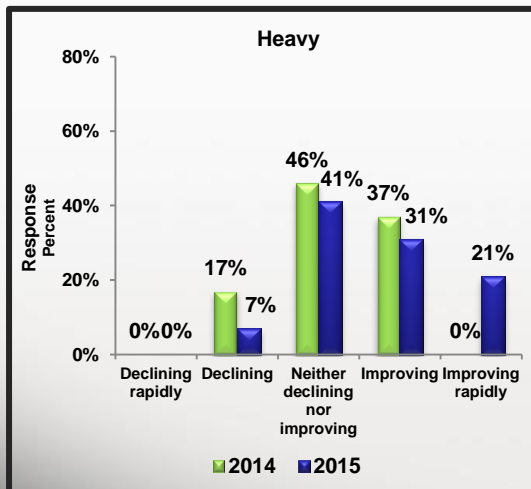
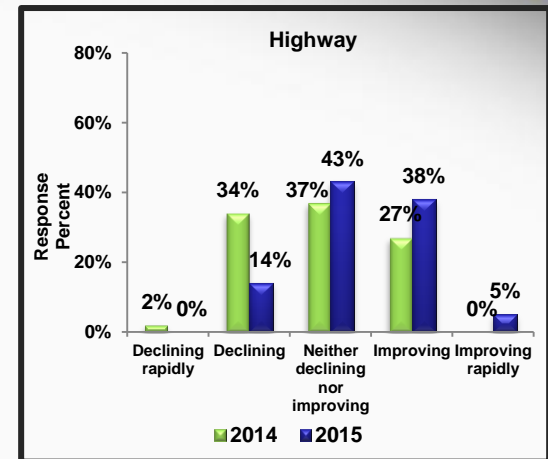
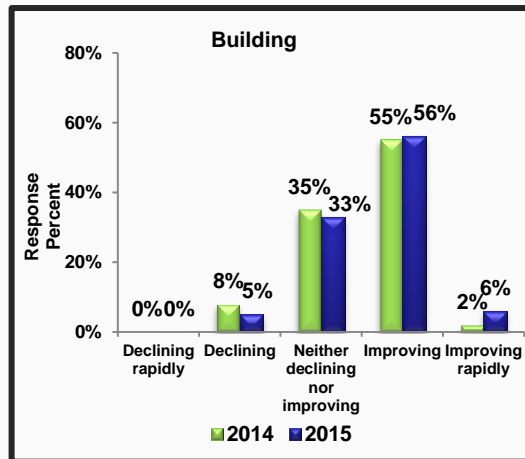
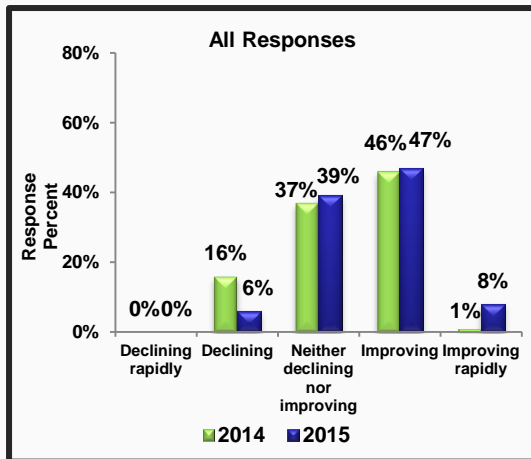


## 4. Looking ahead to 2015 in Minnesota, market conditions affecting your firm are best described as: (General Contractor, Specialty Contractor/Subcontractor, Affiliate, Architect/Engineer)



**55% of all respondents report conditions affecting their firm in 2015 as improving/improving rapidly, compared to 47% in 2014.**

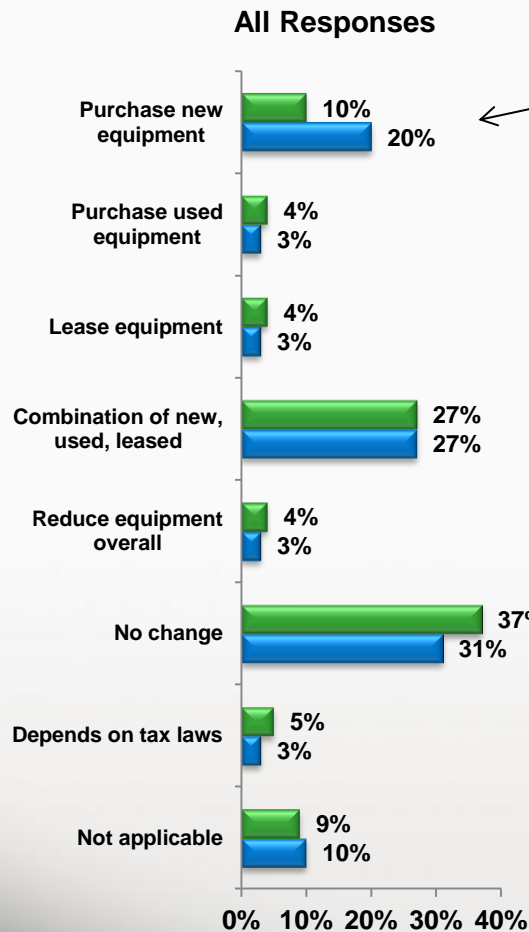
## 4. Looking ahead to 2015 in Minnesota, market conditions affecting your firm are best described as: (Building, Highway, Heavy, Utility Infrastructure)



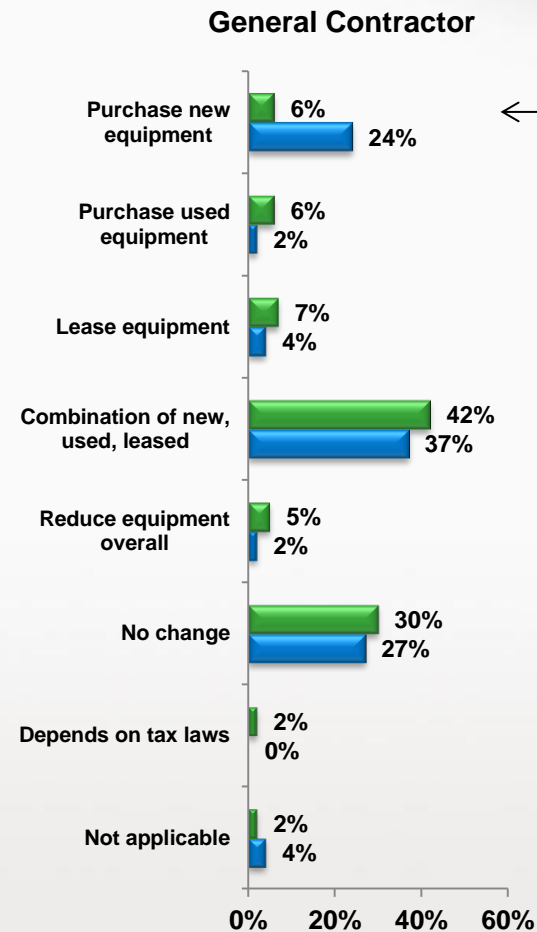
**Looking ahead to 2015, market conditions improving/improving rapidly:**  
 Building sector – 62%  
 Highway sector – 43%  
 Heavy sector – 52%  
 Utility Infrastructure sector – 28%



## 5. Your plans for equipment additions or reductions for 2015 are best described as:



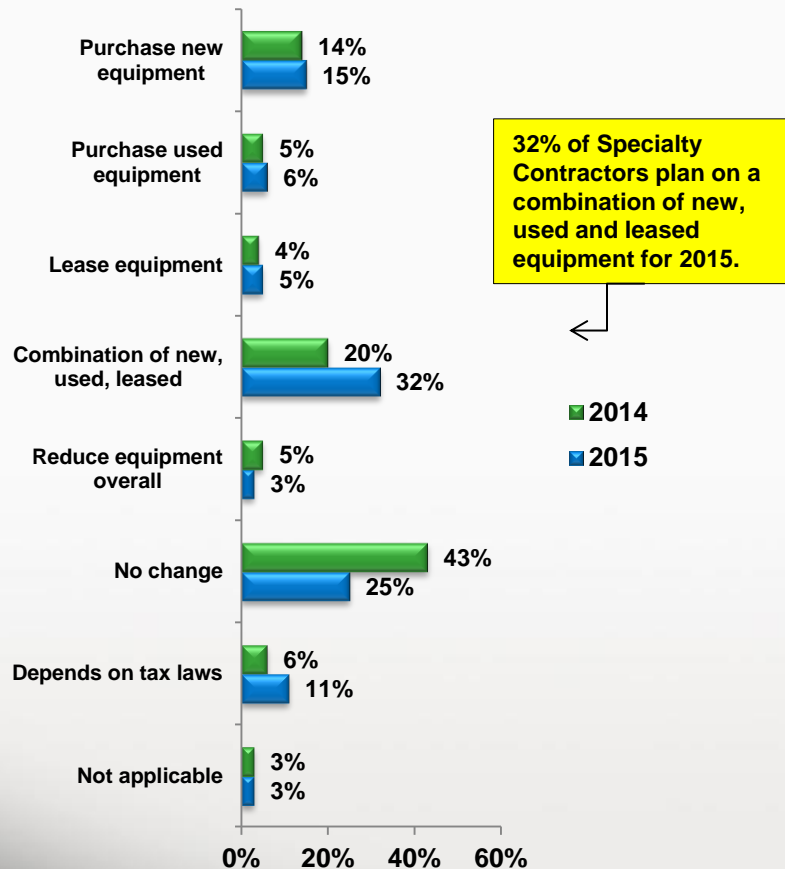
20% of all respondents will purchase new equipment in 2015, compared to 10% in 2014.



