

## Member Communication Experience

# How Construction Businesses Can Navigate Labor Shortage and Social Inflation Challenges

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Construction businesses have faced a rising tide of challenges since the pandemic. The labor shortage, worker safety threats, and more have created a difficult environment for business owners to find opportunities for growth while keeping their operations running smoothly and safely. Add to that an increasingly litigious work environment, and it's evident that a dedication to safety and risk mitigation may be just what construction business owners need to work through today's risks and set themselves apart from the competition.

A proactive business owner who dedicates time and resources to workplace safety can build a pipeline to greater success and growth while avoiding major claims that could derail their operations. Business owners and operators can improve their hiring and risk mitigation efforts by focusing on the following key areas.

## ECONOMIC FACTORS AND SAFETY CHALLENGES

The labor shortage has strained the construction industry and placed significant pressure on business owners. Heading into 2025, Associated Builders and Contractors estimated that the industry would need to attract around 454,000 additional workers to meet labor demands. This worker shortage has coincided with a rise in demand for construction. The industry is seeing more project requests on both the residential and commercial fronts, leading to an increase in construction spending, and at a faster pace than anticipated.

These two factors have had downstream effects on



construction businesses. According to data from the Associated General Contractors of America's 2024 Workforce Analysis Survey, 54% of firms have reported production delays caused by worker shortages. A number of companies have been forced to delay building and operations because they did not have sufficient talent on staff to run these projects.

For businesses that have moved forward with their projects amid the talent shortage, there has been an observable rise in safety concerns. Some construction companies have been forced to hire inexperienced workers to complete their growing list of projects. Other teams simply have not had the bandwidth to conduct the thorough safety training sessions they usually would, leading to gaps in safety knowledge and best practices.

In some cases, this has also corresponded with a decrease in quality of work. Many team members have felt rushed in recent years to move projects along to meet deadlines while trying to uphold their company's quality standards, leading to quality control issues.

These factors have also caused a rise in construction defect claims, which have come at a difficult time as nuclear verdicts – verdicts topping \$10 million – are at an all-time high across all business sectors. In 2023, nuclear verdicts hit a record \$14.5 billion, and this trend is expected to continue.

Jurors in this litigious environment have tended to side with plaintiffs and are awarding larger dollar amounts to the injured parties. These multimillion-dollar claims can not only harm a construction company's reputation but potentially put them out of business entirely.

What can construction businesses do to work around the labor shortage and avoid these costly claims? Focusing on risk mitigation is a good way to start.

## BUILDING A CULTURE OF SAFETY


Construction businesses looking to improve their risk profiles have several options to improve their safety measures and create a culture of workplace safety. Consider the following best practices:

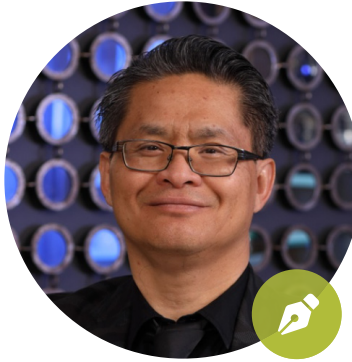
- » **Expand your hiring network:** The traditional job advertisement is not enough in the current job market. Business owners should consider other avenues to find workers. This could include networking with local high school and college students, working with local trade associations, and creating an employee referral program to incentivize your best employees to bring in other good people. Consider reaching out to colleges, high schools, and trade schools in other towns, cities, and states to expand your hiring network.
- » **Enforce training policies:** While it can be tempting to pull back on hiring and training standards to manage rising workloads, untrained staff members can eventually run into workplace safety issues. The resulting damage and insurance claims can prove incredibly costly for businesses. Comprehensive safety training following OSHA guidelines should be conducted at least quarterly. If a claim does occur, construction businesses should offer retraining

to team members to ensure everyone is aware of best practices.

- » **Incentivize safety:** Consider adding a formal incentive program recognizing employees who have made safety a priority in the workplace. These incentives can serve as a morale booster and demonstrate that ownership has a genuine interest in the health and safety of team members.
- » **Invest in the right technology:** There has been considerable innovation in construction safety, and smart businesses will take the time to review their options and invest in the right solutions. Wearables are one avenue to consider. For example, smart hard hats have sensors that can detect worker fatigue, smart watches can identify health trends such as overexertion and smart glasses can identify safety threats in real time.
- » **Document everything:** Even with the best safety practices in place, incidents can still occur, leading to an insurance claim. Consider having cameras on site as this evidence can prove critical in the claims litigation process and can also be valuable to help identify safety hazards for staff members. Comprehensive documentation will make the claims-resolution process faster and easier to navigate.

In addition to these steps, finding the right insurance partner is critical. An insurance agency with years of experience serving the construction industry will know your risks best and can recommend comprehensive risk mitigation practices tailored to your business to ensure your operations are protected from the range of safety threats construction companies face on a daily basis.

While recent economic factors have created new challenges for construction businesses to navigate, there are steps business owners can take to safety-proof their operations and mitigate the impacts of the labor shortage. With the right training and hiring policies, in addition to strong safety practices and an investment in technology, construction businesses can reduce their risk exposure and ensure future business stability. 



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### About the Author

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### About the Article

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