

SEO DETAILS:

Page Title: COVID-19 and Construction Firms | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] shares five strategies that construction firms can take to combat the economic effects of COVID-19.

Headline: COVID-19 and Construction Firms: Proactive Strategies to Transcend the Crisis

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As the coronavirus (COVID-19) pandemic began spreading in earnest throughout the U.S., industries and businesses everywhere found themselves impacted to various degrees. Some, like restaurants, airlines and event venues, experienced severely negative effects. Others like construction felt minor impacts early on—but as the pandemic continues showing no signs of easing in many parts of the country, it's becoming apparent that things could get troublesome in the months ahead.

At the onset of the outbreak, most states deemed construction work essential, so most contractors escaped early impact of the economic shutdown. Yet, two developments in particular are causing construction businesses to reevaluate their near- and long-term prospects:

- (1) Businesses and lenders alike are now taking a hard look at the pandemic's projected impact on revenues and their ability to undertake capital projects. This, in turn, could signal a slowdown in construction.
- (2) New safety guidelines driven by COVID-19 limit the number of workers per shift, which necessitates changes in the ways that contractors are scheduled for project work.

For construction businesses, the table is set for continued uncertainty. So, what can the industry expect moving forward?

The construction workforce dropped by 975,000 jobs in April, according to the U.S. Bureau of Labor Statistics. This represents a 13% drop from March levels and the sharpest decrease since the 1930s. In some cases, work was postponed when customers like offices and schools were forced to close their doors. As city administration offices also were closed, obtaining permits became a nearly impossible task for many construction businesses. Cumulatively, these developments substantially impacted lending activity within the sector. That said, many eligible construction firms have leveraged federal relief programs such as the Paycheck Protection Program (PPP), which provides forgivable loans to small businesses to maintain operations and payrolls as long as they meet specific criteria. Whether or not additional funding will be made available beyond 2020 is an open question.

Other external factors have impacted construction businesses—and will continue to do so in the months ahead. Disruptions in the worldwide supply chain are compelling construction firms to look at alternative options for sourcing materials, even at higher prices. U.S. construction firms which rely on China for a substantial percentage of their materials are particularly impacted, even as China comes back online. All this has led to widespread material price increases, job delays and longer delivery times.

However long COVID-19 affects the larger world in which we live, its impact on the construction industry likely will be even longer. In response, industry stakeholders must devise and deploy fundamental changes to their infrastructure and business strategy in order to help ensure viability and sustainability. Here are some steps construction firms can take today to begin the process:

1) REASSESS CURRENT CONTRACTS AND POLICIES

This is no time for uncertainty, so do what it takes to ensure peace of mind. If you haven't already done so, take a fresh look at your insurance policies for business interruption provisions that can protect your business against slowdowns and project cancellations. In some cases, "substantial completion" clauses make contractors contractually responsible for cost increases or delays on current projects. Your particular contract will specify whether the coronavirus pandemic qualifies as a force majeure event. In this area, it's wise to work with an experienced attorney to examine force majeure provisions in current contracts and understand what needs to be included in future contracts so that you're covered for crises that are the root cause of project delays or cancellations.

2) DIVERSIFY YOUR SUPPLY CHAIN

Even before COVID-19 swept across the U.S., the construction industry was bracing for a potential recession preparing for shifts in U.S. policy regarding tariffs and counter-tariffs. Contractors are particularly concerned about the limited output of steel, concrete boards, electrical fixtures and plumbing fixtures. While unpredictability in terms of availability is nothing new in the construction industry, impacts were particularly painful when China shut down factories to contain the virus outbreak and its output of essential construction materials declined sharply from pre-pandemic levels.

Even as China ramps back up, more manufacturing could take place in the U.S., so construction businesses would be wise to adjust suppliers accordingly. As this occurs, it will become commonplace for large contractors to bid out jobs with contract clauses requiring as many as five backup sources. Along with utilizing U.S. manufacturers, contractors should consider those countries that haven't been as affected by supply chain interruptions as others.

3) PRIORITIZE AND OPTIMIZE WORKPLACE SAFETY

While COVID-19 cases that have directly impacted the U.S. construction industry have thus far been limited, construction sites are inherently dangerous—and long-lasting construction workforce shortages show no signs of abating. Maintaining strict safety precautions at every job site is a strong selling point for a construction business and will also help to ensure maximum staffing on job sites, which helps keep jobs on time and on budget.

The elements of a comprehensive safety program are many and varied; yet, widely accepted safety measures range from staggered shifts and face protection to handwashing stations and tool-sharing limitations. In some states, construction firms are expected to follow workplace safety protocols required of all businesses in that state. In Washington State for example, job sites must meet the governor's coronavirus construction safety plan. Employees must remain six feet apart, use personal protective equipment (PPE) and establish a housekeeping schedule

that includes frequent sanitizing of commonly touched surfaces, or risk jobs being closed for noncompliance.

4) PLAN ACCORDINGLY FOR EXTENDED JOB COMPLETION TIMES

A genuine commitment to safety helps ensure more time to complete jobs. Many construction worksite safety precautions are here to stay. At a minimum, we can expect cleaner and safer job sites. OSHA will likely require written infectious disease preparedness and response plans. Therefore, as you plan for projects, determine how you will factor these changes in and adjust deadlines accordingly. The schedule must make sense for you and your entire team.

5) KEEP YOUR FOCUS ON SKILLED LABOR

The construction industry continues to suffer from a severe lack of skilled labor. While PPP loans have helped small businesses keep employees on their payrolls and retain them longer, the ability to retain skilled labor could become considerably more challenging without additional stimulus funding. As unemployment rates have risen sharply, opportunities could now exist to cross-train workers from other industries.

Overall, the ongoing COVID-19 situation should not induce panic on the part of construction business owners and workers. The construction industry's future remains bright, especially for projects in certain sectors, such as healthcare and warehousing. Moreover, the need for large infrastructure projects (e.g., airport improvements, new highways and bridges) remains strong throughout the U.S. With the general election ahead, it remains to be seen which infrastructure projects will be spearheaded with support from state and local building officials.

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Do you have questions about COVID-19's impact on the construction industry, or other business challenges? Please contact [NAME] in our [DEPARTMENT] at [NUMBER/EMAIL].

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