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When Labor Is in Short Supply: Strategies for Construction Owners and Developers

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A contractor recently told us the following joke: “Why did the project take five years to complete instead of one? The general contractor was waiting for the rest of the crew to be born.” As is often the case, there is truth in humor.

In its 2026 Construction Spending and Employment Forecast, Associated Builders and Contractors, a national construction industry trade organization, projected that the construction industry needed to attract an estimated 349,000 new workers in 2026 to meet demand for construction services and 456,700 new workers in 2027 to meet demand. Our anecdotal evidence supports this, as we are finding that many general contractors have had to pass on work because of staff and labor shortages.

Because of the shortage of qualified workers, it is more important than ever that the owner/developer consider this issue in the planning and construction of projects and take steps to mitigate its impact. This article will briefly examine the cause and effect of this workforce shortage and offer some suggestions for navigating it.

The Primary Causes of the Labor Shortage

The well-recognized causes of the labor shortage are:

- **An Aging Workforce:** Simply put, the construction workforce is graying. Tradespeople are retiring and not being replaced with younger workers. This is not only reducing the size of the workforce, but causing the loss of significant experience and knowledge in the trades. Adding to this problem is that there is less interest among younger people in vocational training and more of a push to achieve academic degrees. This has limited apprenticeship opportunities.
- **Immigration Policies:** Historically, a significant portion of the construction industry workforce has been made up of immigrants. With the uncertainty and fear created by stricter and more aggressive immigration policies, many of these workers have left the industry for the time being.
- **New Industry Demands:** The labor shortage has been exacerbated by significant new investments in public infrastructure, manufacturing plants, and especially data centers. These demands have stretched the thin labor market even further.

The Effect of the Labor Shortage

- **Project Delays:** The most obvious impact of a smaller labor pool is delay. Fewer workers stretch out key tasks and add to the project timeline. These delays can often take the form of bottlenecks where the lack of workers for one trade can delay other

trades when the construction is necessarily sequenced. We are seeing workforce constraints as the leading cause of delays on projects currently.

- **Increased Costs:** Not unexpectedly, a smaller labor force drives up wages, causes the use of more overtime, and often requires the payment of bonuses and other incentives. These increased costs obviously shrink contractor profits or are passed along to owners. Moreover, the longer build times increase the carrying costs for the projects for owners/developers.
- **Decrease in Quality and Increase of Safety Risks:** A less experienced workforce is more likely to make mistakes that need to be corrected and can lead to more safety risks. Similarly, pushing a smaller staff to do more work can lead to paying less attention to safety issues. A more inexperienced team can also lead to a corresponding reduction in quality.

Strategies for Owners to Mitigate Workforce Issues

While it is incumbent on contractors to take steps to grow the pool of potential workers by supporting workforce development strategies and apprenticeships, creating more attractive working conditions, and providing better benefits, there are steps that owners can take to mitigate project loss and delay themselves, including:

- **Contractor Selection:** When selecting a general contractor for the project, the owner/developer should not just take the lowest bid. Rather, the owner should ascertain the contractor's workforce capacity, number of concurrent projects, employee retention rates, safety program, training programs, productivity history, and financial stability. Most general contractors will share this information. For owners that do many projects, it may also be advisable to establish preferred contractor partnerships and master service agreements.
- **Improve Project Planning:** Another way to even out labor spikes and improve productivity is to have an early and robust pre-construction phase. In that regard, it is recommended to start design and permitting as early as possible to avoid compressed schedules, sequence work in a manner that will minimize conflicts between trades, set a realistic schedule that will not require excessive overtime if there are work shortages, and identify areas of workforce constraints at the beginning.
- **Engage Contractors Early:** It is also advisable to retain the general contractor and even key subcontractors as early as possible in the design phase. Doing so will enable the project team to identify labor bottlenecks, optimize construction methods, limit redesign, value engineer the project, improve material procurement, and better align workforce availability with the schedule.
- **Ask Whether Prefabrication or Modular Construction Would Help:** Owners should inquire as to whether moving work off-site for certain components might reduce the number of workers needed. Some examples would be bathroom pods, mechanical or electric racks, prefab wall panels, or even modular office, hotel, or apartment units.
- **Using Technology:** Owners/developers should consider determining if technology could help supplement (not replace) existing workforce. The use of BIM, drones for inspection, laser scanning, digital layout tools, construction cost management software, construction management software, and AI-assisted scheduling and progress tracking should be considered. While the construction industry is still technologically far behind many other industries, these small steps can help avoid workforce issues.
- **Secure Materials Early:** Since labor productivity is impacted further when crews – already short-staffed – have to wait for materials to arrive, it is advisable to approve long-lead time items early and allow for early procurement, be proactive in supply chain coordination, and have alternatives and contingency plans for critical materials that are suddenly either delayed or unavailable at all.
- **Take Steps to Avoid Rework:** Obviously, rework not only delays use of the project and costs money, but also requires additional labor in a tight market. Rework can be significantly reduced by thorough design coordination, clash-detection programs, early and regular quality inspections, clear project documentation, and strong communication among the team. Owners can even consider having a designated project neutral whom all parties trust to mediate project issues as they arise. Being able to work collaboratively with a neutral can lead to the resolution of issues, save substantial amounts of time, and reduce the amount of rework necessary.

A Problem That Isn't Going Away Soon

It is not likely that the work shortage in construction will be resolved quickly. Until it is, it will continue to plague owners and developers. However, by taking the steps outlined above to engage in early and robust project planning, careful hiring, technology,

collaboration, project management, flexibility, and long-term relationships, owners and developers can better navigate this issue and minimize delays, safety issues, and expenses.

Should you have questions about how to handle the impact of workforce shortages on your construction projects, please do not hesitate to reach out to a member of our Construction Practice.