

**Mike Merrill:**

Hello, and welcome to the Mobile Workforce Podcast. I'm your host, Mike Merrill, and today we are excited to have a special guest on with us, Mr. Ken Simonson. Ken is the Chief Economist at, ah, the Associated General Contractors of America, a uh, large organization that we're proudly in support of and, uh, we love participating with. So, with Ken today, we're going to be exploring the current state of the economy and also the current events that are impacting our industry, as well as what we can expect or what Ken thinks we might see, uh, in this upcoming year of 2023. So, Ken, uh, welcome to the podcast. So excited to have you. Thank you for joining us. And can you give us a little bit about your background as you start?

**Ken Simonson:**

Sure. Glad to be with you. Many, uh, of your listeners probably know AGC is the leading national construction trade association. We have a total of over 270 member companies, and it includes not just 6500 general contractors, but about 100 specialty contracting firms and even more suppliers of equipment, goods, and services. They belong to a network of 89 local and state chapters, and collectively do every kind of construction other than single family home building. Wow.

**Mike Merrill:**

That's, uh, a large organization. And again, uh, we're so excited to be involved with the agency. We, uh, love sponsoring, uh, going to local events, all the safety conferences and different things they do. But, uh, now that we've gotten that introduction part behind us, let's just talk about some of the moving parts that you're seeing in the economy right now, and also, uh, what you think is coming down the pike.

**Ken Simonson:**

Sure. Well, I've been with AGC for 21 years now, and I must say these, uh, are the most interesting times.

And that's, uh, not something necessarily to be proud of, but it does show what big, uh, changes have been hitting construction ever since the Pandemic hit in February of 2020. We, uh, had this huge decline in economic activity that fortunately, just lasted two months. And then construction bounced back, uh, better than many other industries. The stop work projects were ended, and, uh, homeowners or people realized they needed to buy a home, they rushed out to buy one, or add to remodel the one that they were in. And indeed, residential construction kept going right up until this fall. Uh, we've seen some really steep downturn in, uh, expected home building activity, but, uh, it hadn't hit in terms of employment. On the other side, you had nonresidential construction. Took a pause for about a year, but for the last year or so, since about August of 2021, it's been growing. Looking forward to 2023, I think we're going to see big changes again.

**Mike Merrill:**

Yeah. So, in your mind, uh, what's the optimistic side of finishing up 2022, heading into 2023? We know the challenges, you just outlaid a bunch of those. What, uh, in your opinion, is there to be excited about when you're in construction.

**Ken Simonson:**

There are three segments that I think are really, uh, starting to take off, or on the verge of take off. Uh, we're seeing huge number of manufacturing projects launched, uh, this year, and even more coming forth in 2023. So just uh, in the last few months, manufacturing construction has, uh, overtaken warehouse, maybe even data centers as the fastest growing category. But uh, what I think will be new in 2023 is that money, uh, that the Feds are passing out through the Infrastructure Investment and Jobs Act. President Biden signed that way back in November of 2021. Uh, but it's taking a long time to get the money awarded or pass through to different state and local

agencies to write the regulations dealing with uh, the so called Build America, Buy America Act with other requirements, uh, uh, involving labor and so forth. So contractors haven't yet seen the benefit in terms of project awards. But uh, I think that's going to hit many categories of infrastructure in 2023 and keep going for years. Not the stop start pattern that we've seen in the past. And then third, uh, power and energy construction looks like a very strong growth market, even though up till now, it's actually lagged.

### **Mike Merril:**

Yeah, there's a lot to unpack there. And we know, uh, just generally speaking, as you mentioned, um, at least ah, at our organization when we're out traveling the country into different events. Um, I was just in Dallas recently, uh, a few weeks back, and five of the five construction companies that I spoke with said that they are expecting 2023 to be a record year for volume and growth for their organization. So that was very exciting and encouraging for me to hear. And it sounds like it's right in line with what you're talking about.

