

# Commercial Risk Europe

Insurance & Risk Management News

## The future of the construction industry is not only about economics, infrastructure, regions and development; it is about people!

### ◆ CONSTRUCTION

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**T**HE FAST-PACED CONSTRUCTION industry is invariably linked to demographics, housing, transportation and energy – a link even stronger in developing economies. With an expected 4.2% compound annual growth rate, the global construction industry is expected to catapult to \$10.5trn by 2023. The biggest reason behind this growth is an increased demand for both housing and infrastructure to service a population that is expanding and urbanising. Increased demand for more environmentally-friendly structures, as well as the rehabilitation and updating of older structures, will drive construction demand in the coming years.

#### HUGE SOCIAL AND ECONOMIC IMPACT

Construction accounts for a significant portion (11%) of global GDP and employs millions of people around the world. For example, in Europe construction activities constitute almost 8% of total employment, which further strengthens this correlation.

With the increased focus on green construction, jobs on such projects will account for more than 3.3 million US construction roles in 2018. Currently, more than 2.3 million US workers are taking home \$134bn annually, mainly due to a large number of existing



buildings that need to be updated to comply with Leadership in Energy and Environmental Design and similar building programmes.

#### THE CONSTRUCTION PARADOX

We are now facing a quandary: if a growing population drives more business for construction, how will the construction industry manage its problem of an FTE shortage and less-qualified workforce?

The construction industry is facing an unparalleled deficit of qualified workers. For example, according to US Bureau of Labor Statistics there was a 200,000 shortage of construction workers in 2017, a number set to increase to almost 800,000 by 2020. Many individuals who left the industry during and since the global economic crisis have not been replaced, taking their considerable experience with them. Skilled tradesmen maintained top position in a recent US talent shortage survey of most job vacancies since 2010. This creates a situation where many contractors struggle to find enough professionals with the relevant

competence to satisfy present and future demand.

Recent trends reveal a competitive landscape in flux. According to risk managers at leading construction firms, alternative forms of capital are invading the construction and infrastructure arenas, impacting final price and further pressing technical competence. It is imperative to adopt new technologies that can improve security, ensure greater accuracy and complete projects more quickly, in addition to boosting revenues and lowering costs. Some examples of this new technology include 3D modules, building information modelling, construction drones, driverless trucks and heavy machinery.

#### CREATIVE DESTRUCTION?

The next generation of scientists and engineers continue to develop improved construction methods. University students are already learning about new techniques, tools and materials, but if their negative perception of skilled labour does not change, it may prove difficult to replace an ageing workforce. As always, those that are quickest to adopt these new methods will have an advantage and those who do not may get left behind.

#### EXPERTISE

In such market conditions, it is imperative for contractors to rely on a business partner that understands the dynamics of their business. One that can discuss all dimensions of the construction value chain. Expertise is not only understanding risks faced today, but those that will be faced tomorrow.

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