BDO GLOBAL CONSTRUCTION SURVEY REPORT 2023

Overcoming the talent crisis

REPOSITIONING THE CONSTRUCTION INDUSTRY AS AN EMPLOYER OF CHOICE FOR NEXT GENERATION

May 2023 >

Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
10 How BDO can help

01

Construction

Navigating the talent crisis

The global construction industry is at a crossroads. In many regions, the construction industry has rebounded after the pandemic. Half of the construction companies surveyed by BDO anticipate they will grow headcount during the remainder of 2023. As a result of wider societal shifts, demand for affordable housing, essential infrastructure and greener buildings is high.

However, a perfect storm of challenges lingers on the horizon. Inflationary pressures, supply chain challenges and ongoing site delays resulting from COVID-19 cause continued uncertainty. These problems are worsened by the difficulties in attracting and retaining talent, particularly among the younger generation. Half of the construction companies surveyed by BDO say they find it very difficult to attract and retain early career professionals. Only 16% report no difficulties in hiring to fill vacancies.

The construction industry must recognise that it risks not being able to meet demand if it cannot develop a reliable pipeline of young talent who see a bright future ahead for themselves in construction. Students are turning away from a career in the industry. Construction ranks as only the eighth most attractive out of the 11 industry sectors tested among students in BDO's research.

What is causing this talent crisis in the construction sector? Our research reveals misalignments between the values, expectations and priorities of the new generation entering the workforce and senior decision-makers in the construction industry. The good news is that these barriers are not insurmountable. Realignment is possible if construction companies are prepared to listen and adapt to the needs of Next generation – i.e. individuals born between the late 1990s and early 2010s.

As the talent crisis intensifies, the construction industry needs to take a fresh approach to its talent strategies. Fresh thinking is needed to reposition the construction sector as an employer of choice for Next generation, and to dispel the myths and misconceptions that are turning students away from the rewarding and varied career options that the sector can offer.

At BDO we are committed to helping the construction industry to navigate these challenges. BDO commissioned global research across ten major markets for the construction sector among both students and industry executives. Our goal was to understand what motivates Next generation and what the construction industry needs to do to improve its perception among this demographic. We hope this report will be the start of a valuable conversation about how leaders in the sector can successfully navigate the challenges and opportunities ahead.

Arjan Endhoven
Head of Global Real Estate & Construction

01 Construction
Navigating the talent crisis

Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

02

Employment growth

The construction sector is bouncing back following difficult years and heavy impact on profits

All industries were blindsided by the experience of the COVID-19 pandemic three years ago, and the impact on the global construction sector was no less significant.

BDO's research shows that the construction industry faces a legacy of challenges arising both directly and indirectly from the pandemic. These challenges have been further complicated by the difficulty in recruiting and attracting skilled talent to meet current vacancies and anticipated future demand.

THE LEGACY OF THE PANDEMIC ON CONSTRUCTION

When asked to rate the biggest issues negatively impacting their profitability, construction sector executives cite disruptions to supply chain as the leading factor. Supply chain issues have caused delays in receiving building materials on site and have led to spikes in prices for raw materials in high demand. Nearly two thirds (63%) of survey respondents place this within their top four factors – see Figure 1.

Executives report that the fragility of industry supply chains have resulted in a direct hit on their profit. For example, just over half (52%) of construction industry companies surveyed by BDO reported a financial loss over the last 12 months due to the insolvency of a contractor, supplier and/or subcontractor. This happened with greater frequency across the most mature markets in our research, such as Norway, Belgium, Australia and USA, and among mid-market construction companies (i.e. those with revenues between $250 million and $1 billion).

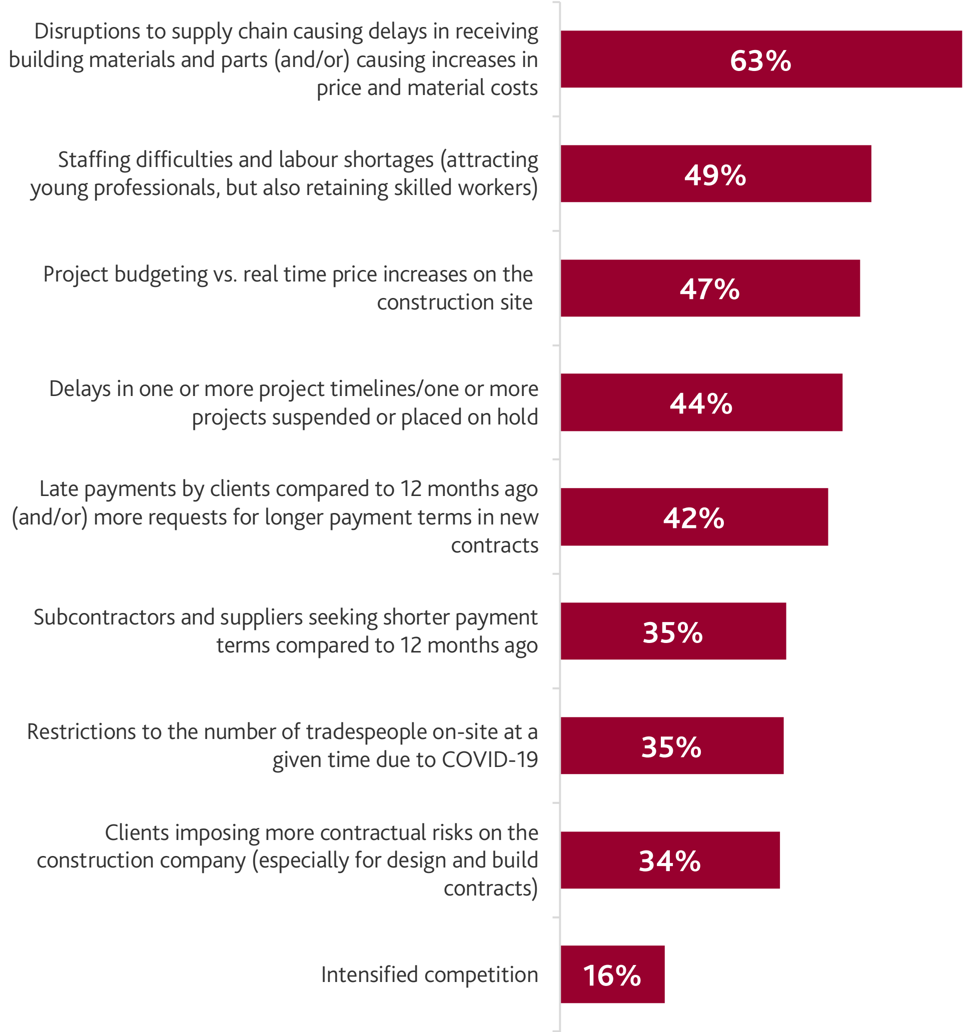


Figure 1: Rate the most negative impacts affecting your profit in the last 12 months, if any.

Alongside supply chain disruption, other issues top of mind for industry decision-makers include the real time impact of unprecedented high inflation on project budgeting, late payments by clients and ongoing site restrictions associated with COVID-19 safety policies.

While macroeconomic factors such as inflation and supply chain disruption are likely to ease over the short to medium-term in many markets, executives say they are also concerned about the long-term recruitment crisis facing the industry. Staffing difficulties and labour shortages - both attracting young professionals and retaining skilled workers - is the second most frequently cited negative impact on profitability for industry leaders in our survey, as shown in Figure 1.

01 Construction
Navigating the talent crisis

▶ Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

02

REASONS FOR OPTIMISM: DEMAND IS BOUNCING BACK

Despite the issues noted above, executives in the construction industry remain optimistic about their future. They are gearing up for growth.