### **Ken Simonson:**

Well, yeah, but uh, as an economist, you wouldn't believe me if I said everything is looking great. Particularly when most of my brethren are saying no, the US. Is either in recession or it's heading into recession. Now, I'll plead guilty to being an eternal optimist, and I think we will skirt recession. I do expect a slowdown, but the fact is, we're still seeing significant job growth better than we had most of the decade after the 2007 to 2009 slump. And uh, a lot of uh, corporate spending and huge amounts of government investment and good government budget situation at all levels of government. Um, but uh, on the negative side, these ever, uh, higher interest rates, they are certainly choking off some kinds of construction. I mentioned home building already looks like it's headed for a deep dive. But really, any developer finance category where the developer has to pay attention to their financing costs, as well as their construction costs, and then be able to make up any increase in terms of higher rents, it's a tough situation, those costs are going up. And yet, as, uh, the economy slows, perhaps goes into recession, uh, renters lessors hotel, uh, room occupants, they're all going to be more resistant or

cautious. So uh, on the watch list, I would put, uh, multifamily construction, office, retail, warehouse and hotel construction.

### **Mike Merril:**

Yes, obviously the interest rates, I mean that's a huge topic right now. It affects all of us. And surely as you outlaid, it impacts probably the residential side quite a bit more than maybe on the commercial or industrial, um, the larger projects, uh, infrastructure, etc. Or uh, what recommendations or things uh, would you advise those that are more focused on residential today to do to maybe adjust to these changing times and what we're in for coming up?

### **Ken Simonson:**

Well, I certainly think that uh, anybody who's building singlefamily homes, they need to be a lot more cautious about starting projects. I uh, know that uh, a year ago, uh, things were being sold well before construction started. You couldn't even get the materials to do the construction. And labor availability was also a big problem. While labor is still certainly an issue for every type of construction firm, there's uh, a series I look at every month from the government called the Job Openings or labor and Labor Turnover Survey or Jolts, my favorite acronym for Government Data. And uh, it consistently is showing that job openings at the end of any given month are a record for that month. And this data goes back to the um, end of 2000. And in fact, in many months, the openings have exceeded the number of people hired during the entire month. In other words, the industry wanted to bring on twice as many people as it was able to. So even though home building looks uh, like it's about to hit the brakes hard right now, labor, uh, availability is still a problem. Materials have gotten a lot better on the single family side, uh, but um, people don't like to try to grab a falling knife, as they say. So uh, people are holding off on buying stuff that's going down in price now because they think it may go down uh, lower. So uh, I guess my advice to anybody who's doing residential work is be uh, very cautious about starting a new project and uh, also about the pricing on the materials that you're looking for. Um, but uh, I think the slowdown in residential, uh, will pay some dividends for nonresidential contractors. It may free up some materials, some workers.

**Mike Merrill:**

Yeah, that's a great point. So obviously one of the other things that we know was a real challenge the last couple of years has been the supply chain. Do you think those issues have stabilized uh, quite a bit? And how do you feel about them in the near future?

**Ken Simonson:**

I'm hearing mixed reports that uh, things like steel are suddenly getting much more available. I already mentioned lumber. Some uh, lumber prices have come almost back down to where they were before the Pandemic. In fact, however, cement, ah, is a rapidly growing problem. Saw a report that the Portland, uh, Cement Association said that 43 states are now experiencing shortages of cement. So that means if you're putting up a building or laying a, uh, mild pavement for a new highway, uh, you may have to stretch that out because you're only going to get a fraction of what you had last year. And if you're new to that market, you, uh, may not find a supplier at all. So that's a big issue. Electrical, uh, uh, gear, particularly transformers now, uh, very hard to get in many markets. In fact, some utilities are telling builders, uh, we won't hook up that new house or building. Uh, we won't put the transformer out there on the pole outside because we're saving the ones we have in case there's yet another hurricane or fire that knocks out what we have.

**Mike Merrill:**

Well, yeah, a lot of moving parts. So, uh, we've got some prices coming back down. We've got some that are still going up. We've got supply chain issues in some areas. Other things have gotten stronger again, certain markets are strengthening. And then the residential market, of course, is, uh, hitting the brakes right now. So a lot of movement. Uh, I think your point about the labor shortage and maybe some more skilled labor might become more available as residential slows down on the commercial side. So that's a great point and something I haven't really heard anybody else talking about much lately. What other things are you seeing or what's the general vibe going on in your office and among those uh, coffee talks and those things that you're having around the table?