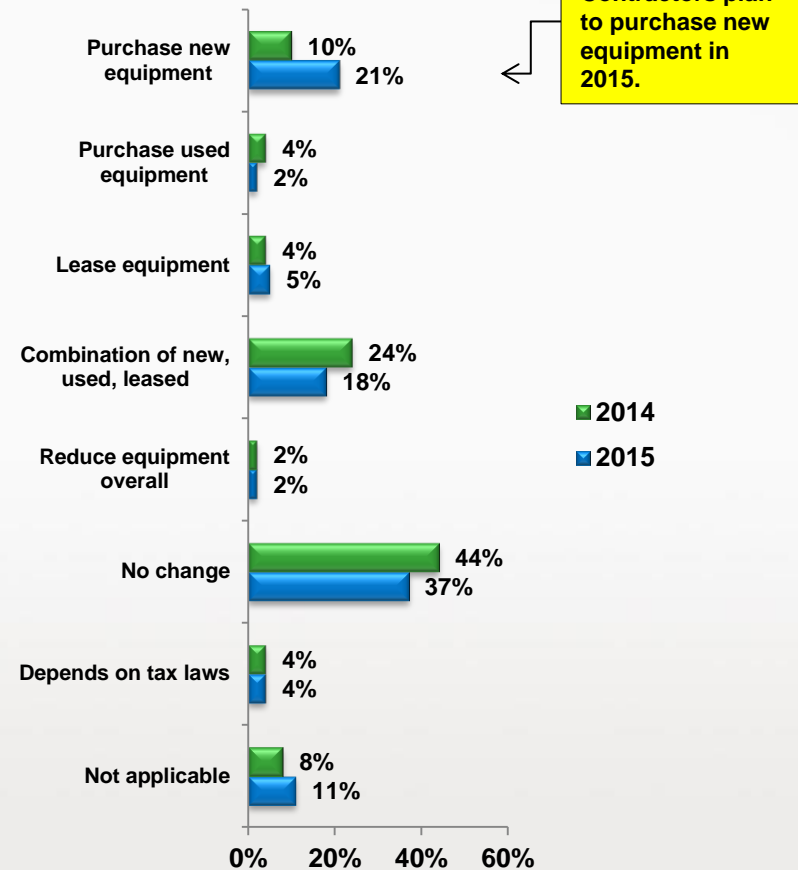
24% of General Contractors will purchase new equipment in 2015, compared to 6% in 2014.

## 5. Your plans for equipment additions or reductions for 2015 are best described as:

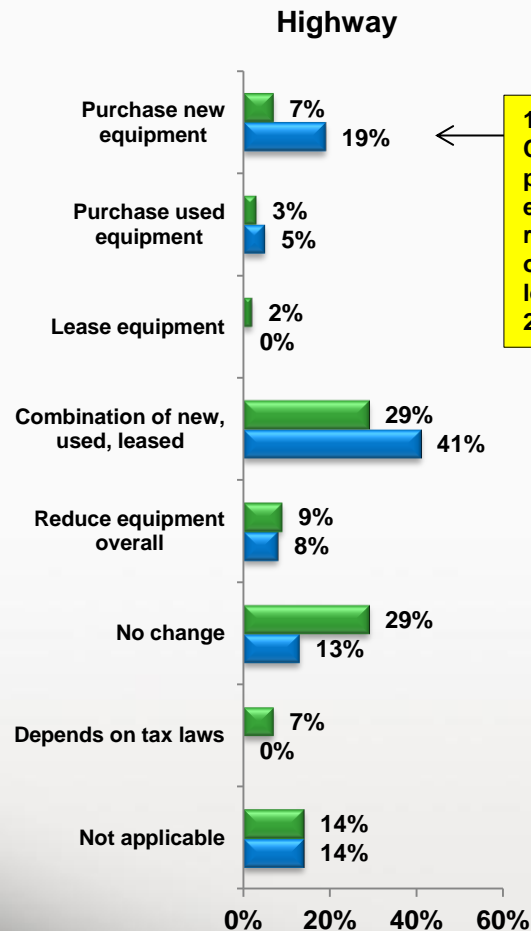
**Specialty Contractor/Subcontractor**



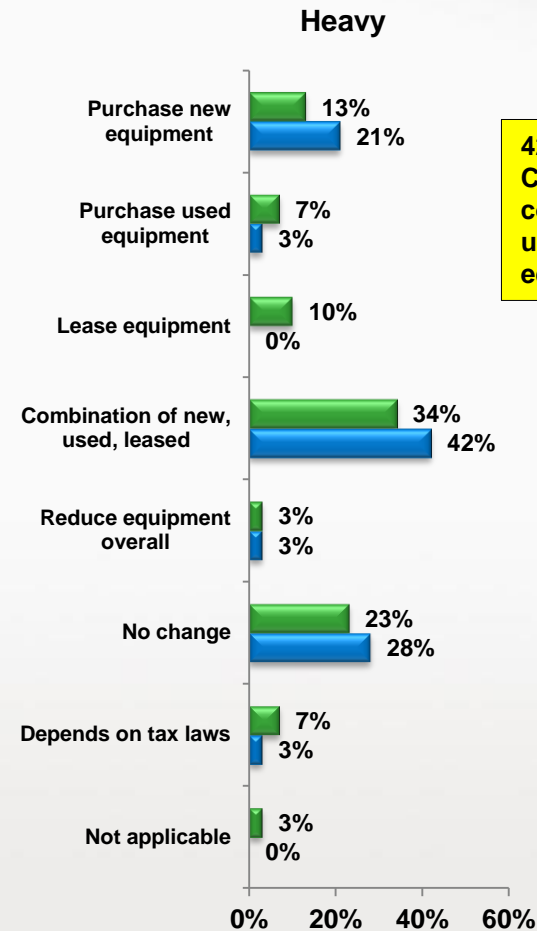
**Building**



## 5. Your plans for equipment additions or reductions for 2015 are best described as:

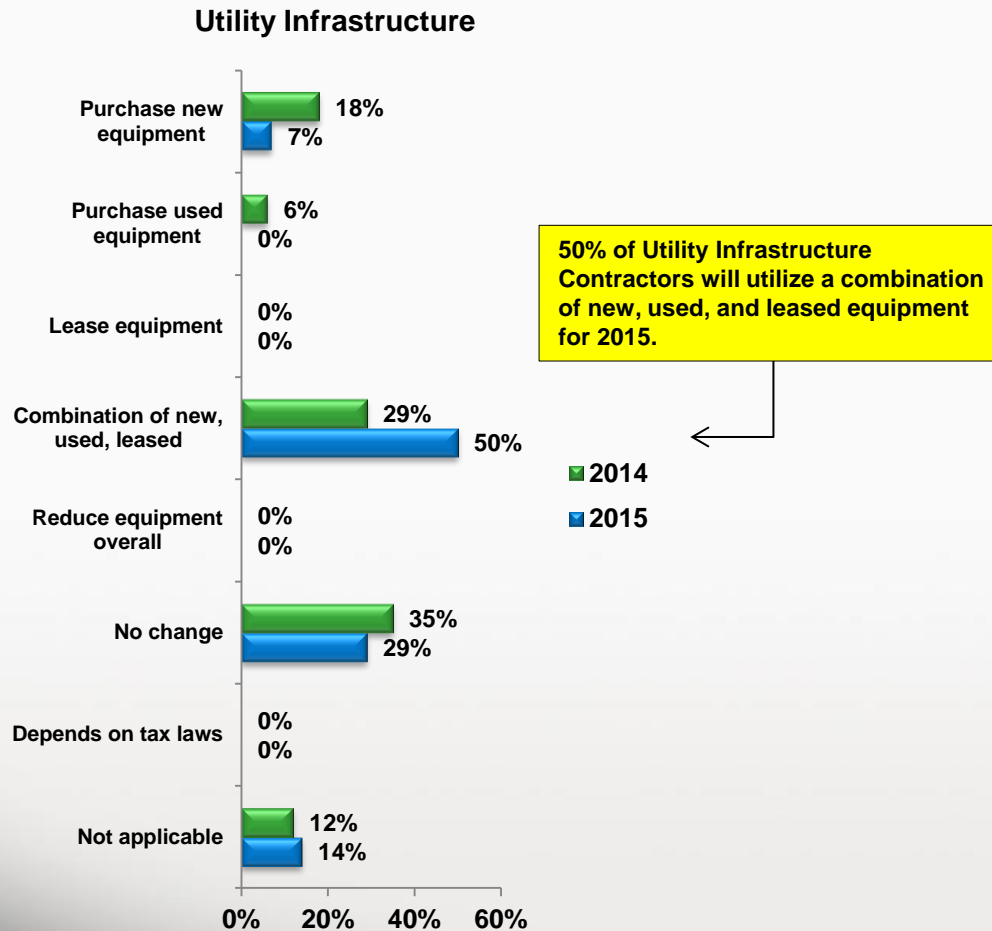


19% of Highway Contractors will purchase new equipment and 41% report a combination of new, used, and leased equipment for 2015.