51%

More than half of those surveyed by BDO anticipate the size of their workforce will increase over the next six months.

Confidence in project pipelines is returning throughout 2023 and beyond, to the extent that executives are looking to invest in hiring new staff or rehiring to replace those made redundant during the pandemic. In contrast, just 17% of construction companies anticipate their overall headcount will decrease this year.

The USA, South Africa and the LATAM region all anticipate the largest increases in their workforce this year, with more than 60% of executives in each of these regions expecting to grow headcount throughout 2023.

Our research suggests that hiring is likely to be most active for highly skilled roles, with skilled fieldwork, engineering and procurement roles most in demand across the sector globally – see Figure 2. Alongside these on-site technical roles, a range of other roles encompassing competencies such as data analytics, environmental expertise, computer science and health and safety are all cited as secondary areas of increased demand.

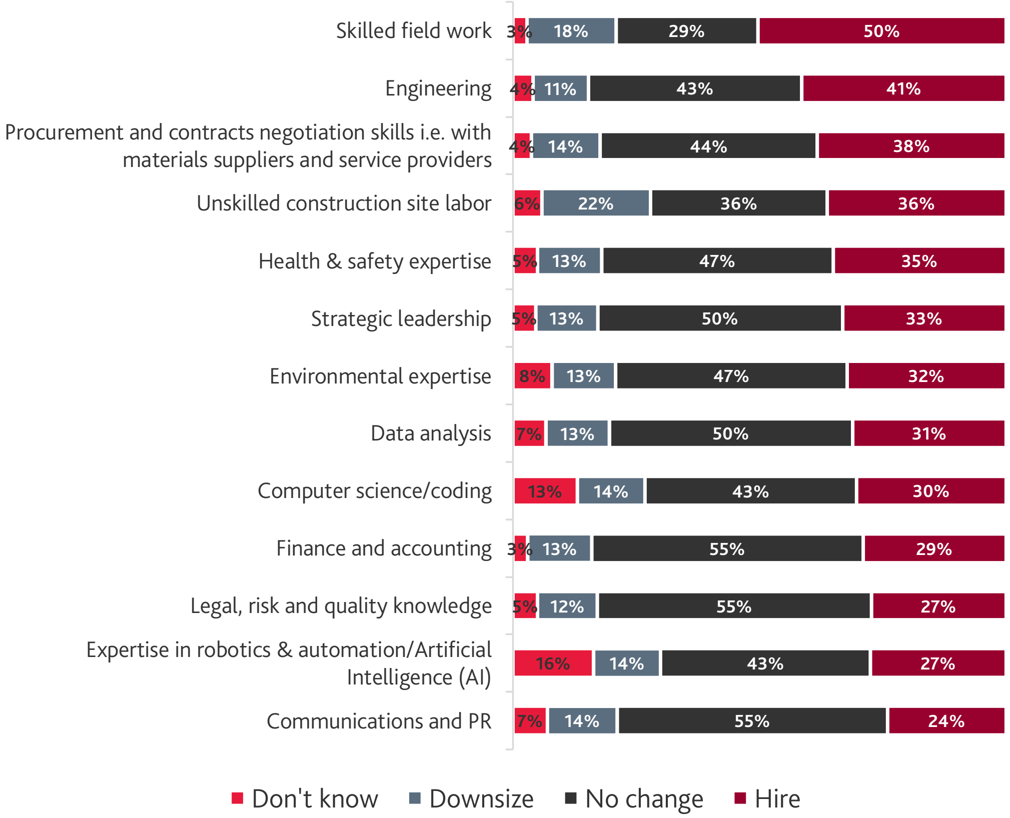


Figure 2: Which of the following roles are you looking to hire or downsize at your company over the next 12 months?

01 Construction
Navigating the talent crisis
Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA
09 About BDO's research 10 How BDO can help

02

THE SKILLED WORKER SHORTAGE

Construction sector executives find themselves facing a dilemma. As confidence returns to the industry and macroeconomic shocks settle down, there is likely to be a shortage of skilled workers available to fill the vacancies needed to rebound quickly after three difficult years. Our survey presents several warning signs to which executives should pay close attention.

50%

of the corporate decision-makers surveyed say they find it very difficult to attract and retain early career professionals to roles in the construction industry

Ranking a difficulty level of 7 and above out of 10 on a scale of difficulty

14%

describe filling vacancies as 'extremely difficult'

9 or 10 out of 10 on the difficulty scale.

16%

report no difficulties in attracting and retaining early career talent.

Although the talent crisis is present across all markets in our research, it is most strongly reported by decision-makers in the Netherlands, Australia and LATAM.

THE RECRUITMENT EXPERIENCE FOR CONSTRUCTION EXECUTIVES

What are some of the main skills that your organisation finds hardest to recruit?

"It is hard to recruit self-motivated and hard-working young adults." - *USA*

"Finding young workers that are willing to give it their all." - *Australia*

"Engineering. There are a lot of people with false degrees and at the moment the best way is to contact their referees to determine if they are legitimate." - *South Africa*

"General trades have been difficult - there is a labour shortage there. We do our best to plan resources to match volume but there isn't much we can do when the workforce simply does not exist." - *Canada*

"The main qualifications that my organisation finds difficult are candidates with specialised technical skills and advanced soft skills such as leadership, problem solving and team collaboration." - *LATAM (Mexico)*

"People with management and leadership skills." - *Australia*

"Experts in app development and cloud management."- *LATAM (Colombia)*

> In the following sections of this report, we will uncover the reasons why Next generationare turning away from a career in construction, and what strategies construction companies can take to overcome this talent crisis.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

03

Next generation

Understanding what motivates the workforce of tomorrow

The generation entering the workforce today has more choice than ever before about the career options available to them. Despite this, students still gravitate towards industries that have been popular with previous generations of graduates entering the workplace.

The industries that appeal most to the Next generation participants in our survey are technology, media and telecoms (42% of Next generation surveyed report being 'very interested' in pursuing a career in the industry), life sciences and pharmaceuticals (41% 'very interested') and financial services (37% 'very interested').

In comparison, only

28%

of Next generation said they were interested in a career in construction.

This places the sector eighth out of the 11 tested in our research for popularity.

Nearly a third of students (29%) report no interest at all in joining the sector upon graduation, with the remainder agnostic or in need of more information to convince them about the suitability of a construction career.

NEXT GENERATION: AN EMPOWERED AND SOCIALLY MOTIVATED GENERATION

What lies behind Next generation's reluctance to consider a career in construction? To answer this question it is important to understand what motivates this generation. When asked in our survey to rank the importance of 14 different factors when assessing their career options, students rank work-life balance and well-being as the top factor. Just under half (48%) describe this as 'essential' when assessing career options and a further 37% describe it as 'important' – see Figure 3.

