

## The Effects of Escalation and Labor Shortages in the Construction Industry

By Scott Hudson



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I've been in the construction industry for close to 30 years, and I think it's safe to say the past five years have been restrictive. While the construction industry continues to deal with pandemic-related challenges, I do think progress has been made. Although escalation has slowed, supply chain disruptions have eased, and the flow of materials from overseas has become more streamlined, other hurdles remain. The industry continues to be challenged with a labor shortage.

One key method to navigate these economic challenges is **coming up with material alternatives**. For example, our team collaborates with trade partners to devise alternative products to keep schedules moving forward without taking on the liability of design changes. It's a simple idea, but, in challenging times, it is innovative thinking that makes a difference. For example, it was changing to wide flange beams in lieu of bar joists, or using lightweight insulating concrete for roof insulation instead of the polyiso board that kept projects moving forward when we needed them to.

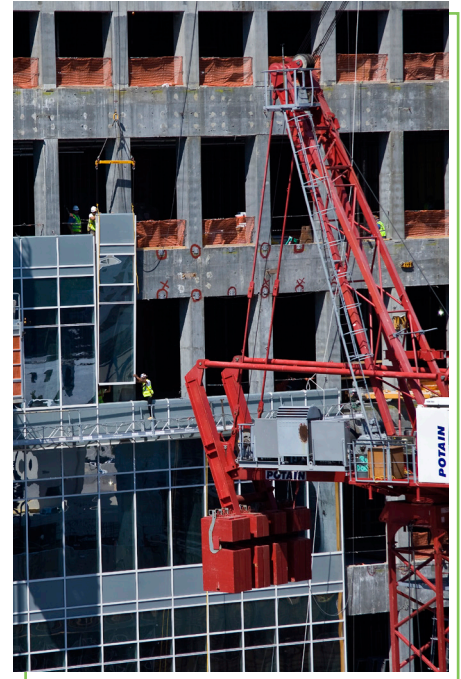
Despite being resourceful and finding creative solutions to material alternatives, **soaring material costs remain a significant challenge**. Prices have skyrocketed approximately 33 percent in just four years, and while the rate of increase may be tapering off, that doesn't mean a \$10 hammer will revert to \$6. The reality is, we need to adjust to a new cost expectation for the foreseeable future.

These days, I am guiding clients, especially ones that are setting up repetitive projects in varying locations, to **bulk buy** where it's appropriate. This can help the client get a discount on materials and help offset costs. This strategy mitigates costs and ensures that escalation doesn't affect the next project.

For example, school districts looking to renovate a building can save money by considering the needs of other campuses. Before purchasing materials for a single project, it's wise to check if any other schools within the district will require similar materials within the next two to three years. By combining purchases for multiple projects, districts can **leverage bulk discounts** and avoid potential price increases. This collaborative approach can lead to significant cost savings for the entire district.

Having the materials doesn't help if the labor isn't there to install it. Similar to hospitality and serving industries, people left the construction industry during the pandemic and never came back. During a normal year, the industry needs approximately 250,000 people a year to fill the roles of those leaving. That helps stop the void left in the wake as people exit. According to a recent Associated Builders and Contractors study, "1.9 million construction workers will leave their jobs to work in other industries in 2024." (1) Because so many people have left the industry, we need about 501,000 more people, in addition to the normal pace of hiring, to fill roles.

With material prices and labor shortages threatening project timelines and budgets, **Batson-Cook prioritizes strong relationships to navigate labor shortage challenges.** We collaborate closely with our trade partners from the beginning, involving them in the design phase and clearly defining their scope of work. This proactive approach helps us secure their talent well in advance and mitigate cost escalation, ultimately ensuring our clients see their projects completed on time and on budget. Without planning and securing the right people for the right time on a construction project, labor costs can skyrocket.



Hiring from an untested contractor, just because they have the time and resources, doesn't always benefit the projects. Without **loyalty and trust**, people can be poached directly from jobsites to work on another project on the other side of town. I stress the importance to take the necessary time to develop relationships with clients and trade partners alike, so that trust can be leveraged to build quality projects that achieve the client's enterprise goals.

**We give all of our clients our best.** Said Sam Wellborn, V.P., Program Management, Meadows & Ohly LLC, "Batson-Cook has all the software systems and tools that help explain how a design change may impact overall aesthetics, cost, and functionality. Their team is tenacious and steadfast about hitting budget targets, all the while keeping everyone on the same page, but what I appreciate the most is that they are people of the highest integrity and values. Simply put, I can trust them. Our business is all predicated on having the right number early to achieve proformas, the pre-construction team at Batson-Cook provides that and much more."

The quality and availability hinges on the relationships established by the construction manager, which is why Batson-Cook stresses its importance. Working with Batson-Cook to navigate these challenges, listening to our innovative thinking, and being a partner in the seat with us, ensures success on each project. If you would like to learn how Batson-Cook can save you from these economic pressures, feel free to reach out. My email address is [shudson@batson-cook.com](mailto:shudson@batson-cook.com)

(1) <https://www.abc.org/News-Media/News-Releases/abc-2024-construction-workforce-shortage-tops-half-a-million>

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