The Associated General Contractors of America (AGC) is the leading association for the construction industry. Over 26,000 firms, including more than 6,000 of America's leading general contractors, nearly 9,000 specialty-contracting firms and almost 11,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at www.agc.org.

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SUMMARY

The construction industry has relatively high expectations for 2017 as most firms expect public and private market segments to expand. It would appear that their optimism is based on the assumption that the economy will continue to grow next year and that the incoming Trump administration will enact significant new investments in a range of public works projects, especially for highways and public buildings. As a result of this optimism, many firms expect to expand their headcount next year. As optimistic as the industry is about 2017, there are still significant challenges facing the industry, including growing workforce shortages and increasing health care costs.

Another significant challenge facing the industry is that their expectations for new federal investments in public works may go unmet. The survey results indicate that firms are significantly more optimistic about most public sector market segments than they were are the start of last year. Yet if Congress and the incoming administration fail to deliver on the promise of new infrastructure investments, the industry's optimism and expansion plans are sure to fade.

The optimistic outlook for 2017 also means that many firms will boost their investments in pay, training and information technology. Many of these new investments will likely be used to address the challenge of worker shortages that many firms continue to experience. In addition, as costs for labor, health care and regulatory compliance continue to mount, many firms will be looking for the increased efficiency and related savings that come with a better trained and equipped workforce.

While the industry continues to face a number of challenges, the bottom line is that 2017 promises to be a good year for the domestic construction industry. Growing demand for construction will help a sector of the economy that, even as it has experienced several years of steady growth, still employs fewer people than it did in the middle of the last decade prior to the economic downturn.

HEADCOUNTS WILL

FIRMS ARE MOST WORRIED ABOUT LABOR, TIGHT MARGINS AND GROWING COSTS

When asked to identify the issues that are the biggest concern to their businesses, a majority of contractors (55 percent) said they were worried about worker shortages. Forty-six percent the they FIRM

MOST CONTRACTORS PLAN TO

There is also indication that contractors are increasing their funding of IT plans. Forty-seven percent of contractors said they spent at least one percent of revenue on IT in 2016, compared to 42 percent who spent 1 percent or more of revenue in 2015. In addition, 40 percent of contractors report they will further increase IT investment in 2017. Investment will continue in core business systems such as accounting (28 percent of respondents), estimating (25 percent), document management (22 percent), project management (18 percent) and scheduling (16 percent).

GREATER ACCESS TO INFORMATION IS PRIMARILY DRIVING CONTRACTORS' MOVE TO CLOUD COMPUTING

Forty-four percent of contractors use or plan to use cloud-based software because it provides access to information anytime and anywhere, especially important for improving communication on the job site. A combined 24 percent of contractors use or plan to use cloud-based software to address IT concerns such as redundancy and disaster recovery (13 percent), built-in security (5 percent), reduced IT costs (4 percent), and faster implementation (2 percent). Only 15 percent do not use or plan to use cloud-based software, down from 23 percent last year.

COLLABORATION TECHNOLOGY IS GAINING A FOOTHOLD

While email (used by 91 percent of respondents) and file sharing sites such as Dropbox (used by 76 percent) are still the predominant methods contractors use for collaborating with project partners, more sophisticated online collaboration software has been adopted by nearly half (49 percent) of respondents, up from 40 percent a year ago.

Together, these two plans offer a clear roadmap for the administration and new Congress to help deliver on the promise of this year's relatively positive construction outlook. The two plans, if followed, will also contribute to broader economic growth.

As long as the new administration follows through on its commitment to address out-of-control health care costs, invest in infrastructure and reduce red tape, construction firms will see more demand for their services. And if federal, state and local officials marry those new infrastructure investments with a robust new workforce development plan, construction employment and investments in new technology and equipment are sure to benefit. While there are a number of challenges for the industry, 2017 should be a very positive year for the construction industry.

ABOUT THE SURVEY

AGC conducted the survey that serves as the basis for the 2017 Construction Hiring and Business Forecast during November and December 2016. A total of 1,281 firms from the District of Columbia and forty-nine states completed the survey. (Varying numbers responded to each question.) Participating firms represent a broad cross-section of sizes. Thirty-four percent report performing $10 million or less worth of work in 2015. Twenty-two percent performed between $10.1 million and $30 million worth of work, ten percent between $30.1 and $50 million, twelve percent between $50.1 and $100 million, thirteen percent between $100.1 and $500 million, and ten percent performed over $500 million worth of work. Thirty-one percent of firms report they employ union workers most or all of the time while the remainder are either exclusively open shop or only occasionally employ union labor. Contractors who completed the survey were entered into a raffle to win a $100 Amazon gift certificate. Other than that, firms and their employees were not compensated or in any other way reimbursed for completing the survey.

The regions covered in the survey included the following states:

Northeast

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

South

Alabama, Arkansas, Delaware, District of Columbia, Georgia, Florida, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia

Midwest

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

West

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, Wyoming