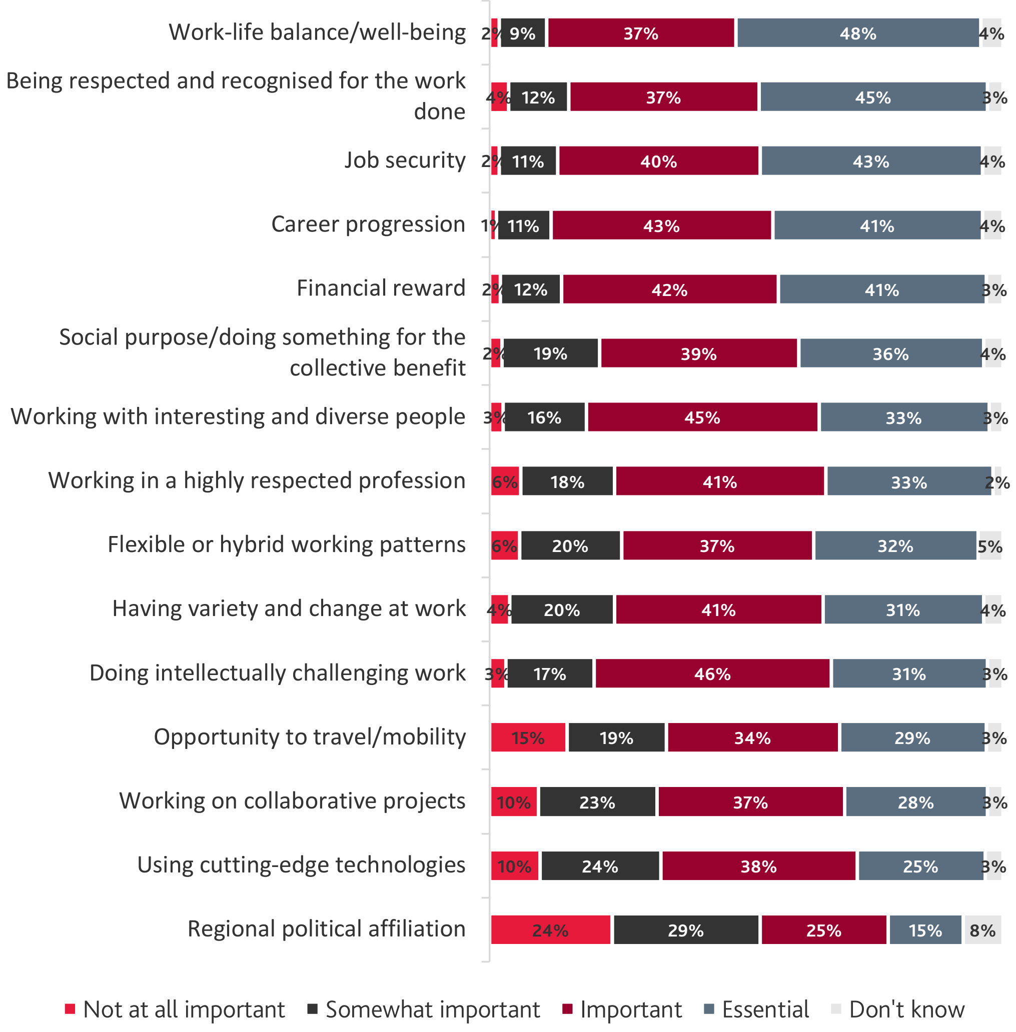


Figure 3: How important are each of the following factors when assessing your future career options?

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

03

This suggests that Next generation feel empowered to make conscious choices about how their career will fit around other aspects of their life such as family, friends and relationships. They want to enjoy their work and choose career options that will enhance their mental and physical well-being.

However, Next generation also feel strongly that they want to be recognised and respected for their contribution in the workplace: 45% describe this as 'essential' and 37% as 'important'. Also among the top five factors shaping Next generation's decision-making is ease of career progression. Taken together, these two factors suggest that Next generation place high importance on personal development and want to choose careers where they will be able to move up the career ladder quickly, in recognition of their performance.

While financial reward is important to this generation - they are aware of the rising cost of living and want to be compensated fairly for their efforts - is it equally important to them that their chosen industry offers job security and long-term potential.

Ranking just outside the top five factors are two factors that suggest that Next generation are altruistically motivated. This generation place a high degree of importance on a career that has a social purpose or collective benefit, and the ability to work with a diverse group of people. This is perceived to be more important than the nature of the work itself.

Factors such as doing intellectually challenging work, having variety at work and using cutting-edge technology rank towards the bottom of the list for Next generation. Although these factors remain important for many, they are less critical than job security and well-being at work.

THE IMPORTANCE OF ENVIRONMENTAL IMPACT

Alongside social purpose, Next generation tell us it is important to them that their career has a positive impact on the climate. 60% of the young people in our survey rate having a career in an industry that positively impacts climate change as at least a 7 out of 10 on a scale of importance, where 10 is extremely important. More than a quarter (26%) rate this as at least a 9 out of 10.

Students from Brazil, LATAM, and South Africa are most likely to say that having a career in an industry that positively impacts climate change is highly important to them. There is a close relationship in our research between the markets that are most negatively impacted by the climate emergency and the desire among Next generation that their future career has a positive impact on climate.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
▶ Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
10 How BDO can help

04

Closing the gap

Aligning the construction industry with Next generation's aspirations

Our research provides very clear evidence about which factors drive Next generation when they are selecting their future career. However, it also reveals three clear areas of misalignment that lie at the heart of the construction industry's talent crisis. These are:

01 Motivational misalignment

Executive decision-makers in the industry are not in tune with the factors that are important to Next generation when assessing their career options.

02 Perception misalignment

Next generation don't believe a career in construction will fulfill their most important career aspirations.

03 ESG misalignment

(environmental, social and governance)

The construction sector is seen by Next generationas falling behind expectations on its environmental impact as well as broader social commitments.

THE MOTIVATIONAL MISALIGNMENT

While Next generation tell us they prioritise work-life balance and being respected at work as the most essential criteria when assessing the attractiveness of future career options, executive decision-makers in the construction industry are failing to recognise this.

Executive decision-makers believe that Next generation are most **strongly motivated by financial reward,** with half of C-suite respondents believing this is an 'essential' factor for Next generation. In reality, this is only the fifth most important factor for Next generation with only

14%

citing it as 'essential'.

As well as misunderstanding the importance of financial reward, executive decision-makers also consider access to the latest technology to be a stronger motivating factor for Next generation than the reality uncovered in our research.

Figure 4 shows that while just 25% of students believe that using cutting-edge technologies at work is an 'essential' factor for their career, 40% of executives believe this is 'essential' for Next generation.

