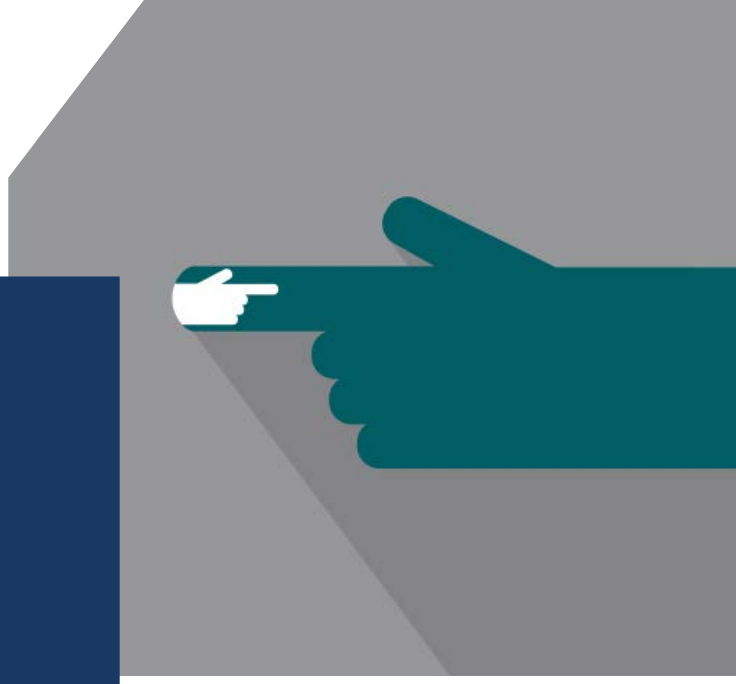

How Labor Shortages Spark Delay and the Blame Game

By Chris Payne, PE, CCM

Construction delays and resulting disputes typically arise from several familiar circumstances: design changes, project mismanagement, or a breakdown in communication. All of these delay drivers remain very relevant, but we see a new challenge arising as we look to the future of our industry. As mentioned in the first blog in this series, we are seeing a shortage of available, qualified people in the construction workforce which has the potential to cause the inability to execute projects in a timely manner.

THE REPERCUSSIONS OF LABOR SHORTAGES

In recent years, we have analyzed numerous projects where there are dramatic shortfalls in production. The widespread loss of trade skill and expertise means less work is likely to get done by those working in the field and construction projects will ultimately be managed by inexperienced supervisors and project managers.

Thus, a general shortage of construction labor creates a double-whammy of delay. First, and most obviously, a general shortage of labor can create delay—a project expecting 20 masons will take longer if only 10 masons are available. Second, there can be more delay because the available workers on the project may get less work done than is customary for their trade—what if the 10 masons can produce only what six masons can historically accomplish? More delay.

EXAMPLES OF LABOR SHORTAGES

We have seen many recent examples. On one recent industrial plant project in the Midwest, the mechanical contractor recorded 875,000 hours of direct craft labor, but accomplished the work expected to take less than 400,000 hours. On a major transportation project in the northeast, work expected to take 200,000 hours ended up taking 450,000 hours. On a major U.S. government building project, the craft labor averaged only 35 percent of the expected rate of productivity for mechanical and interior general construction.

LOSS OF EFFICIENCY CLAIMS

Frustrations with productivity and the associated lack of progress will lead to more loss of efficiency (LOE) claims. Contractors relying on their experience and historical metrics may be perplexed at the decreasing productivity and increasing labor costs and conclude that project factors outside their control are to blame. Owners will grow frustrated that seemingly minor issues are cited as causes for major shortfalls in production. It is inevitable that some

will attempt to cast blame on others and seek reimbursement. Thus, the blame game.

When these disagreements arise, they are very difficult to resolve. The problem is, LOE claims are easy to conceptualize but harder to prove, often due to poor metrics. A high incidence of design changes issued during construction may indeed lead to confusion, rework, and a general LOE. But separating these circumstances from poor performance due to inexperienced or inadequate labor is a significant challenge. Additionally, project records rarely provide the level of detail necessary to definitively allocate the causes of the shortfalls.

In these situations, careful analysis by an expert is required, a dispute resolution service frequently provided by MBP. In the next entry in this series, we will examine in more detail the challenges associated with inadequate data and the limited tools that exist in the industry to evaluate LOE.

Related blogs in this series:

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3 Reasons Why Loss of Efficiency Claims Are So Hard to Prove

How the Construction Industry Can Measure Labor Efficiency with Technology and Greater Insight

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