**Ken Simonson:**

Well, the contractors that I've been running into, uh, like the ones you talk to, uh, are saying that, uh, things are really strong right now. Some of them have record backlogs or they've been booking, uh, record, uh, revenue for, uh, 2022. But they all talk about labor availability and I think this is going to be the longest lasting problem for construction. Yes, some workers may be moving from a single family or even multifamily construction in other parts. But um, the needs that I mentioned for, uh, manufacturing, for power, for infrastructure you're not going to find the workers on a singlefamily job site, uh, able to, uh, execute most of that work. And uh, this is in some ways, a decade's old problem but it certainly has been worsened by the Pandemic in a number of respects. Uh, first of all, a lot of people left the job market. Unfortunately, we had about a million excess deaths. Um, and uh, some of those were working age people. We, uh, also have people with longcovid so called where they have uh, recurring or, uh, continuing symptoms that keep them from working at the same level as they had before. Or they have to take care of somebody who either has it or, uh, is immunocompromised and therefore can't go off to work, can't go to school, has to have someone at home. So, uh, the labor force is definitely smaller than it would have been if COVID hadn't hit. But construction also relies very heavily, much more than other industries on foreign born workers. And immigration has slowed tremendously, partly as a result of COVID partly as a result of policy and past administration. And so, putting it all together, I think we have to expect much slower growth of the workforce, uh, continuing excess of retirements over younger, uh, people coming into the workforce. And this will be especially hard on construction.

**Mike Merrill:**

Yeah. So, Ken, one other thing, and this dovetails right into what you're talking about, one thing that we see here locally, and we recently, just last year, had our local, uh, AGC training facility completed in the state of Utah, where I'm from. And, uh, I think 40 plus percent of the materials and labor were donated by the local construction companies. I mean, just such an inspiring group of folks here and just, uh, so proud to be a part of all of that and supporting it. Uh, what other things is the AGC doing in general to help educate the younger

generations that are coming out of high school and making them aware of the trades and opportunities available in construction?

**Ken Simonson:**

You're right, it is inspiring to be associated with an industry where so many companies and individuals are generous with their time, rise to the occasion when disaster strikes, or take a longer view and recognize that, uh, you can't just complain about, uh, not finding enough workers. Now you really have to get involved with your local school, your school district, your community college, your workforce development agency, to make sure that, uh, there are training programs and that they're relevant, so that people learn how to use the tools that are out there today, or hopefully the ones that they'll be able to get tomorrow. And in some ways, uh, the pendulum is swinging a little bit back toward construction, um, because for years we complained how the federal government was putting so much more money toward a higher education than, uh, it was towards skills training. That's, uh, still an issue. But meanwhile, parents, guidance counselors, students themselves seem to be getting the message that, hey, you can get a really good paying job right out of high school or right after that first degree. You don't have to go through years and years of college. You don't have to commit to an office job, particularly these days when so called office workers may be working from home, as I am today. And, um, then construction also has a couple of other things going for it. We're no longer an industry, uh, ever, uh, that just did dirty, dangerous, dead end work. Instead, you, uh, get to play with cool tools, uh, 3D, um, uh, 5D. Even if you're talking about building information modeling that uh, includes cost and time. Uh, and um, just the simulations I see for that are fantastic, are the digital twins. Uh, the equipment is now laser and GPS guided. Uh that uh, takes out a lot of the grunt work, a lot of the danger. Um, the industry is a big user of drones and uh, so it's a different kind of job set, uh, and one that I think may appeal much more to the uh, generation that is used to digital uh, activity, to games, simulations and so forth. So I am hopeful on that score.

**Mike Merril:**

Yes, I agree that technology advancements have really helped make this a lot less of a quote unquote, m blue

collar industry. And we have some uh, very smart individuals that are helping to run and manage these projects for us uh, today that we didn't used to have. So uh, back to the discussion on the recession. I mean, where do you feel like we are in relation to that and where do you feel like things are headed in the next couple of years?