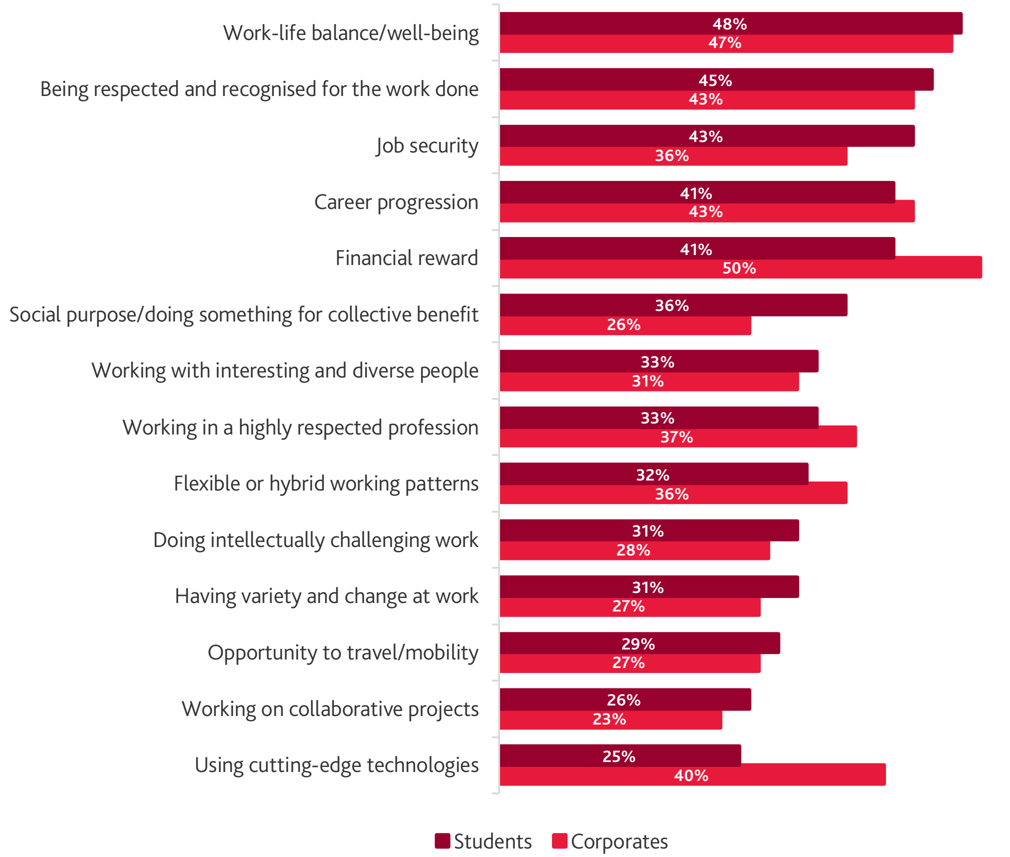


Figure 4: The importance of the following factors when assessing future career options – showing % 'essential'

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

04

As a result of this misalignment, executives are not putting enough emphasis on the factors that matter most to Next generation.

They are neglecting the importance of job security and social purpose as motivating messages for Next generation,

which our research reveals as the two largest gaps in between the two groups.

THE PERCEPTION MISALIGNMENT

Students are clear about what they value from a future career, but do they believe a career in construction can give them what they are looking for? The results of our research suggest there is a strong misalignment in perception between what Next generation are looking for and what they perceive a career in the construction industry can offer them.

For example, 'work-life balance and well-being' is reported as the most 'essential' factor for Next generation. However, less than half (48%) agree that a career in the construction industry offers good work-life balance and autonomy – see Figure 5.

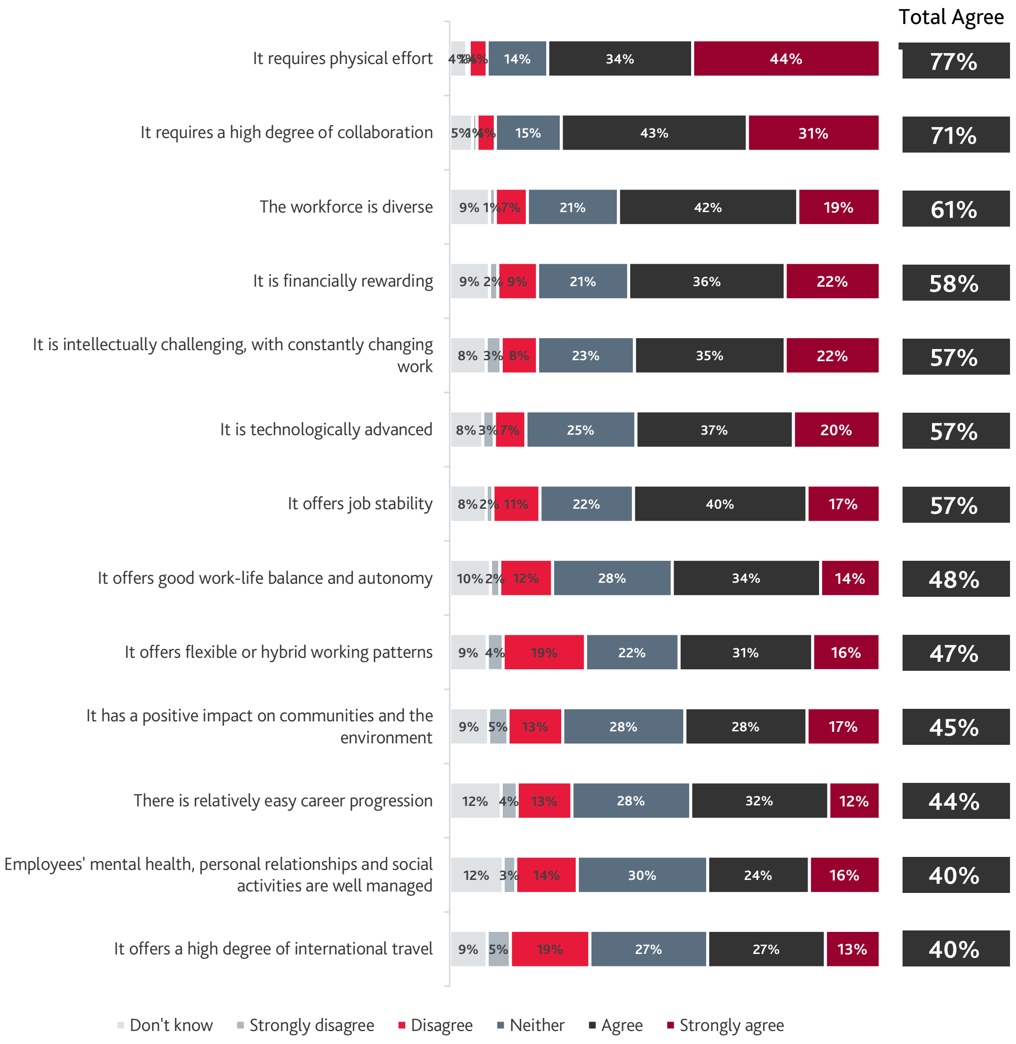


Figure 5: To what extent do you agree or disagree with the following statements about a career in the construction industry? – STUDENTS

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

04

Other important perception gaps emerge in the way Next generation perceive the construction industry:

57%

Just 57% agree that the construction industry offers job stability, yet this is the third most important criteria for Next generation when selecting a job.

44%

Just 44% agree that there is relatively easy career progression within the construction industry. Next generation show a strong preference for careers that reward and respect effort through rapid development and progression.

40%

Just 40% agree that employees' mental health, personal relationships and social activities are well managed in the construction industry. Next generation place high importance on well-being in the workplace.

The positive attributes that Next generation most associate with a career in construction – that it is collaborative and financially rewarding – are of secondary importance to them when evaluating their career options. This suggests that without a fundamental shift in the way Next generation perceive the construction industry, fewer and fewer graduates will prioritise pursuing a career in the sector, relative to more attractive industries such as financial services, pharmaceuticals or technology.

THE ESG MISALIGNMENT

With

6 in 10

among Next generation rating a career in an industry that positively impacts climate change as highly important to them

it is noticeable that students in our survey consider the construction industry to be one of the most environmentally detrimental sectors.

A third of those surveyed (32%) say the construction industry has a net negative impact on climate. This is second only to the manufacturing and industrial sector, which 43% believe has a net negative impact on the environment. Among students surveyed by BDO just 36% consider real estate and construction to have a net positive impact on climate.

Yet is it not just its perceived negative environmental impact that causes Next generation to turn away from a career in construction. Only

45% of those surveyed by BDO believe the construction sector has a positive impact within communities. For this new generation entering the workplace, the belief in the power of work to 'do good' is strongly held and they look to potential employers to deliver tangible impact in these areas.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
10 How BDO can help

05

Proactively altering Next generation's perceptions

Addressing the construction industry's image problem

To counter the misalignments highlighted through BDO's research, executives in the construction industry need to work hard to dispel the myths that dominate Next generation's thinking about the industry. Our research suggests that there are three main areas in which construction industry decision-makers need to focus. First, challenging tired stereotypes about construction that linger in the minds of Next generation. Second, expanding Next generation's view about the roles available within the construction sector. Third, exploring the positive impact that the sector can have in the race towards net zero carbon.

