## SUMMARY

Contractors are optimistic about the construction outlook for 2023, yet they are expecting very different market conditions for the coming year than what they experienced in 2022. Contractors are less optimistic about many private-sector segments than they were a year ago, while their expectations for the public sector market have remained relatively bullish. The bottom line is that contractors have high hopes for public funding in 2023 even as they expect to cope with continued supply chain challenges and workforce shortages.

The changing outlook reflects the fact that higher interest rates and evolving work and shopping patterns are impacting office, retail, hospitality, and multifamily reside

pool domestically or from other countries. At the same time, demographics continue to work against the industry, as the size of the U.S. workforce continues to shrink relative to the overall population.

Contractors are taking steps to address these

recorded declines of 31 percentage points from the net readings in the 2022 survey. The outlook for lodging construction slipped from modestly positive a year ago to negative. Respondents have become slightly more optimistic about just one construction segment public buildings for which the net reading rose from 20 a year ago to 23.

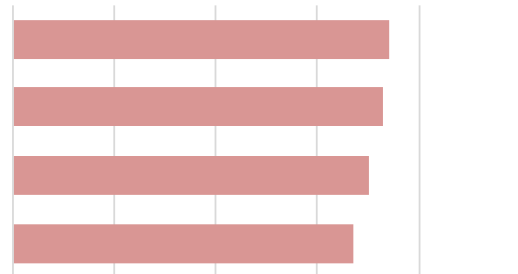
## THE BIPARTISAN INFRASTRUCTURE LAW WILL MAKE A DIFFERENCE BUT

However, respondents expect difficulty adding workers. An overwhelming 80 percent report they are having a hard time filling some or all salaried or hourly craft positions, compared to only 8 percent who say they are having no difficulty. (The rest have no openings.) In addition, the majority (58 percent) of respondents says either hiring will continue to be hard (41 percent) or will become harder (17 percent). Only 15 percent say it will become easier or remain easy to hire, while 27 percent expect no change.

Union and open-shop firms have similar expectations about expanding their headcount and the difficulty in doing so. Roughly two-thirds of respondents from

Only 7 percent of firms provided no increases in pay, incentives, or benefits in 2022, down from 12 percent that made no changes the year before.

In general, there was little variation by region among responses, but firms in the South were somewhat more likely than in other region to have used steeper pay increases to attract and retain workers. More than three-fourths (76 percent) of firms based in



Project delays due to availability/supply chain issues remain a widespread concern, cited by 63 percent of firms. But these issues are not as prevalent as a year ago, when they were listed by 79 percent of firms.

Sixty-three percent of respondents also mentioned rising direct labor costs (pay, benefits, employer taxes) as a major concern. That was picked by a slighter smaller share (58 percent) of respondents in the 2022 survey. One other item was selected as a major concern by a majority of firms: worker quality, listed by 53 percent in the 2023 survey and a nearly identical 52 percent in the 2022 survey.

Considerably fewer firms than last year listed regulations as a top concern. Federal regulations were mentioned by 21 percent of respondents, down from 41 percent a year ago. State and local regulations were listed by 19 percent in the current survey, compared to 28 percent of respondents a year earlier.

Consistent with the list of top concerns were respondents  views regarding the safety and health of their workers. Inexperienced skilled labor or workforce shortages was cited as a challenge by 83 percent of firms  the same share as in the 2022 survey. In contrast, only 12 percent in the current survey list lack of cooperation from government agencies or regulators as a safety and health challenge, down from 29 percent a year ago. Roughly one-fourth of firms cite poor subcontractor safety and health performance (27 percent) or safety hazards created by third parties, such as motorist crashes into work zones (23 percent), as challenges.

## CONTRACTORS PLAN TO INVEST IN EQUIPMENT AND INFORMATION TECHNOLOGY

Perhaps in tandem with the widespread expectation of more infrastructure projects, a majority (59 percent) of respondents anticipate purchasing or leasing new work vehicles or equipment in 2023. Only about a quarter (26 percent) report they will not do so, while 15 percent are uncertain.

Midsized firms

remaining firms almost universally expect no change investment levels. As before, only 1-2 percent of respondents expect to decrease investment in any of the 15 technologies included in the survey.

The most likely candidate for increased IT spending is document management software, which 31 percent of respondents plan to increase spending on. Project management software comes in a close second, cited by 30 percent of firms. Roughly one-fourth of firms plan to increase investments in accounting software, estimating software, tool and asset management or tracking, or human resources.

Firms use cloud-hosted IT in various ways. The most prevalent use is in project management, cited by 57 percent of firms. ƒTm.ms.

electric vehicle construction projects. The administration must make it easier for construction firms, community and technical colleges and other institutions to establish and be registered as apprenticeship programs before the full potential of these new construction investments can be met.

The Biden administration also needs to act on the permitting reform measures that were included in

Participating firms represent a broad cross-section of revenue and employment sizes. Fifty-eight percent report performing $50 million or less worth of work in 2022. Thirty-four percent performed between $50.1 million and $500 million worth of work and 8 percent performed over $500 mi