**Ken Simonson:**

Well, I'm hopeful, uh, both about the present situation and going forward. As I mentioned, we're still seeing a lot of job growth. The uh, October job growth came in well over 2000 jobs and uh, that's a very strong figure at a time when the uh, working age population is uh, just about stagnant. So we are getting more people to uh, come off the bench, as it were, and uh uh, take some kind of job. And indeed, construction employment has picked up. It's growing at about the same rate as the overall economy. Uh, so uh, while the industry has a tough time in selling construction as a career at a time when we still do need people to be outside in all kinds of weather and starting work earlier than I like to get up in the morning. And uh, other industries now say, oh, you can work from home or just come in whatever day of the week you want and uh, if you need to go pick up your kid at school, sure, take off. Uh, whereas if you're miles from home or up on the 17th story of a building, that's not so easy to do, let alone uh, if you're leaving your colleagues dangling because you're a crane operator or something. Uh, yes, construction, I think, will continue to have a hard time. How have they responded? Well, to the extent they can restructure jobs, yes. But uh, also they're starting to raise pay. Historically, the uh, pay for um, so called production and nonsupervisory workers, uh, was 20% to 23% more in construction than in the overall private sector. That shrank to just about 16% as fast food places and local trucking and warehousing dramatically raise their starting pay. Well in the last several months, construction pay has jumped faster than it has in the rest of the economy. So we're starting to get back to that, uh, historical premium, as I call it, that hopefully will draw more people back to construction.

**Mike Merril:**

Yeah, so many great points there. One of the other areas, of course, we have educating the youth and trying to get more of them involved younger. And I

love your point on the wage increase and the great living that these young folks can make in an industry that provides incredible services that we all need and I think often take for granted. But what about another organization or organizations like it? We like to, uh, again, get involved and have guests on from NAWIC National Association for Women in Construction. What is the AGC doing to help, uh, promote and help, um, women to join our workforce and help on these projects where they can be so valuable and impactful, and also help fill this void in a shortage of capable management, leadership and resources?

### **Ken Simonson:**

Well, you're right. And I think there's much greater recognition now than when I joined AGC. Not just, uh, in our own association, but throughout the industry, that, uh, we really need to, uh, create an atmosphere that, uh, is welcoming and supportive for, uh, people who historically were not welcomed or didn't think that they were welcome in construction. So that certainly, uh, includes women. And, uh, it's not just, uh, getting rid of snarky remarks and pictures on the wall of the trailer, uh, but, uh, really having equipment, uh, and tasks that are more suitable to, uh, different, uh, strengths and body types and so forth. So we're, uh, working with the equipment designers, uh, safety equipment and so forth, but also, uh, really working to educate, uh, people at all levels and firms about the importance of diversity, equity, and inclusion, uh, so that, uh, people do feel welcome and not shunned. There are still way too many ugly incidents, whether it's nuisance or sexist remarks and behavior, uh, but I think that the industry is at least slowly getting the message. I know the leadership that comes, uh, to AGC events is very much committed to this. And our chapters also are really pushing hard on this.

### **Mike Merrill:**

Yeah, I mean, I'm seeing it, I'm hearing about it, I'm watching it unfold, and it's definitely improved a great deal. I was a general contractor and started in construction early in my career, going back about 30 years ago. And, uh, I've seen just an immense number of changes in all of those regards. So it's refreshing to see. And I can't think of a time that we've needed it worse than now, when we have such shortages.

### **Ken Simonson:**

Well, that's right, and so I'm glad to hear that you're seeing it as someone who's actually been out there in the field yourself. So, uh, that's comforting to me.

### **Mike Merrill:**

Well, that's wonderful. As far as the AGC goes, I think most of our listeners are familiar. I don't know that they're all members. They're probably not all members. What are some benefits and things that they can plug into that are available by the AGC that maybe they're missing out on.