DISPELLING STEREOTYPES ABOUT CONSTRUCTION

Students tell us they are put off by a career in construction due to perceptions that it represents hazardous and hard physical working conditions. Over half (55%) of Next generation surveyed by BDO said they believe a major drawback to working in construction is the risk of injury and/or mental health hazards – see Figure 6. Across all markets in BDO's research, the top two drawbacks consistently cited by students were the risk of injury and/or mental health hazards, and potential for hard physical and manual work.

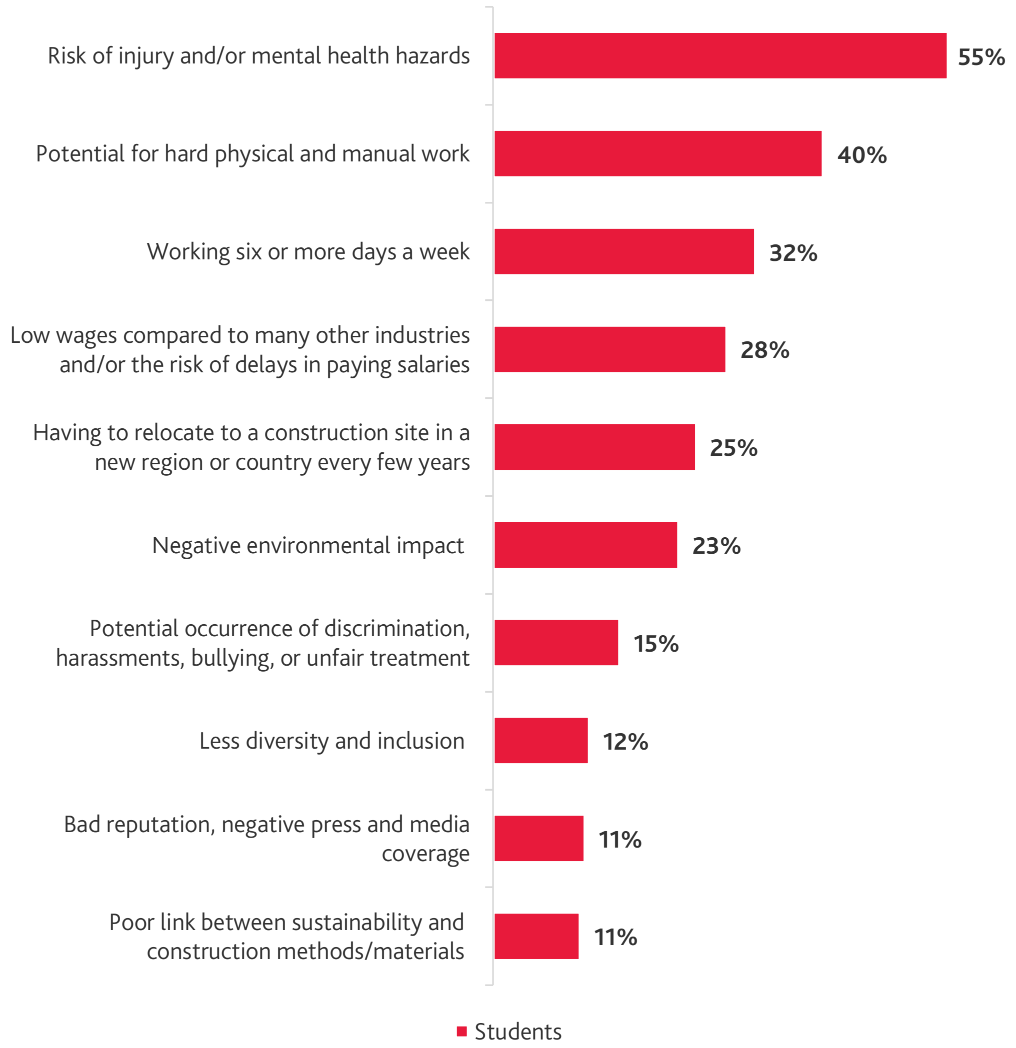


Figure 6: In your opinion, what are some of the biggest drawbacks to working in the construction sector?

Given that Next generation strongly prioritise the importance of health and well-being at work, employers in the construction sector need to demonstrate that they care about the well-being of their employees. While some roles in the sector undoubtedly involve a degree of physical labour, this is an over-simplified stereotype about working in the sector that does not reflect the broad range of roles on offer to graduates.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

▶ Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

05

BROADENING THE HORIZONS OF NEXT GENERATION BEYOND TECHNICAL ENGINEERING ROLES

Figure 6 shows that Next generation still largely retain an old-fashioned view of the construction sector: that it is predominately challenging, manual labour, often requiring work six days a week and with less financial reward or job security on offer than other industries. The reality is very different.

Executives need to work hard to counter this perception by explaining the diversity of roles and opportunities available to graduates entering the construction sector.

Our research shows that Next generation strongly associate a career in construction with competencies such as engineering, health and safety expertise and skilled fieldwork. They are less likely to see the relevance of wider skills such as finance and accounting, data analytics, computer science or legal expertise.

Among the students who are most open to consider a career in construction, we see they are most likely to be drawn to project management and construction management roles (55% say they are most interested in these roles), closely followed by site engineers, engineering managers and technology experts. This group is largely comprised of males who are already studying engineering or other scientific disciplines. The task for construction executives is show a broader cohort of students that there are relevant options available to them.

REPOSITIONING THE ESG NARRATIVE FOR CONSTRUCTION

Executives in construction need to work hard to reverse Next generation's perception that the construction sector has poor ESG credentials relative to other industries. Many students base their understanding on the most visible signs of the construction industry - pollution, noise, waste, and disruption to communities – without a deeper understanding of the positive strides the industry is taking on ESG-related issues.

For example, our research suggests that most students do not fully understand the work being done to **support the transition to net zero carbon emissions** through the construction of new, energy efficient buildings and the retrofitting of older assets to bring them up to contemporary green building standards.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
10 How BDO can help

05

This work is vital if national governments are to

meet their net zero pledges over the next decade.

In the same way, the construction sector can provide important community benefits such as local employment, community regeneration and support for local businesses and suppliers.

Our research reveals there is a window of opportunity to make this argument to the upcoming generation. However, this window may be closing quickly. There is a strong correlation in our research between perceptions about the construction industry's climate impact among this generation and their level of interest in the industry. In markets such as South Africa, Australia and USA, where understanding of construction's role in improving climate outcomes is strongest, we see Next generation's most open to consider a career in construction. In other markets, such as Canada, Norway, Belgium and Brazil, there is a much greater need to convince students of the industry's ESG credentials.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

06

Refreshing the industry's approach to recruitment, retention and diversity

Now is the time for decision-makers in the construction industry to radically rethink their approach to talent attraction and retention, to close the gap on other industry sectors that are perceived as much more appealing to Next generation. Our research shows that current recruitment strategies are not delivering the desired results for construction organisations.

Decision-makers should consider making improvements in three specific areas to address this: improving gender diversity, aligning messaging with Next generation's interests, and prioritising effort in the most effective communication channels.

ADDRESSING THE GENDER DIVERSITY CHALLENGE

Gender is a critical factor in our research.

We found that gender was significantly associated with an interest in a career in construction, with

males much more likely to be interested than females.

Many construction executives have already recognised this challenge,

58% with 58% saying they have programmes and processes in place to attract a diverse workforce.

