

2016 Construction Hiring & Business Outlook Media Call Remarks

Stephen E. Sandherr

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Hello everyone, thank you for dialing in today. My name is Stephen Sandherr and I am the chief executive officer of the Associated General Contractors of America. With me today is our chief economist, Ken Simonson and Jon Witty, the vice president and general manager for Sage Construction and Real Estate, North America.

We also have three contractors on the call with us today, Gary Smith, the president of Seattle, Washington-based Lease Crutcher Lewis; Josh Clardy, the President of Myrtle Beach, SC-based JW Clardy Construction Company; and Mike Kaiman, the Southeast Texas Vice President for Turner Construction. They are here to talk about conditions in their local markets.

As some of you know, we survey our member firms to get their take on what labor and market conditions will be like for the coming business year. We then closely analyze those survey results and prepare our annual Construction Hiring and Business Outlook. This year we are teaming up with Sage Construction and Real Estate to prepare the Outlook and have added some new insights into how construction firms are – and will be - using technology to remain competitive.

Over 1,500 construction firms participated in our Outlook survey between ^{and}

Yet it is important to note that this year's Outlook survey was completed prior to enactment of federal legislation to increase funding for highways, transit and direct federal agency spending, and to extend the expiration date for wind, solar and other tax provisions helpful to construction.

Given their optimism about growing demand for construction, it is not surprising that 71 percent of construction firms say they will increase their headcount in 2016. In most cases, however, that hiring will only lead to modest increases in the overall size of most firms. Sixty-three percent of firms report their planned hiring will only increase their total headcount between 1 and 25 percent while only 8 percent report

That's a bit about how they spend, now let's take a look at how they consume that IT spend. 69% of contractors outsource some or all of their IT. Outsourcing is most common among smaller firms, which are more likely not to have any in-house IT staff. More than 3 out of 4 firms under \$50 million in revenue report that they outsource their information technology. This confirms our experience at Sage where we are seeing more contractors moving their back-office systems to remote data centers that are managed by third-party IT service providerTJETB6

So all in all we see continued growth in the adoption of mobile technology and collaboration software and a continued move to the cloud, all done with an increasing focus on security. While the construction industry is not known for being an early adopter of IT technology, the overall adoption is increasing. I believe that we will see continued adoption of technology as a strategic competitive advantage and as a way to deliver a superior experience with higher levels of both clarity and communication to project stakeholders.

Now I would like to turn things back over to Steve Sandherr who has some additional observations about this year's Outlook. Steve...

Steve Sandherr

Thank you Jon and thank you Ken. Beyond economic and IT challenges, contractors also must cope with the impact of decisions made by federal, state and local officials. In particular, many contractors are worried about the continued, and seemingly more rapid, expansion in the number and scope of federal, state and local regulations. For example, 39 percent of contractors report they are worried about the continued expansion of federal regulations and the impacts these measures have on their businesses. Thirty-four percent of respondents also report they are worried about the growth in state and local regulations.

Contractors are also concerned by the fact the Obama administration no longer sees employers as a potential partner in helping improve workplace safety. Since the 1990s, the federal government has been incredibly successful in reducing construction fatality and injury rates by partnering with most employers to educate them on the best way to improve safety. Yet the current administration has made it clear that its preferred regulatory approach is enforcement over collaboration. That is why 19 percent of contractors cited the lack of cooperation from federal regulators as a major safety concern while another

safety training and tips to our members so they can continue to protect their workers. And IT firms like Sage are working to make sure new technologies are as safe as they are effective.

As long as local, state and federal officials are willing to act on our workforce measures, embrace a more rational approach to regulations, identify effective measures for controlling health care costs, work with employers to help them improve workplace safety and protect e-commerce, the industry should continue to expand. That is precisely why AGC of America will continue to focus