### **Ken Simonson:**

Yeah, well, I'm always glad to uh, educate folks about what AGC offers. Uh, everybody who belongs to AGC. It's a trade association, so it's a company membership, uh, not, uh, individual membership, but we welcome as many people as a company wants to have involved and there are many ways of doing that. First of all, companies all join their local chapter, state or local chapter. And the chapters vary in the uh, kinds of things that they offer. But on top of that, uh, AGC of America, uh, makes, uh, available a wide range of services, uh, and uh, events of training, uh, education and uh, meeting functions. So we have a national convention. It's, uh, coming up in conjunction with the huge, uh, con XPO con AG, uh, trade show in, uh, Las Vegas in March of 2023. We also have uh, divisional, uh, meetings to get together with fellow building contractors, uh, utility infrastructure contractors, highway and transportation contractors, or federal. Uh, and heavy all of those divisions have uh, meetings that not only do you meet your peers, but uh, in the case of the federal one, we have two or three days in which you get uh, to meet with the people at all of the federal agencies that are doing construction, uh, building. Uh, we bring together, uh, major owners, institutional as well as commercial owners, uh, with the building contractors. And they thrash out, uh, some of their differences in points of agreement. So those kinds of things I think, are very helpful for, uh, the folks at the top and at the business development level. We, uh, have a uh, safety and health conference twice a year, uh, safety, health and environmental. We have uh, training and education, uh, sessions for people who are themselves, uh, trainers or doing, uh,



educational development for the firms. Uh, we have things for the tax and accounting, uh, and finance people and companies, so on and on. Uh, we also have a lot of uh, different, uh, newsletters, materials, blogs and so forth. I personally write a weekly one page summary of economic news relevant to construction called the Data Digest that, uh, is available to anybody who wants to email me at Ken Simonson@agc.org or just go to Agc.org to see what we have. And with that, I'll send along my latest PowerPoint and uh, what we call the Construction Inflation Alert, which is an eight page document to educate owners, officials and others about what contractors are experiencing these days in terms of materials costs, supply chain, labor availability

### **Ken Simonson:**

issues. And I've gotten very positive feedback from many contractors saying this has really helped, uh, bring owners up to speed on what they're experiencing and why those bids may be going up. At a time when the owner says, hey, wait a minute, I heard lumber has gone down. They don't realize that this contractor is buying gypsum that's had a giant price increase, or buying mainly concrete that they can't get on a timely basis.

### **Mike Merril:**

Yeah, again, everywhere I turn, at least here, our state of Utah does a really, really good job in our local chapter of the AGC of being present. Um, we had a huge, uh, Rebuild Utah campaign this last year, and it's just been awesome to look and see who's involved and what kinds of projects are happening, and just the vibrancy of our communities because of AGC members. So I strongly encourage each of the listeners to plug in. Uh, it's not just for general contractors, which trades contractors that are heavily involved. We go to the safety event and the local AGC annual event here every year in Utah. One of the other things, um, as a vendor, we go and support, we have exhibition table, we go into the sessions, we mix and mingle. But there's not just us, there's probably 15 or 20 different software, uh, solutions and providers, uh, of insurance and HR things and all types of areas of business that will help you to be better in running a construction company. So, um, AGC is a great melting pot to bring all these groups together to bless the lives of construction companies everywhere.

### **Ken Simonson:**

Well, thanks for the plug, and I think you've also made a really good point that, uh, even if you're not a construction firm yourself, if you're a vendor or supplier, uh, you get to hear what contractors say they need and what they're benefiting for. You get to see your competitors, but also firms that may complement your business and, uh, help you do some business yourself. So, uh, I do think that, uh, both the chapter events and the national events are well worthwhile. And uh, I'd also encourage, uh, anybody who, uh, isn't sure how to find a chapter, they can go to Agc.org. We have a map right there that, uh, you just tap on, uh, the area you're interested in and you can get connected right away.

### **Mike Merril:**

Yeah, and I don't want to fail to mention one other, uh, organization. You at the AGC. Partner with the CFMA construction Financial Management Association. And we've uh, been decade, uh, and a half, uh, long sponsors and friends of CFMA. And I, uh, love that you're getting involved with that organization as well, because they're really providing a valuable service to construction companies to watch their dollars, to figure out how to be more profitable, to adopt innovation and technology. Solutions and systems that will help them to again lead into this, uh, coming decade of innovation that the rest of the world has been enjoying for the past couple of decades. And maybe historically, we haven't quite done as good of a job exposing ourselves and leveraging those tools.

