

Three Ways Contractors Can Combat Labor Shortages

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The labor shortage in construction is nothing new. The pandemic amplified the impact, but contractors have been seeing fewer and fewer recruits even before the housing crisis in 2008. With a labor force that's closer to retirement and a huge demand for labor, the shortage has reached an all-time high.

Contractors will need to be more strategic with their workforce than ever before in order to maximize their current efforts and predict labor capacity for the coming months/years. It's a difficult job because of inefficient manual processes that silo data, making it hard to collaborate. [In a survey](#) done by SmartBrief and Bridgit, 70% of surveyed contractors indicated they're planning workforce strategies for the next two months, and not much after that. Additionally, 46% said that they don't have adequate time to hire when the project needs it.

Understanding workforce availability, capacity, skills, and experience are foundational for organizational success. But workforce planning has become reactive, leaving operations teams and HR scrambling to fill gaps in the eleventh hour, project delays due to workforce limitations, and rushed hires that may not be the best fit for the company.

Being proactive and planning your workforce months or years in advance can prevent these problems completely and arm contractors with the foresight to handle constraints before they arise.

Here are three ways contractors can combat labor shortages.



1. INCLUDE PROJECT PURSUITS IN YOUR PLANNING

Many contractors will make the mistake of only planning awarded projects, but including pursuits and projects that are likely to be awarded can shed light on staffing complications that may arise. In the same Bridgit survey, 86% of contractors said they have bid on projects only to find they don't have the people to actually complete the job. This alarming statistic points to the difficulty of predicting and planning labor. Including pursuits in your planning can immediately alleviate the labor shortages that seem to catch your team by surprise.

Another benefit to planning pursuits is an improved bid-win ratio. According to [1st Source Bank](#), a bid-win ratio is "the winning rate at which you successfully bid or propose on

construction projects.” For example, a 6:1 bid-win ratio means for every six projects you bid on, one is awarded.

Because of the cost and time that goes into each project bid, having a lower ratio is ideal, but varies from company to company. Planning labor for pursuits can help to improve your ratio because you’ll have a better understanding of your team’s capacity to take on new jobs amidst all your other pursuits. As you find an ideal capacity, winning bids happens more often and the opportunity cost of losing bids declines. Understanding where and how work is won can help to grow sustainably and help stay proactive with hiring and upskilling internally.

2. RECRUITMENT

Another way to combat labor shortages is to have your future project planning inform your recruitment strategy. The more foresight you can give your HR and recruitment teams, the more likely they are to find a candidate that will stay with the company and deliver quality work. The best way to do this is to have systems in place that can provide insight on when people are coming off jobs, when jobs are starting, and what the workforce demands are for upcoming and pursuit projects that are likely to be awarded.

Hiring can be rushed, but if you’re looking to attract and retain skilled workers, you need to give your people time. HR needs enough leeway to put together a recruitment plan – the job description, publishing the job, working with recruiters and job boards, conducting interviews, and screening applicants.

Proactive recruitment mitigates against the steep costs of replacing an employee that wasn’t a good fit. According to [Busy](#), the turnover cost for laborers making \$30,000 or less, can be up to 16 percent of their annual salary. For employees earning about \$50,000 the turnover cost is 20 percent of their salary, and for specialized jobs like superintendents, engineers, and project managers turnover costs can be as high as 213 percent – that’s a cost of \$213,000 on a \$100,000 salary.

Planning for recruitment early will help combat the high costs of employee turnover as much as it will the labor shortage.

3. FILLING SKILLS GAPS


Labor shortages don’t always mean that there is a lack of people to complete a job. It could just mean that the right kind of labor or skill is missing. According to the [Associated Builders and Contractors](#), in 2022, entry-level laborers increased by 72.8%, but the total number of laborers only increased by 25%. This indicates a sizable skills gap. The solution to this should include the development of the people you already have.

Contractors need to have systems where they can track experience, certifications, career trajectory, and education for current employees. With siloed systems in place and limited transparency into this kind of data, workers aren’t developing as they should because they’re being used to fill gaps in a reactive way.

With more insight into the development of the workforce – not just where people need to be at any given time – your managers are able to put your people into situations where they’re expanding their skill set and futureproofing their workforce.

For example, a contractor may have a mason who’s expressed interest in becoming a superintendent. By tracking their skills and helping them get the necessary certifications, the mason could fill a superintendent gap that arises as a new project begins.

Doing this effectively requires contractors to take a step back from the reactive daily management of projects and begin looking at their workforce long-term. A common data strategy, in which the whole company can access insights on projects and people, can help. With the current tools at their disposal, it’s difficult to do this because they aren’t designed to provide that kind of dynamic depth.

Workforce management tools for construction can help general contractors develop this common data strategy for their workforce by collecting people and project data in one place. 



About the Author

Nemanja Simic is a content writer at Bridgit. He started his career in business development where he spoke to contractors daily, providing him with a deep understanding of the problems around workforce planning in the construction industry. Using this insight, Nem developed an approach that aims to provide digestible, data-backed advice to help contractors get the most out of their workforce strategies.

About the Article

Looking for workforce planning built exclusively for the construction industry? Meet [Bridgit](#), creators of Bridgit Bench – the leading workforce planning software with real-time updates, next-generation forecasting, and seamless integrations. Over 100 top ENR contractors trust Bridgit to help manage their workforce planning more efficiently and effectively. While workforce planning is complex, Bridgit's goal is simple: help contractors maximize profits and reduce risk by taking a people-first approach.

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