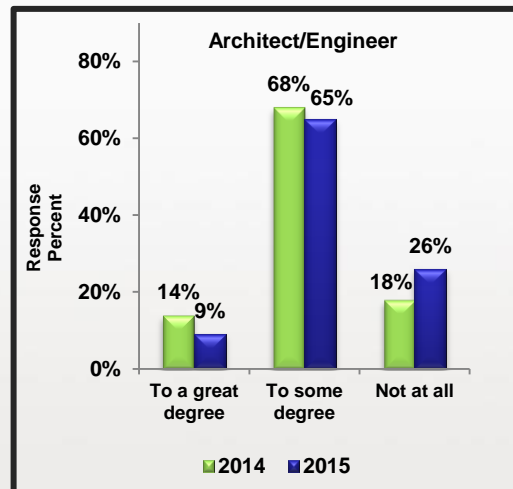
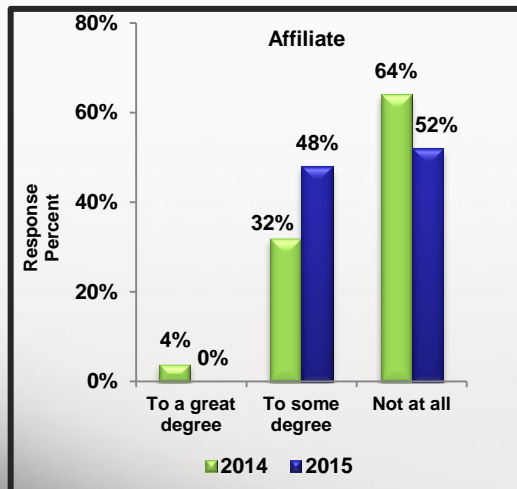
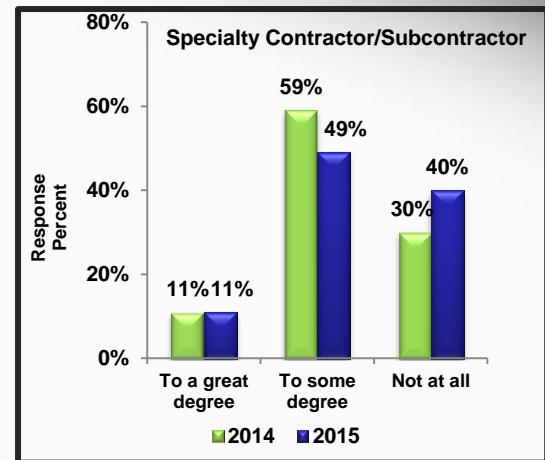
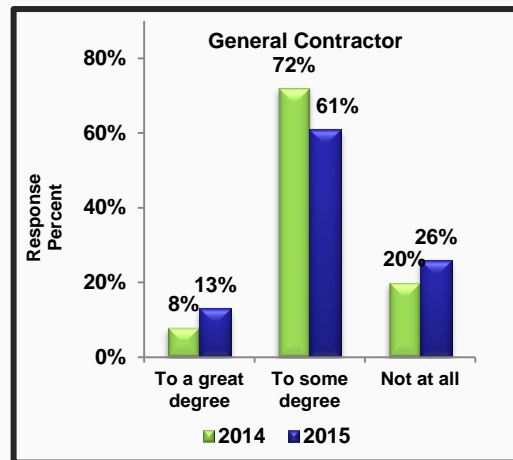
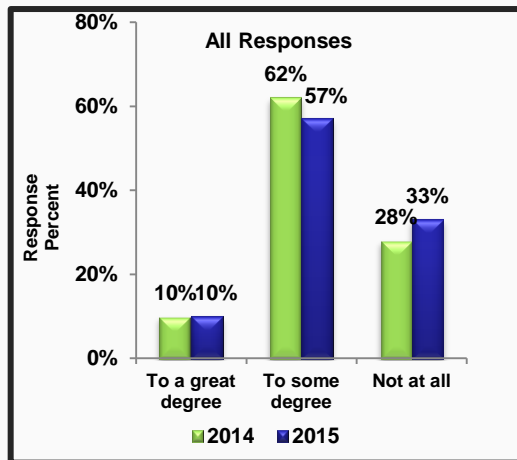


42% of Heavy Contractors report a combination of new, used, and leased equipment for 2015.

## 5. Your plans for equipment additions or reductions for 2015 are best described as:



## 6. To what degree are alternative project procurement and delivery methods causing your firm to reexamine your business model?



**Not examining their business model due to alternative project procurement:**  
**33% All responses**  
**26% General Contractors**  
**40% Specialty Contractors**  
**52% Affiliates**  
**26% Architects/Engineers**

7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2015?

### All Respondents

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	216	6%	37%	50%	7%	0%	
Project funding	214	6%	47%	23%	21%	3%	53%
Regulations affecting design/construction	216	2%	7%	42%	42%	7%	
Cost of construction labor	215	1%	3%	40%	50%	6%	
Availability of skilled workforce	216	1%	5%	15%	53%	26%	79%
Cost of materials	216	1%	3%	53%	40%	3%	
DBE compliance	216	3%	5%	33%	35%	24%	59%
Mandated hiring goals	210	1%	3%	33%	34%	29%	63%
Healthy partnering relationship with clients/owners	216	11%	61%	24%	3%	1%	72%
Other (page 19)							

7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2015?

### General Contractor

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	82	11%	30%	56%	3%	0%	
Project funding	82	5%	42%	20%	29%	4%	
Regulations affecting design/construction	82	0%	3%	38%	51%	8%	59%
Cost of construction labor	82	0%	5%	36%	51%	8%	59%
Availability of skilled workforce	82	1%	1%	6%	57%	35%	92%
Cost of materials	82	1%	5%	50%	38%	6%	
DBE compliance	82	1%	1%	19%	48%	31%	79%
Mandated hiring goals	80	0%	4%	17%	43%	36%	79%
Healthy partnering relationship with clients/owners	82	11%	62%	23%	1%	3%	73%
Other (page 19)							

7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2015?

### Specialty Contractor/Subcontractor

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	64	3%	48%	38%	11%	0%	51%
Project funding	64	8%	53%	26%	11%	2%	61%
Regulations affecting design/construction	64	3%	8%	51%	32%	6%	
Cost of construction labor	63	3%	3%	40%	48%	6%	54%
Availability of skilled workforce	64	3%	4%	17%	51%	25%	76%
Cost of materials	64	2%	3%	64%	31%	0%	
DBE compliance	64	5%	8%	24%	29%	34%	63%
Mandated hiring goals	64	3%	2%	23%	36%	36%	72%
Healthy partnering relationship with clients/owners	64	14%	62%	22%	2%	0%	76%
Other (page 19)							



7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2015?

### Affiliate

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	24	4%	56%	36%	4%	0%	60%
Project funding	23	13%	39%	35%	13%	0%	
Regulations affecting design/construction	24	0%	16%	48%	32%	4%	
Cost of construction labor	24	0%	4%	64%	32%	0%	
Availability of skilled workforce	24	0%	8%	36%	32%	24%	56%
Cost of materials	24	0%	0%	56%	44%	0%	
DBE compliance	23	8%	4%	59%	21%	8%	
Mandated hiring goals	23	0%	8%	58%	17%	17%	
Healthy partnering relationship with clients/owners	24	8%	52%	36%	4%	0%	60%
Other (page 19)							

7. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2015?

### Architect/Engineer

	Response Count	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	
Credit availability	46	0%	26%	61%	11%	2%	
Project funding	46	0%	52%	18%	26%	4%	
Regulations affecting design/construction	46	4%	9%	37%	43%	7%	
Cost of construction labor	46	0%	0%	32%	61%	7%	68%
Availability of skilled workforce	46	0%	9%	19%	59%	13%	72%
Cost of materials	46	0%	0%	43%	52%	5%	
DBE compliance	46	2%	6%	57%	28%	7%	
Mandated hiring goals	44	2%	0%	61%	26%	11%	
Healthy partnering relationship with clients/owners	46	7%	63%	22%	8%	0%	70%
Other (page 19)							

## Question 7 comments

1. Lack of skilled workforce will impact some in 2015, and will continue to impact in future years.
2. Youth culture means fewer opportunities for boomers.
3. Minority and WBE hiring goals are adversely affecting my projects.
4. Lack of opportunities for small companies or, in other words, the big companies are taking the available work.
5. Been in business for 37 years, OSHA scrutiny in the last few years seems to be at an all-time high. New air emissions standards have dramatically increased the cost of equipment. Aging workforce with fewer younger workers coming into the industry. Seasonal construction in Minnesota seems to make it harder for younger workers to make ends meet while drawing unemployment benefits during winter months. Unemployment benefits for seasonal construction workers have not kept up with cost of living increases. Health insurance costs for office staff are projected to increase 30 - 50% next year due to ACA. Budgets of construction project owners, such as counties, cities, private developers, will not be able to keep pace with the increase in construction costs due to increased government regulation (DBE, MPCA, OSHA, etc.), labor shortage, less productive workforce, higher equipment costs, and health insurance costs.
6. The never-ending piling on of "busy work" related to paperwork, forms, and such related to government reporting are adding costs to our work. In addition, it is counterproductive. Also, the added paperwork required related to a variety of waivers from suppliers and such has made it almost a Cirque du Soleil act for a subcontractor to get checks released from general contractors. It should not be so hard to get paid for work that we have already performed and is months old. In general, the amount of paperwork required on extremely large or high profile projects is now being required on projects that are very small and insignificant. It's absurd and frustrating for SMALL BUSINESSES, who do not have a floor full of cubicles with HR employees available, to absorb this work.