37% However, this leaves more than a third (37%) of corporates without specific plans to address the gender diversity challenge.

12% A further 12% in our research were unaware of what initiatives, if any, exist in their organisation to address diversity.

ALIGNING RECRUITMENT MESSAGING ABOUT CONSTRUCTION

As illustrated in earlier sections of this report, there are significant areas of misalignment between the perceptions of Next generation and construction industry executives about career in the sector. One way to close this gap is for industry decision-makers to ensure their recruitment strategies focus on the messages that resonate most strongly with Next generation.

In addition to emphasising aspects of a career in construction that are top of the Next generation wish list – such as work-life balance, well-being, career progression and recognition – there are a number of specific messages that Next generation tell us are of most interest to them.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

Refreshing the industry's approach to recruitment, retention and diversity

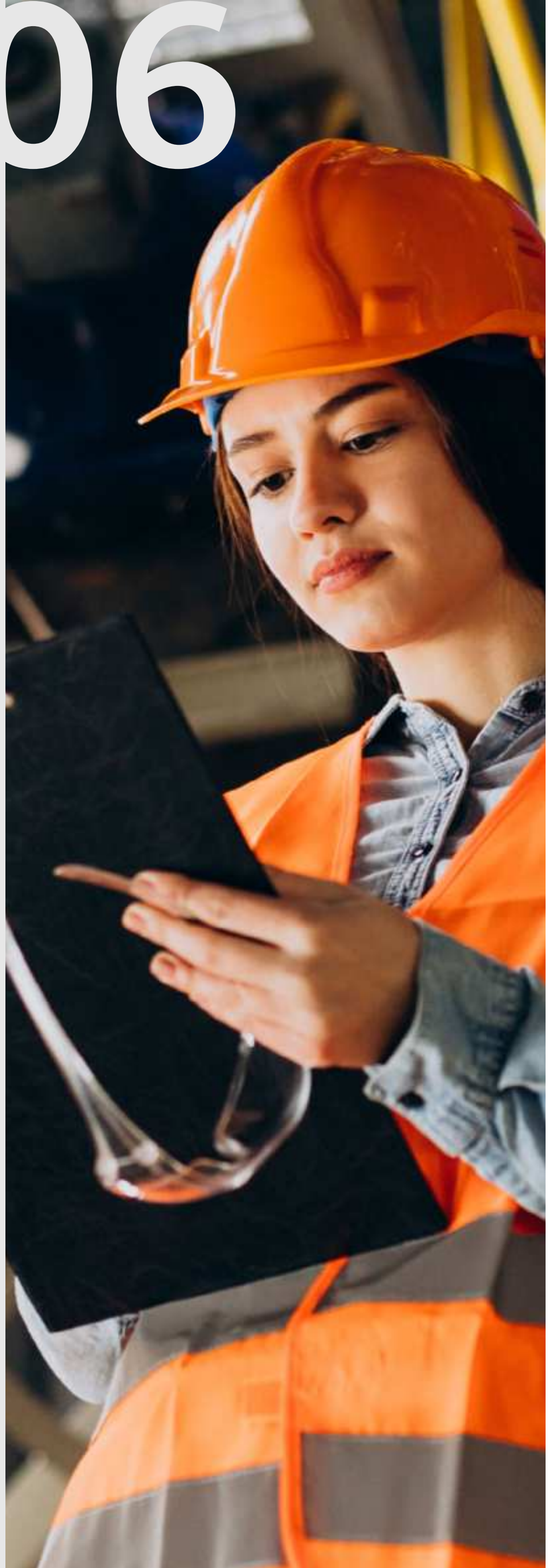
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

06



56%

of students say they would encourage construction industry companies to focus on promoting the new science involved in the industry,

for example the design and installation of green, circular and energy efficient building materials – see Figure 7.

Other areas where Next generation believes the industry needs to do more to attract new talent into the sector include highlighting the digital skills and technological innovations at the heart of the industry, emphasising the role the industry plays in the green transition and promoting equality of opportunity and diversity in the workplace through more open corporate structures.

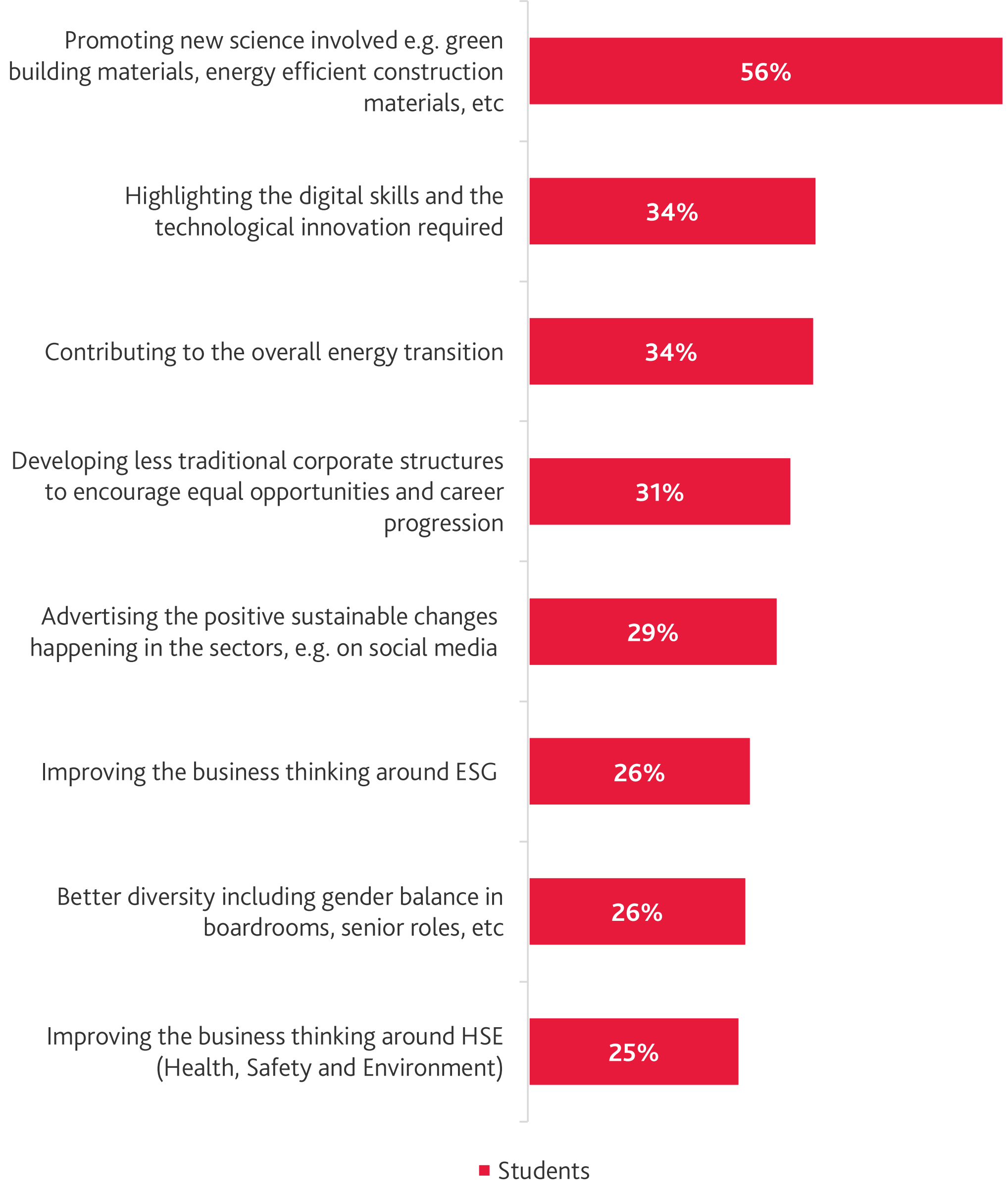


Figure 7: In which of these areas should the construction sector focus to encourage more young talent to join? Select up to three.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

10 How BDO can help

06

RECRUITMENT CHANNELS: A WARNING ON DIGITAL

When engaging with potential employers about job opportunities, by far the most favoured channel by Next generation is email: 63% of students select this as their preferred method of contact. Surprisingly, fewer Next generation said they preferred the use of social media platforms like LinkedIn (26% preferred), SMS (25%) or specialist recruitment platforms such as Indeed (17%).