### **Ken Simonson:**

Yeah, and for 30 years now, we've sponsored a two day conference in Las Vegas every October November with CFMA. Uh, the program is just packed with 36 sessions, typically, uh, some are repeated so that uh, you can get to two different breakouts. And um, you really get uh, the details on what's the latest on, uh, the accounting rules, on tax law, on, uh, forecasts for the financial outlook, and so forth. So uh, just an example of how, uh, professionals within companies or specialized firms that are dealing with a particular segment of construction can benefit.

**Mike Merrill:**

So one other point that I think is important to make, uh, I go to, uh, upwards of 20 plus events a year myself. Uh, on a uh, regular basis, our company goes to even more. But when we're sitting around those tables or we're there at lunch or at the dinner or at breakfast, and we're sitting among multiple contractors and construction companies, general contractors that are, uh, sitting around the table, they're having valuable conversations and sharing best practices and tips and tricks and, uh, helping each other. Helping to raise the level of our performance and our ability to be profitable and be more successful in completing our projects. So there's so much value that can come to people for coming and getting involved, being a part of those conversations. And I'm just so grateful to not only support AGC and be a part of uh, those types of events, but also the great work that you're doing all around the country to all the tables that I don't get to sit at and hear those conversations, uh, that I know are happening.

**Ken Simonson:**

Well, thanks. And I will say that I think 2023 is going to be a year in which companies find they need that expertise from the outside more than ever. We have, uh, as I talked about at the uh, top of the hour, the large uh, number of federal funded projects that are coming through the Infrastructure Investment and Jobs Act. We have a lot of uh, power manufacturing projects coming, but we also have a whole lot of new regulations and guidance, uh, by America requirements, uh, uh, apprenticeship and other labor requirements that are going to be layered on uh, anything that's getting federal funding. And we're also seeing the market churn quite a bit, as higher interest rates are certainly squeezing out some projects, putting some back on the shelf. Uh, so uh, it's really going to be a time that people are going to need information on a timely basis, learn about new things, learn about how things are changing. And I think this is really one of the strengths of uh, uh, AGC chapters and frankly, of AGC of America.

**Mike Merrill:**

Yeah, that's great. I think uh, our listeners probably know, we both have a fondness. Obviously you work for the AGC. For me, I'm an outsider looking in, uh, just appreciative for the opportunity to be involved. Um, I think, uh, if there was any closing thoughts or any encouragement that you would give to listeners, Ken, we would just appreciate what do. You want us to take away from this conversation today?

**Ken Simonson:**

Well, just to recap, I do see a lot of opportunity coming, uh, head in 2023, particularly if you're involved with the manufacturers uh, with any kind of alternative energy, whether it's uh, producing wind or solar, uh, the components for it, or uh, uh, the installation of utility, uh, scale electricity storage or charging stations. We're going to see tens of thousands of battery charging stations. And then carbon capture is a whole new area that I uh, think will open up opportunities. And then third, uh, as I talked about, the Infrastructure Investment and Jobs Act is going to be pouring a lot of money not just into highway and transit airport projects, but also into broadband, into water sewer conservation, uh, and uh, port activity of rivers and harbors. So uh, just a whole suite of things that will be new. At the same time, companies that have been working on commercial or institutional projects, they have to look very carefully at uh, how much of that activity is going to be put back on the shelf or canceled outright. And then the labor force uh, issue will still be with you. Uh, some companies are also going to be running into new challenges on supply chain and uh, materials costs. Uh, while you'll get a break on some things, others may go up a lot. So uh, you have to be very careful on pricing. And by all means communicate with your owners and your prospects on a timely basis. Give them m, uh, the facts as to uh, how things stand at the moment and what to expect.

**Mike Merrill:**

Oh, such a wealth of knowledge ken, we've sure been thankful to have you on today. We appreciate you sharing this wisdom and experience. And I'm confident that the listeners all will walk away with some value today. So thanks for sharing that with us.

**Ken Simonson:**

You're welcome. And thanks for having me.

**Mike Merrill:**

Alright, you bet. We'll uh, look forward to talking again down the road.

**Ken Simonson:**

OK, bye.