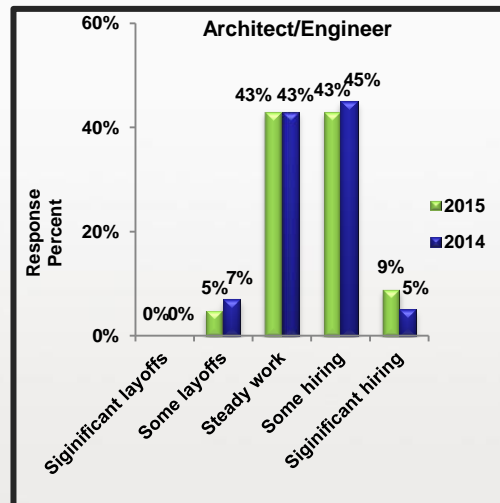
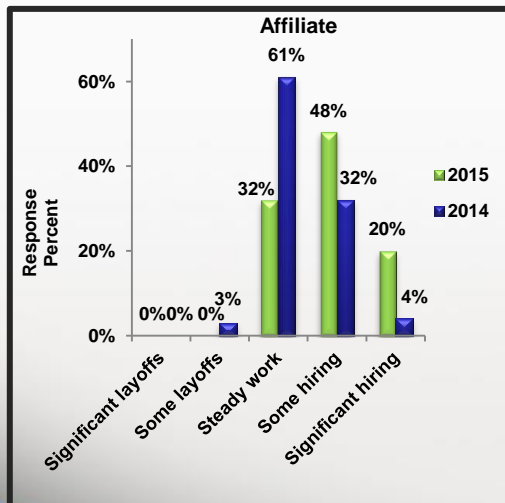
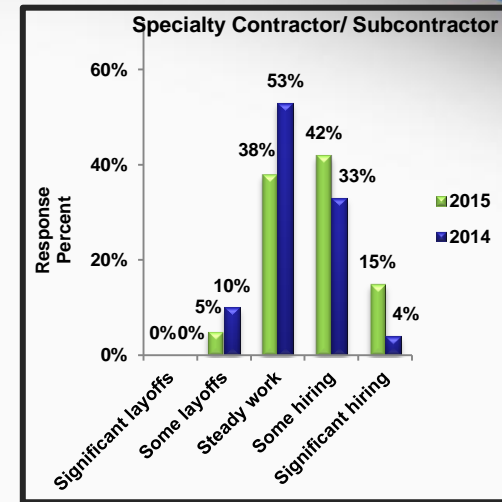
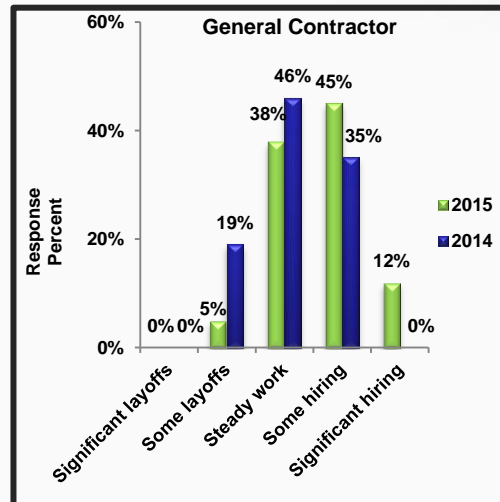
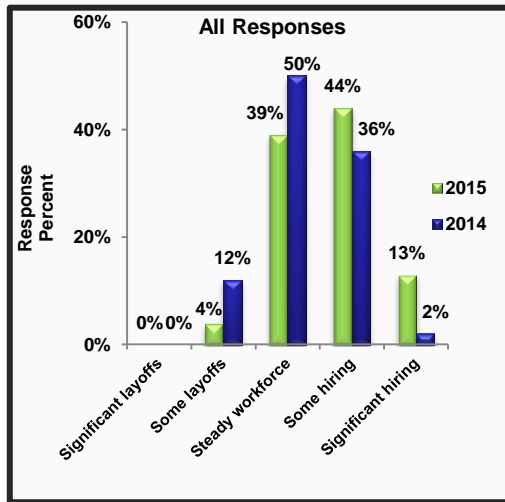


## Question 7 comments continued

7. Negative impact on too many government projects.
8. We are dealing with large out-of-state conglomerate companies taking our work at very low prices. We cannot compete with them.
9. The way it is today, there are no DBE goals, only requirements. If you do not meet the goal and another contractor has, your good faith efforts are meaningless.
10. Our industry is dysfunctional...no work in spring and fall...too much work in July and August.
11. The availability of qualified labor is a complete concern for our company. The unions are doing nothing to find capable labor, and have been little to no help at finding skilled minorities, which in itself is really driving up the price of our bids on public projects.
12. Material supply issues increased roadway congestion.
13. Hiring goals (minority-and women-owned) will extremely affect approximately 35% of our business.
14. Insurance companies are not allowing (some) employees to drive company vehicles. Significant policy change from last year. A warning from our representative that there will be a 20% anticipated increase in health insurance for 2015.
15. This business has become nearly impossible to exist in. There is no way to do the work and get all of the regulations and requirements met.

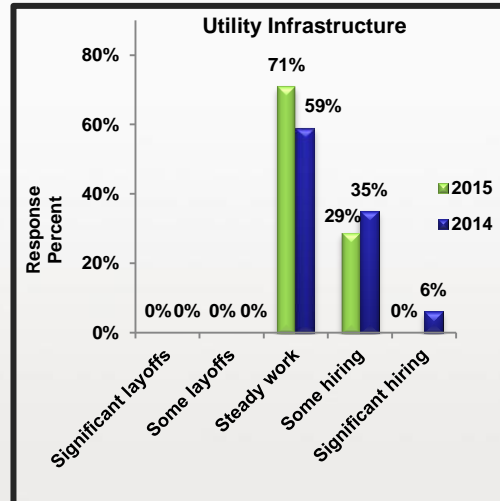
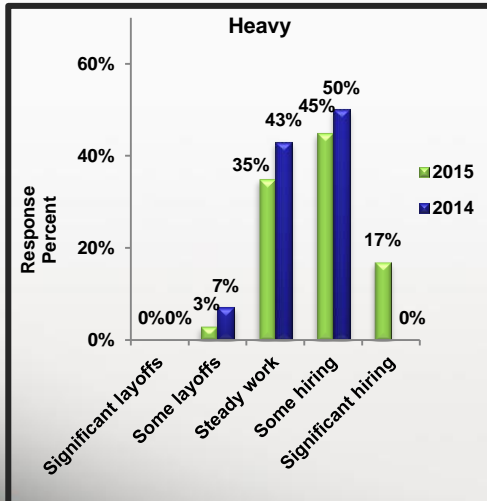
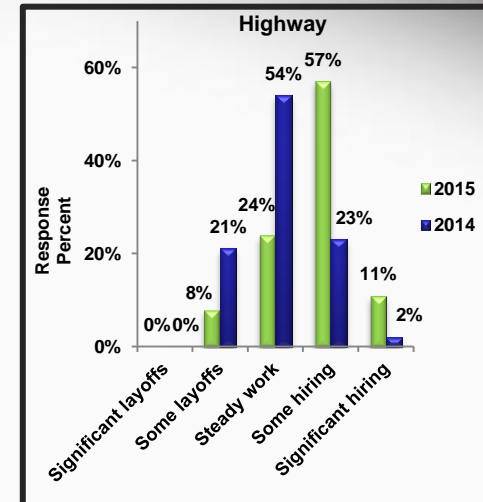
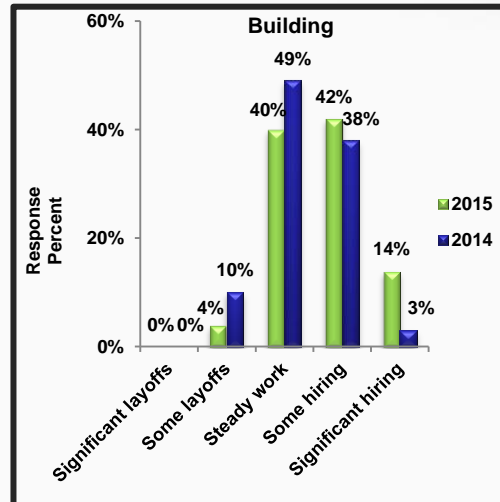
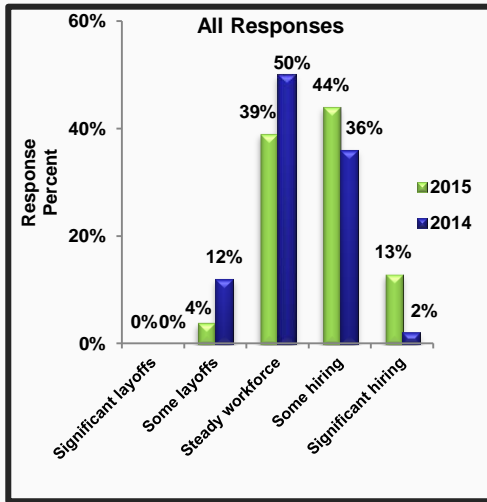


## 8. Your general workforce plans for 2015 are best described as:



**57% of all respondents report some hiring/significant hiring through 2015, compared to 38% in 2014.**

## 8. Your general workforce plans for 2015 are best described as:



**68% of Highway contractors project some hiring/significant hiring, compared to 25% in 2014.  
71% of Utility Infrastructure contractors project a Steady Workforce**