Our research shows that corporates tend to favour social media outreach with 54% of decision-makers saying they are utilising these channels, and 46% utilising recruitment platforms. These channels can play a significant role in raising the profile of the construction industry as potential employers, through communication of key messages about the industry and dispelling of industry myths. However, they are less effective in establishing one-on-one communication with Next generation about specific career opportunities.

LEARNING LESSONS FROM PEERS

What steps are you taking to tackle this skills shortage?

What strategies does your organisation have in place for attracting young talent?

"Hiring employees that qualify for the job seems easy but it is hard work and it definitely takes time. So we've started to recruit people and train them on site - most people adapt to learning hands on." - *USA*

"Participation in job fairs and careers events to show the company and the sector to young talent. Effective communication of company culture and career opportunities." - *LATAM (Mexico)*

"...to tackle the shortage we will as a company give bursaries to students who are interested in doing engineering studies, then after they finish the degree we hire them to work for us as interns." - *South Africa*

"Increased compensation and benefits and also attempt to take the time to show them what a future in this field can lead to." - *Australia*

"We have been more flexible on working from home and have had to negotiate starting salaries and hiring bonuses with younger staff." - *USA*

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
10 How BDO can help

07

Conclusion

BDO's message to Next generation

The construction industry is calling out for fresh talent to help it address some of the biggest challenges facing society today. A career in construction provides an opportunity to be a genuine change-maker. It offers the opportunity to work at the cutting edge of new developments in science, technology and social impact.

Will you be the one to respond to the industry's call? Here are five reasons why Next generation should take a second look at a career in the construction industry.

01

The industry is actively recruiting.

Most companies in the sector tell us they have plans to expand their workforce. As demand rebounds off the pandemic, the industry is actively hiring and seeking fresh graduates and early career professionals.

02

The roles on offer are diverse.

A career in construction is about much more than engineering or project management. While these skills are in high demand, the construction industry is also looking for talent with a wide range of skills, degree subjects and experiences.

03

The industry is becoming more inclusive.

Most construction companies are taking active steps to appeal to a more diverse and inclusive workforce. They are shaking off stereotypes that the industry is male-dominated, and are improving gender balance and well-being in the workplace.

04

The opportunity to deliver genuine social and environmental impact is high.

By joining the construction industry there is an opportunity to be a genuine change-maker, working on projects at the forefront of green building, community infrastructure and social impact.

05

The sector offers long-term career prospects.

With demand in construction high, construction companies are investing more in skills development to offer long-term growth opportunities for early career professionals.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
Conclusion
BDO's message to Next generation
Practical lessons for construction executives
08 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
10 How BDO can help

07

Conclusion

Practical lessons for construction executives

For decision-makers in the construction industry it is time to embrace fresh thinking and new approaches to talent attraction and retention

Five practical strategies emerge from BDO's research that will help construction industry companies to overcome the talent crisis and to reposition themselves as an employer of choice in the minds of the future workforce.

01

Elevate messaging about job stability and workplace well-being.

Next generation talent is looking for a career that can provide stability and opportunities for long-term personal growth and development. Construction industry companies should do more to communicate the efforts they are making to improve work-life balance and flexibility, employee well-being, mental health, gender diversity, safety measures at work, and long-term career progression. Next generation tell us they do not hear enough of these motivating messages from prospective employers in the construction industry.

02

Tell a stronger story about environmental and social impact.

The construction sector needs to be better at championing the work it is doing to improve its environmental and social impact. The sector is playing a vital role in supporting the transition to net zero carbon through sustainable design, construction methodology and the installation of circular and energy efficient building materials, as well as retrofitting older assets to bring them up to contemporary green building standards. There is a clear opportunity to address this directly when selling the benefits of a career in construction to the Next generation.

03

Spotlight the wide range of job opportunities available.

Next generation do not currently understand how a wide variety of skills may be applicable to a career in the construction industry. Executives should highlight exciting job opportunities in technology, robotics, automation, and the digital skills required in data and cloud management, cyber security and Artificial Intelligence (AI) when working within the sector. The construction sector needs to show it is attractive to a wide range of subject specialisms, not just engineering.

04

Embrace partnerships to build a future talent pipeline.

Successful construction companies tell us they are actively promoting employment opportunities as widely as possible through initiatives with young people in local schools, colleges, and universities. This is helping to break down negative perceptions about the construction industry. Some companies offer apprenticeships or internships, which sometimes include scholarships or bursaries to help those from less privileged backgrounds gain a route into the industry.

05

Boost investment in training and diversity initiatives.

As well as attracting new generation talent, construction companies need to make sure they work hard to foster loyalty and retention among existing employees. Successful companies tell us they are offering training schemes to ensure existing employees have the appropriate skill levels needed to succeed, and so current staff can be upskilled to take on new positions. Companies are also growing their investment in diversity and inclusion initiatives to ensure all employees, regardless of background, feel empowered to succeed in the industry.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

08

Australia in focus

Next generation expect better pay from a cash-strapped sector.

Our construction research in Australia spans 50 corporate respondents and 50 Next generation respondents. Highlights from our research in Australia include:

"The construction sector employs around 1 million workers in Australia and is one of the largest contributors to the Australian economy. The sector's current challenges of reduced revenue growth and cash restraints, as a result of the impacts of inclement weather and supply chain costs, have highlighted the importance of enhanced operational performance, and thus the need to attract, recruit and retain talent.

The results of the BDO Global Construction Survey Report highlight the key opportunities for the Australian construction sector which will lead to a more sustainable and profitable future for both the industry, and the Australian economy. There is a need for Australian construction companies to take action, and 'walk the talk', when considering ESG strategies and the well-being of employees. Australia has much ground to cover when it comes to sustainability reporting, and Next generation's are not just watching how an organisation promotes ESG in its business, but more importantly, how a business actively participates in shifting global emissions and how ESG is impacting every business decision in an organisation.

The opportunity and challenge for construction companies in Australia is to focus on enhancing their ESG strategies, which encompasses well-being, and critically analyse its value proposition for Next generation employees. Boards and owners will need to consider how they are making their construction company 'fit for the future', as it will pay long term dividends for those that look beyond pay-increases, and delve further into understanding what a business can do for an employee, rather than what an employee can do for them."

Elysia Rothwell
Partner and National Construction Leader, BDO in Australia

A sector short on cash.

Construction executives in Australia are more likely to report suffering a financial loss in the last 12 months due to contractor or supplier insolvency: 64% in Australia vs. 52% globally. Alongside staffing issues, two of the top three negative impacts affecting construction industry profit in Australia are supply chain disruptions causing delays or price increases (cited by 66% of respondents) and late payments by clients (cited by 52%).

Students associate the construction sector with financial reward.