**9. With 1 being least difficult and 5 being most difficult, how would you rate your professional workforce hiring challenges? (professional workforce means estimators, PMs, office staff, etc.)**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
All Responses	3%	12%	24%	39%	13%	9%	216
General Contractor	4%	13%	24%	51%	7%	1%	82
Specialty Contractor/ Subcontractor	3%	12%	25%	31%	17%	12%	64
Affiliate	4%	8%	24%	32%	12%	20%	24
Architect/Engineer	0%	13%	24%	35%	15%	13%	46

**Difficult/Most Difficult**  
**All respondents-52%**  
**General Contractor – 58%**  
**Specialty Contractor – 48%**  
**Affiliate – 44%**  
**Architect/Engineer – 50%**





10. With 1 being least difficult and 5 being most difficult, how would you rate your craft workforce hiring challenges? (craft workforce means your field labor force)

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
All Responses	2%	2%	14%	38%	27%	17%	216
General Contractor	0%	1%	17%	44%	38%	0%	82
Specialty Contractor/ Subcontractor	3%	1%	14%	57%	25%	0%	64

**Difficult/Most Difficult**  
**All Respondents – 65%**  
**General Contractor – 82%**  
**Specialty Contractor – 82%**



**11. Please indicate the degree of difficulty in hiring professional positions. (1 being least difficult and 5 being most difficult)**

**All Responses**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	3%	10%	19%	28%	13%	27%	216
Project managers/ Supervisors	2%	8%	21%	39%	9%	21%	216
Engineers	3%	7%	18%	15%	8%	49%	216
Business development	5%	12%	21%	14%	6%	42%	216
Safety professionals	4%	12%	30%	13%	3%	38%	214
Design professionals	3%	9%	19%	11%	5%	53%	213

**Difficult**  
-Safety Professionals

**More Difficult**  
-Estimating Professionals  
-PM/Supervisors

**General Contractor**

	1	2	3	4	5	N/A	Total
Estimating professionals	5%	11%	22%	38%	18%	6%	82
Project managers/ Supervisors	2%	6%	21%	56%	10%	5%	82
Engineers	2%	7%	29%	15%	3%	44%	82
Business development	5%	12%	28%	17%	7%	31%	82
Safety professionals	2%	17%	40%	19%	5%	17%	82
Design professionals	1%	9%	24%	7%	1%	58%	80

**Difficult**  
-Safety Professionals

**More Difficult**  
-Estimating Professionals  
-PM/Supervisors



**11. Please indicate the degree of difficulty in hiring professional positions. (1 being least difficult and 5 being most difficult)**

**Specialty Contractor/Subcontractor**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	3%	11%	25%	35%	12%	14%	64
Project managers/ Supervisors	5%	9%	26%	36%	9%	15%	64
Engineers	4%	8%	11%	8%	8%	61%	64
Business development	6%	6%	16%	11%	5%	56%	64
Safety professionals	8%	11%	34%	13%	2%	32%	63
Design professionals	3%	5%	14%	7%	3%	68%	62

**Difficult**

-Safety Professionals

**More Difficult**

-Estimating Professionals  
-PM/Supervisors

**Affiliate**

	1	2	3	4	5	N/A	Total
Estimating professionals	0%	4%	8%	12%	4%	72%	24
Project managers/ Supervisors	0%	4%	16%	12%	0%	68%	24
Engineers	0%	4%	17%	12%	0%	67%	24
Business development	0%	12%	16%	16%	4%	52%	24
Safety professionals	0%	8%	12%	4%	0%	76%	23
Design professionals	0%	4%	4%	8%	0%	84%	23



**11. Please indicate the degree of difficulty in hiring professional positions. (1 being least difficult and 5 being most difficult)**

**Architect/Engineer**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Estimating professionals	2%	9%	11%	9%	9%	60%	46
Project managers/ Supervisors	0%	11%	17%	24%	15%	33%	46
Engineers	2%	7%	11%	26%	24%	30%	46
Business development	4%	22%	20%	11%	7%	36%	46
Safety professionals	2%	9%	16%	4%	2%	67%	45
Design professionals	9%	17%	24%	24%	20%	6%	62

**Most Difficult  
-Engineers**

**Difficult  
-Design Professionals**

## Question 11 comments

1. Technology (new software) has increased training costs and made it more difficult to form work groups. Good people are there, but matching software skills and finding a common way to use these tools is challenging.
2. I don't see us hiring at all in 2015. We are as small as you can get.
3. Qualified HVAC service technicians have been challenging for us to find.
4. Rural areas are at a disadvantage...employees want the entertainment venues closer.
5. Getting experienced engineers for western ND has been nearly impossible.
6. We have very little turnover with our professional positions, so this has not been an issue.



**12. Please indicate the degree of difficulty hiring for these qualified craft worker positions. (1 being least difficult and 5 being most difficult)**

**Overall Responses**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Bricklayers	1%	1%	6%	9%	8%	75%	211
Carpenters	1%	3%	9%	19%	7%	61%	210
Cement Masons	1%	2%	10%	11%	7%	69%	209
Drywall Installers	0%	0%	8%	6%	2%	84%	211
Electricians	0%	3%	7%	5%	2%	83%	210
Equipment Operators	2%	6%	14%	19%	13%	46%	209
Ironworkers	1%	5%	8%	8%	7%	71%	206
Laborers	3%	9%	23%	19%	7%	39%	210
Millwrights	0%	3%	6%	4%	1%	86%	208
Painters	1%	2%	8%	2%	1%	86%	207
Pipefitters/Welders	1%	3%	6%	5%	3%	82%	208
Plumbers	1%	2%	6%	4%	1%	86%	208
Roofers	0%	2%	6%	2%	1%	89%	209
Sheet Metal Workers	1%	2%	6%	5%	1%	85%	209
Tile Setters	1%	2%	4%	3%	2%	88%	211
Truck Drivers	1%	11%	12%	11%	9%	56%	208

**Difficult**

-Carpenters  
-Equipment Operators  
-Laborers

**12. Please indicate the degree of difficulty hiring for these qualified craft worker positions. (1 being least difficult and 5 being most difficult)**

**General Contractor**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Bricklayers	1%	2%	10%	11%	15%	61%	82
Carpenters	1%	7%	14%	34%	15%	29%	82
Cement Masons	1%	5%	19%	22%	11%	42%	82
Drywall Installers	1%	1%	11%	10%	4%	73%	81
Electricians	1%	6%	7%	5%	3%	78%	81
Equipment Operators	1%	10%	23%	21%	27%	18%	82
Ironworkers	1%	9%	14%	10%	12%	54%	80
Laborers	1%	15%	36%	32%	10%	6%	82
Millwrights	1%	4%	12%	7%	3%	73%	82
Painters	1%	5%	12%	5%	0%	77%	81
Pipefitters/Welders	1%	6%	11%	10%	4%	68%	82
Plumbers	1%	6%	9%	5%	2%	77%	81
Roofers	1%	5%	10%	4%	0%	80%	82
Sheet Metal Workers	1%	6%	10%	5%	1%	77%	82
Tile Setters	1%	4%	7%	5%	4%	79%	82
Truck Drivers	1%	17%	13%	16%	14%	39%	82

**Difficult**  
**-Cement Masons**  
**-Laborers**

**Most Difficult**  
**-Carpenters**  
**-Equipment Operators**  
**-Truck Drivers**



**12. Please indicate the degree of difficulty hiring for these qualified craft worker positions. (1 being least difficult and 5 being most difficult)**

**Specialty Contractor/Subcontractor**

	1 Least Difficult	2	3	4	5 Most Difficult	N/A	Total
Bricklayers	1%	0%	2%	12%	7%	78%	60
Carpenters	0%	0%	5%	15%	7%	73%	60
Cement Masons	0%	0%	7%	1%	7%	85%	59
Drywall Installers	0%	0%	3%	3%	2%	92%	61
Electricians	0%	3%	7%	7%	1%	82%	61
Equipment Operators	1%	7%	12%	31%	7%	42%	59
Ironworkers	0%	7%	3%	12%	7%	71%	59
Laborers	5%	9%	21%	19%	10%	36%	58
Millwrights	0%	3%	0%	2%	0%	95%	58
Painters	0%	0%	3%	0%	3%	94%	59
Pipefitters/Welders	0%	0%	3%	3%	6%	88%	58
Plumbers	0%	0%	5%	5%	0%	90%	59
Roofers	0%	0%	3%	0%	2%	95%	59
Sheet Metal Workers	0%	0%	3%	5%	2%	90%	59
Tile Setters	2%	2%	0%	3%	1%	92%	61
Truck Drivers	0%	12%	12%	10%	9%	57%	58

**Difficult**  
-Equipment Operators  
-Laborers



**12. Please indicate the degree of difficulty hiring for these qualified craft worker positions. (1 being least difficult and 5 being most difficult). Comments.**

### **General Contractor**

1. Pipelayers
2. Experienced pipelayers, foremen, and hoe operators are very hard to find.
3. Boilermakers and pipefitters 5. So hard to find and not high quality when you do find them.
4. Training programs are few. People do not stay in this industry for life any longer, only 5 to 10 years and they're out.
5. Heavy Equipment Mechanics 5
6. Craft worker shortages have become evident throughout the region and beyond.

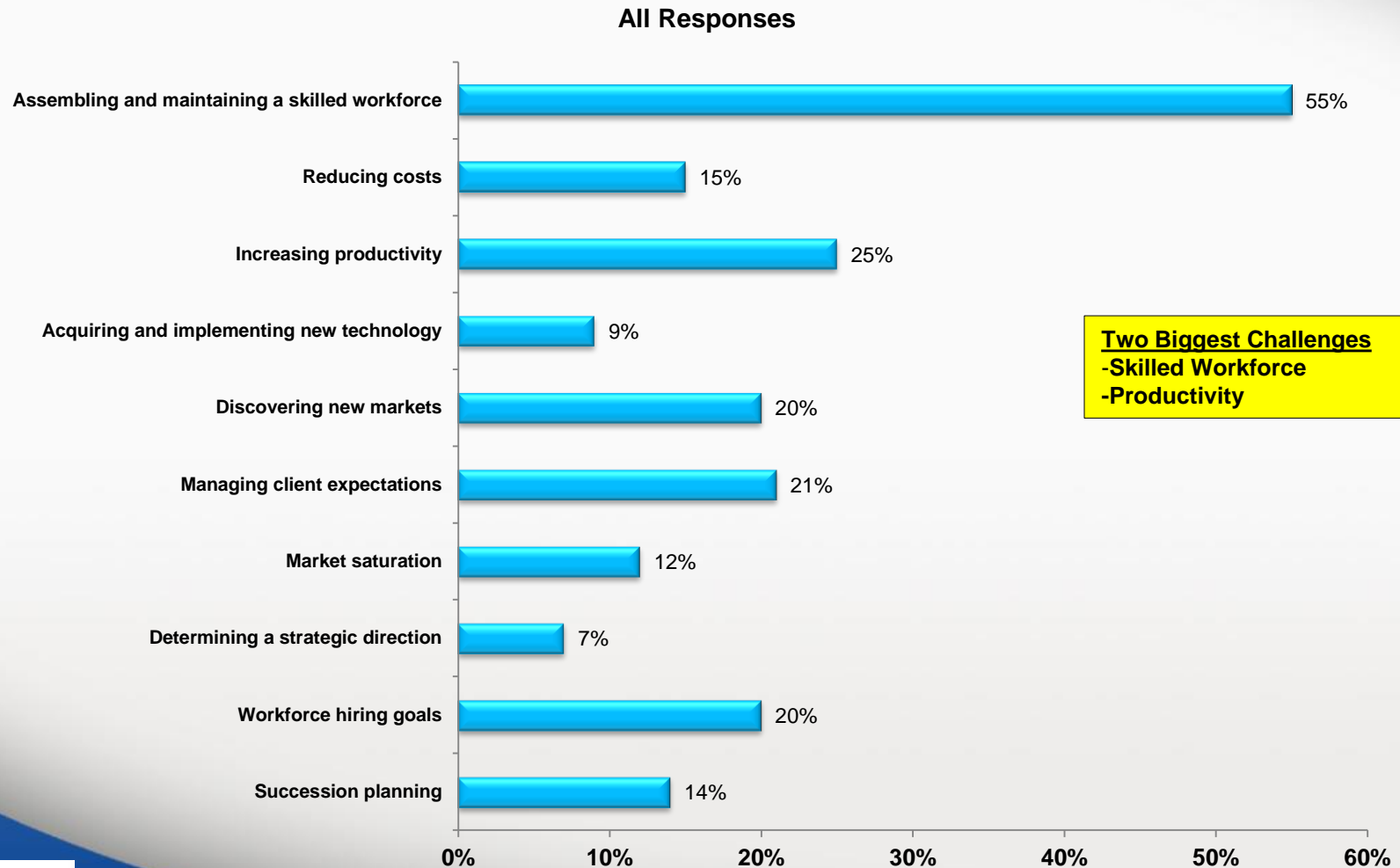
### **Specialty Contractor/Subcontractor**

1. Diesel and field mechanics would rate a strong 4.
2. Mechanical insulators do not have a lot of minorities or women in the field. We seldom meet the requirements due to not being able to get qualified insulators from the hall. As contractors, we are not allowed (Union Local 34) to hire other than from the hall.
3. Mechanical Insulators 4
4. Young people coming out of high school have no ambition to do any physical work and the work ethic is not there either. People entering into the workforce seem to feel entitled to a job, but they don't understand they still need to work for their pay.
5. Minority and women pile drivers are almost non-existent.

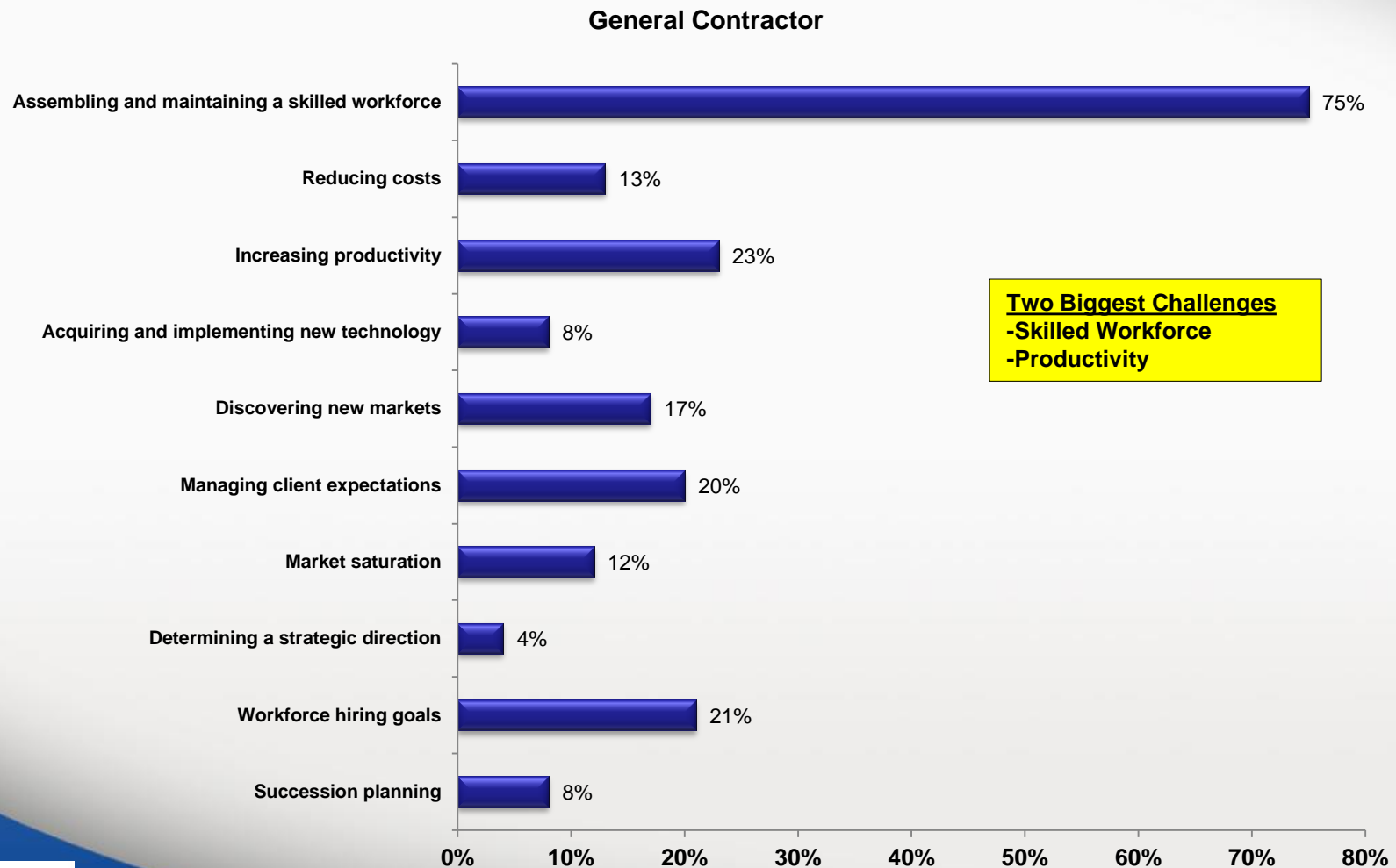




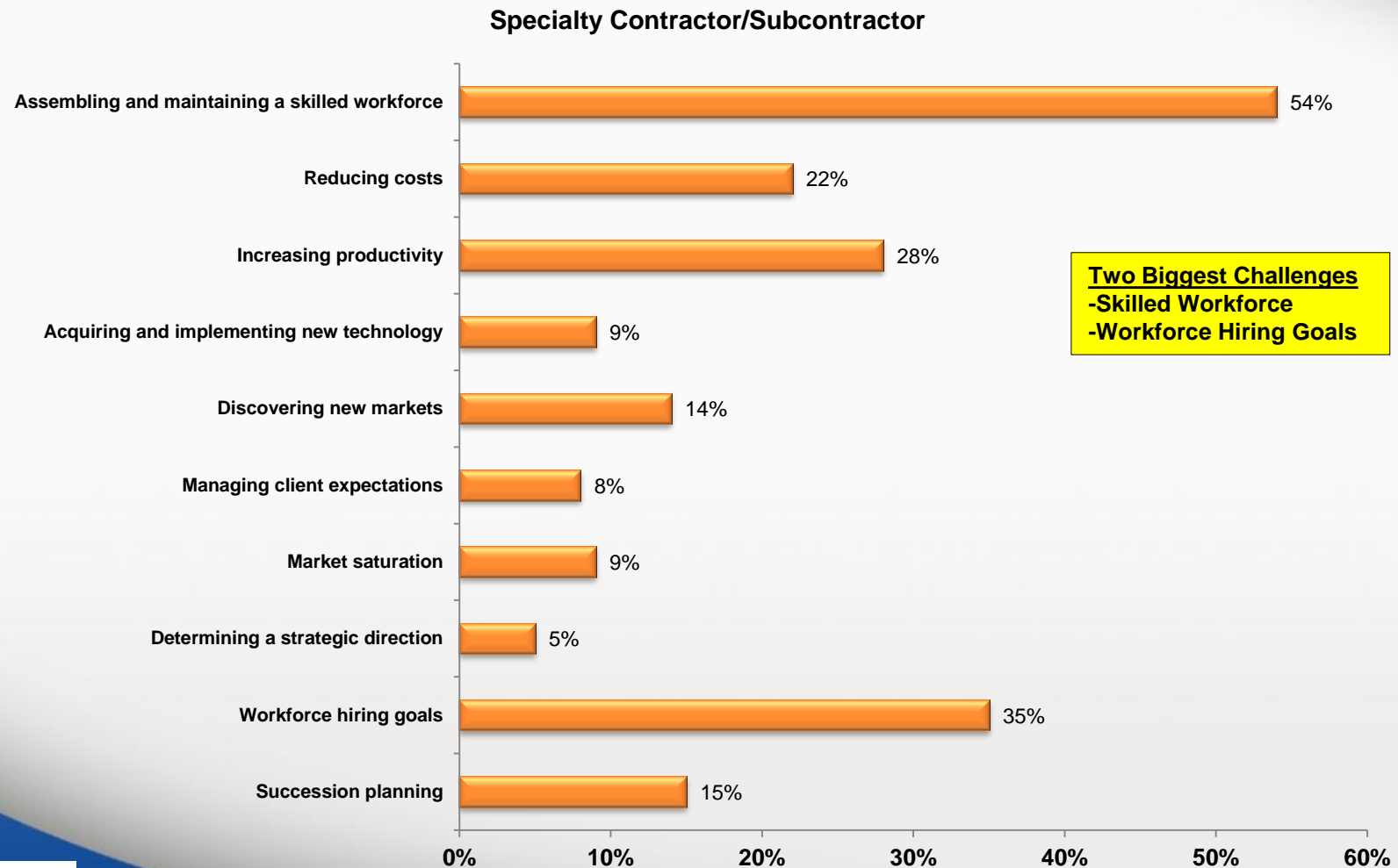
### 13. The two biggest challenges your company faces in 2015 and beyond are?



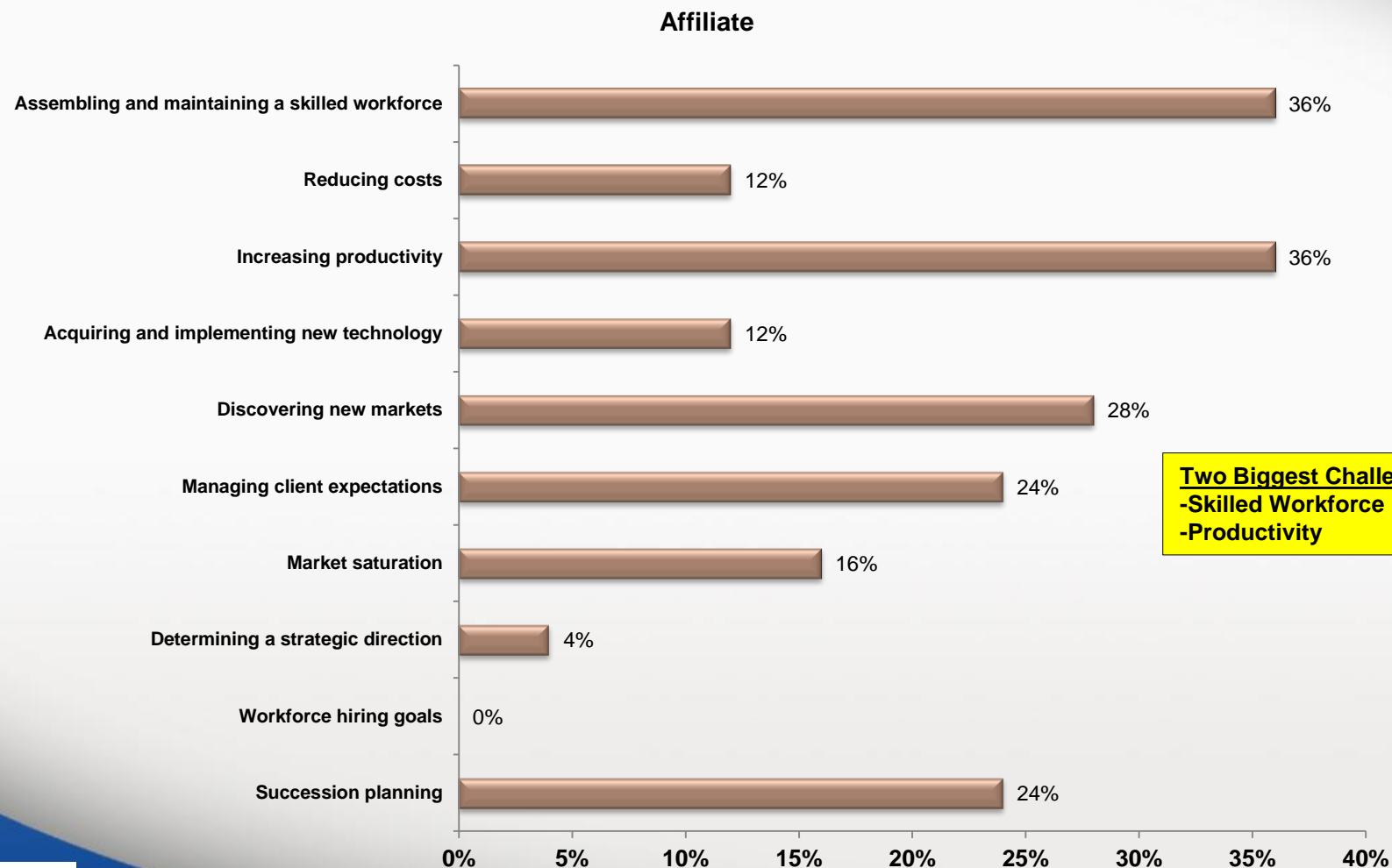
# 13. The two biggest challenges your company faces in 2015 and beyond are?



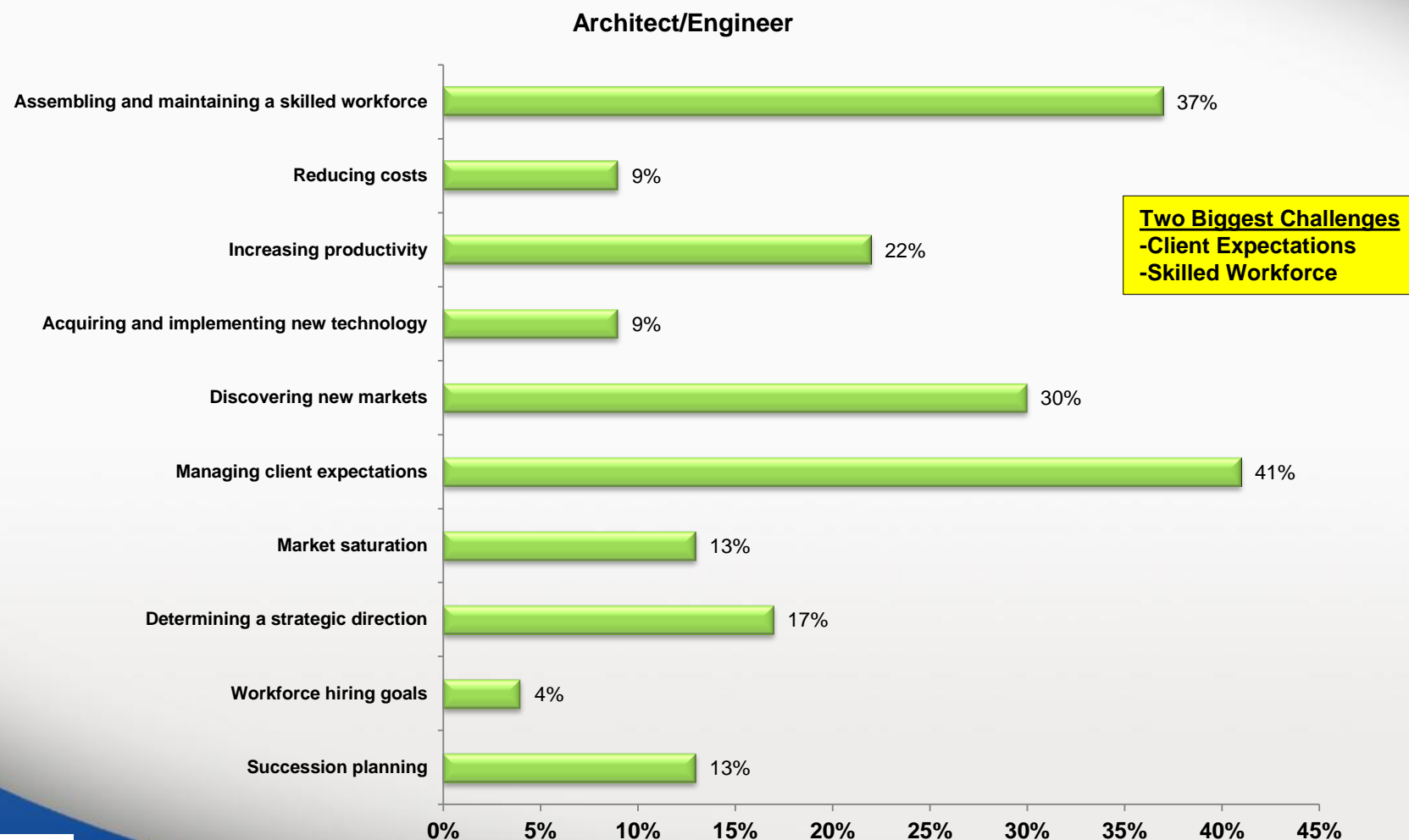
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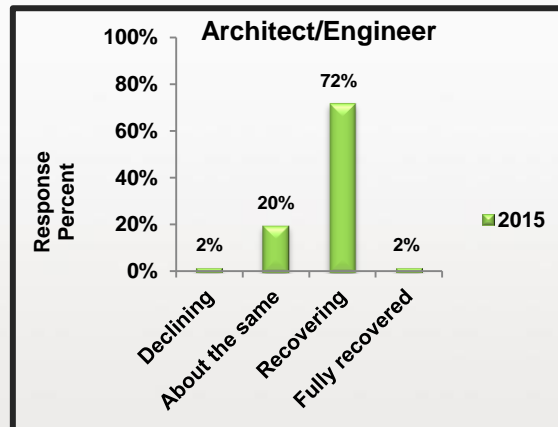
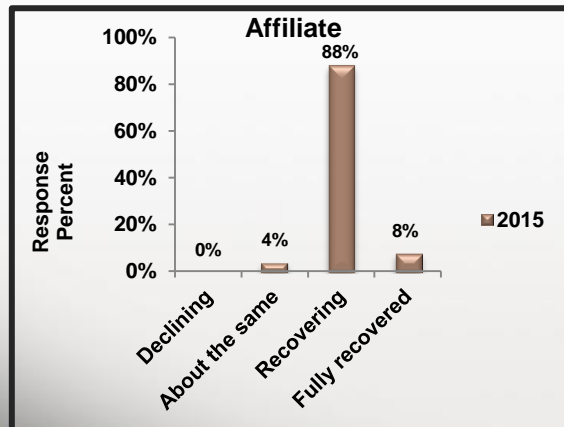
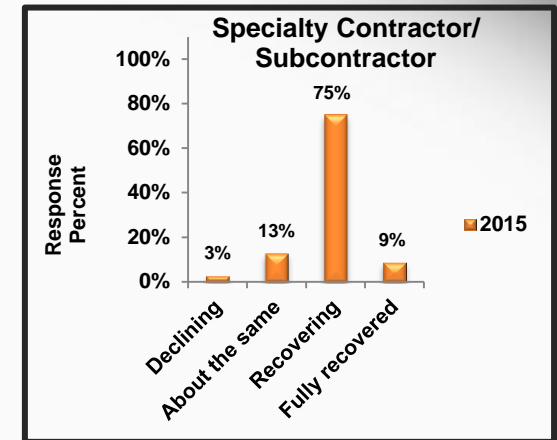
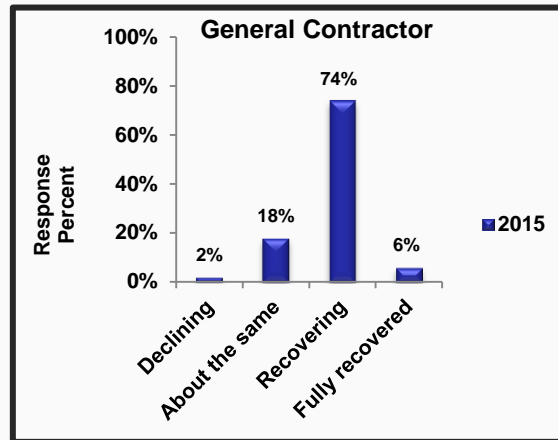
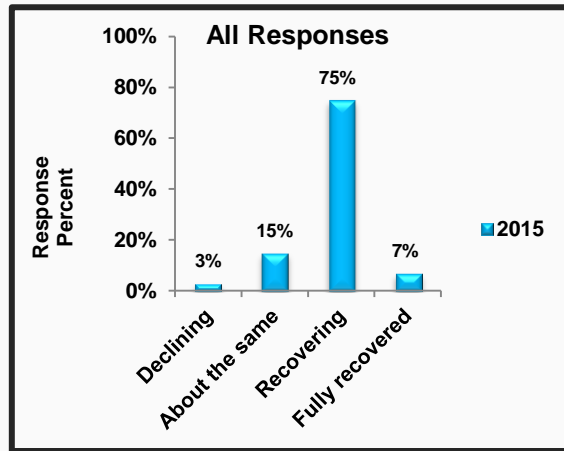


## Question 13 Comments.

1. Projects available
2. Getting better clients.
3. Finding work.
4. Meeting all of the State & Federal compliance requirements.
5. The obsolete defined benefit pension plans of the union labor force is our primary obstacle. It is a runaway train that impacts the forecast of our union marketplace as well as the ability of union contractors to sell their business. The Department of Labor allowing the funds to massage their way to the “GREEN ZONE” paints a comforting picture similar to a nearly maxed-out credit card with a low interest rate.
6. Several of the above are challenges. Hard to say which two are the biggest.
7. Keeping up with demand.
8. Retainage held on projects and insurance requirements.
9. Financial uncertainty because of global turmoil.
10. Health care affordability and compliance.



## 14. In view of the recent recession, what is your view of the Minnesota construction economy.



Overall consensus in the industry is that the Minnesota construction economy is recovering.

## **Additional comments by type of firm.**

### **General Contractor**

1. Highway departments need to move to flexible start dates....we cannot continue to be forced to work 70-80 hour weeks for 8 weeks (July and August) and hardly any work the other 4 months. Need more balance and flexibility during the work season.
2. The negative regulatory environment, combined with the adversarial relationships with project owners (public or private), has made this industry very difficult to successfully conduct business in.

### **Specialty Contractor/Subcontractor**

1. Work has picked up, but skilled labor is hard to find and production is suffering.
2. The stadium is the main reason for the up-tick in construction.
3. First, in my view, it was not a recession that we all have been weathering in the construction industry. We should call it what it was...a depressed construction market, rather than a recessed market. It seems important to use the correct term so politicians and others hear the proper description. There is no question that we finally experienced a bit of a recovery in the last six to twelve months. Nonetheless, it is still a tentative and short forecast for keeping the improved levels. Hopefully it continues, as most contractors have been bandaging up old equipment and need the confidence of a positive forecast to pull the trigger on new equipment expenditures.





## **Additional comments by type of firm. (no Affiliate comments)**

### **Specialty Contractor/Subcontractor (continued)**

4. Work is there, but pricing is still extremely competitive in the Minnesota market.
5. Once apartment construction slows, and it will, things will be difficult for many. I expect that to die within 18 months or sooner.
6. Underfunded union pension concerns, EEO criteria, DBE goals, unions cracking down on subletting, and growth potential all seem to conflict rather than working harmoniously towards a clear objective.

### **Architect**

1. The loss of general contractors during the recession will make it more expensive to owners as the industry ramps back up with increased work.
2. Market domination by a few GCs, and a few clients, has created a stagnant situation. We look farther afield now to find actual opportunities instead of staged selections.

### **Engineer**

1. Minnesota's construction economy was getting better, but more recently it seems to be declining some.
2. Experiencing intense pressure in the labor market with no movement on the client's fee expectations. This is an eroding margin and creating issues in the industry with the ability to find and retain staff.



# Conclusion

This report indicates that 2015 Minnesota construction market conditions are improving, especially in the Building sector.

But in spite of the numerous major projects in progress, the Minnesota industry has still not recovered the jobs lost to the Great Recession. As of September 2014, Minnesota is 21,800 construction jobs short of its peak in February, 2006. (Source: AGC of America, from Bureau of Labor Statistics (BLS) 10/24/2014)

With this loss of trained construction craft workers who left the industry during the economic downturn, contractors now find themselves in an economic recovery with a dwindling supply of skilled manpower. At the national level, AGC of America officials report a survey of nearly 1,100 contractors, released in October, showing 83 percent of respondents reported difficulty finding craft workers and 61 percent said other professional positions were hard to fill. Our Minnesota survey reports similar findings, with 79 percent of respondents reporting that the *Availability of Skilled Workforce* is having a negative/extremely negative influence on business conditions.

The workforce shortage, coupled with a restrictive regulatory environment, increasing labor and material costs and burdensome workforce goals and DBE requirements, weigh heavily on the recovery. Contractors will be exploring new avenues to recruit the diverse, skilled workforce needed to meet client demands, but contractors need fewer mandates and less government regulation.

On the positive side, credit availability, project funding, an increasing demand for design and construction services, and favorable relationships between the industry and clients/owners, will help sustain the recovery.

As the industry moves into continued recovery, stakeholders will be challenged by two major issues. The first is recruiting, training, and retaining the skilled, diverse workforce so critical to industry growth and prosperity. The second is the use of new methods and technology to increase the productivity and efficiency of the workforce. Demonstrable progress on these two key issues is essential to the industry's ability to meet future client needs.

Thanks to all who responded to this year's survey. We hope it is helpful to you in understanding the current state of the industry and prospects for 2015.

**Dave Semerad**

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