Our research shows that Next generation in Australia are more likely to associate a career in construction with financial reward compared with their global peers: 66% agree that the construction industry offers this compared with 58% of Next generation globally. They are also more likely to perceive the industry as offering financial progression: 50% vs. 44% globally. However, Australian students are turned off construction by the prospect of hard physical work and the risk of injury, with 38% and 36% considering each of these to be one of the biggest drawbacks to working in the sector.

Expanding staffing is a priority.

With 42% of Australian corporates expecting the size of their workforce to increase over the next six months, organisations are focusing on staff development. Of the four most important priorities cited by construction industry executives, three are people-related: providing an attractive workplace environment (cited by 58% as a priority), training and skills development (56%), and attracting, recruiting, and retaining employees (48%).

Lagging behind on the gender gap.

Corporates see diversity and gender balance as one of the most important areas for the construction sector to focus on to encourage young talent to join. However, improving gender balance in line with WGEA reporting requirements is only a top business priority for 40% of corporates in Australia.

Differing visions for the future of construction.

The gap in expectations for the future focus of construction is particularly wide in Australia. 50% of students want to see construction focus on promoting new science to ensure it is fit for the future. 30% want to understand more about how construction is contributing to the overall energy transition. However, corporate decision-makers are less focused on these issues, with only 32% and 16% respectively highlighting these as key messages in their recruitment strategies.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA
09 About BDO's research
10 How BDO can help

08

Belgium in focus

Next generation do not perceive a career in construction as financially rewarding

Our construction research in Belgium spans 7 corporate respondents and 50 Next generation respondents. Highlights from our research in Belgium include:

"The Belgian construction industry clearly has an image problem, in the eyes of to Next generation's. Few are looking at this sector to start working in, and it is considered not the most financially rewarding career path to take. On the positive side, youngsters seem to appreciate the positive impact and efforts of the sector to address climate change. The construction sector needs to embrace this challenge and have a positive impact, to inspire and attract new talent for the future!"

Erik Van den Broeck
Partner and Industry Leader, BDO in Belgium

Construction is not on the radar for Next generation.

Students in Belgium are much less interested in pursuing a career in construction than any other industry. Only 18% said they were 'very interested' in construction compared to 28% globally. 44% reported no interest at all, compared to 29% globally.

Construction is viewed as a comparatively green sector.

Belgian students were less concerned with environmental matters than their global counterparts, with only 18% indicating that it was highly important to them to have a career that positively impacts climate change compared to 26% globally. They see construction as a comparatively green industry: 36% feel the industry has a net positive impact on the environment, in line with retail and financial services and behind only healthcare and the public sector for its environment credentials.

Next generation are more finance focused.

Belgian students are more focused on financial reward than their global counterparts when asked about the factors that are most important when assessing future career options. This factor was tied in first place alongside respect and recognition in order of importance. However, Belgian students are much less likely to perceive the construction sector as a financially rewarding career option: just 40% agree in Belgium compared with 58% globally.

Young people are seeking back-office or tech-led roles.

Of the 24% of Belgian student respondents who indicated that they had considered a career in the construction sector, the vast majority are interested in specialist or back-office technical roles. 83% are most interested in support roles such as HR, finance, marketing, IT, or PR, while 75% are interested in innovation and technology roles such as data analytics, automation, and AI. In contrast, only 25% were interested in the role of site engineer, supervisor or foreman.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

08

Brazil in focus

A difference of opinion on work-life balance

Our construction research in Brazil spans 19 corporate respondents and 22 Next generation respondents. Highlights from our research in Brazil include:

A significant gap on work-life balance.

When assessing which factors are most important for their careers, Brazilian students consider work-life balance to be by far the most important, with 68% describing it as 'essential'. Corporate decision-makers significantly underestimate this: only 16% think young people consider work-life balance to be an 'essential' factor.

An intellectually challenging industry.

When asked how they perceive the construction industry, the second most commonly cited attribute by Brazilian students is doing intellectually challenging work. 73% of Next generation in Brazil describe construction in this way compared to just 57% of their peers globally.

Polarising opinions on construction's impact on climate.

Having a career that positively impacts climate change is 'very important' to 41% of Brazilian students and 'important' to a further 41%. However, views differ on the overall impact of the construction sector on the climate: 36% of Brazilian students believe that the sector has a net positive impact, while 32% believe it has a net negative impact.

Students want to hear more from corporates on environmental issues.

There is a significant gap between what corporates think the sector should focus on to attract talent and what students want to see from the sector. The biggest area students wanted to see more of was the positive, sustainable change created by the construction industry, followed by the industry's contribution to the overall energy transition.

Back-office staff needed.

Although a similar proportion of Brazilian corporates say they are planning to hire skilled and unskilled field workers compared with their global peers, there is a high demand for back-office roles including finance and accounting (63% looking to hire these roles in Brazil compared with 29% globally), engineering (58% in Brazil vs. 41% globally), and strategic leadership (53% vs. 33% globally).

"According to recent polls, the Real Estate Market must grow over 2% this year, even in a hostile scenario in the economy, with a basic interest rate at the 14% level and doubts about the control of public spending. To achieve such expectations, engaging and retaining qualified professionals becomes essential. Companies must be aware of what can attract Next generation, which is a generation that no longer has only financial gains as a priority. Well-implemented policies, such as programmes that prioritise the well-being of professionals, must be on the agenda. In addition, this generation is concerned about the climate impacts of the sector they operate in and, although there are initiatives by companies to reduce their carbon footprint, few companies in this segment are concerned with quantifying and disclosing climate impacts. Undoubtedly, companies that do not take responsibility for climate impacts arising from their activities, will probably lose financial market incentives as well as workforce."

Diego Bastos
Partner, Real Estate & Construction Leader, BDO in Brazil

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

08

Canada in focus

Next generation want a challenging career, but also value their well-being

Our construction research in Canada spans 67 corporate respondents and 50 Next generation respondents. Highlights from our research in Canada include:

"As to be expected, the survey results show the construction industry continues to face challenges in the wake of shifting employee expectations and labour shortages — this undoubtedly reinforces the need for construction organisations to re-evaluate their approach to talent experience today and into the future. While these talent gaps can pose risks to operations, companies can find opportunity in proactively identifying key impacts to their workforce and prioritising recruitment and retention strategies to help support their business objectives and long-term growth."

Jameson Bouffard
Real Estate & Construction Industry Leader, BDO in Canada

Staffing difficulties reported in Canada.

60% of Canadian corporates consider staffing difficulties and labour shortages to be one of the top factors negatively impacting their profit, compared to 49% citing these challenges globally. The greatest need in Canada is for skilled field workers: 51% of corporates are looking to hire these over the next 6 months.

Construction not a top choice for Next generation.

Students in Canada are much less interested in pursuing a career in construction than any other industry. Only 18% said they were 'very interested' in construction compared to 28% globally. 40% reported no interest at all, compared to 29% globally.

A significant misalignment on work-life balance.

When assessing which factors are most important for their careers, Canadian students consider work-life balance to be by far the most important, with 50% describing it as 'essential'. Corporate decision-makers underestimate this with only 30% thinking young people consider work-life balance to be 'essential'.

Stronger messaging needed on the intellectual challenge.

Alongside more commonly cited factors such financial reward, job security, and work-life balance, Canadian students cite intellectually challenging work as being more important compared to their global counterparts: 38% in Canada vs. 31% globally. However, just 40% of Canadian students felt that a career in construction offers the potential for intellectually challenging work, compared with 57% of students globally.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

08

Latin America in focus

Construction not attracting required levels of environmental expertise

Our construction research in Latin America spans 51 corporate respondents and 51 Next generation respondents across seven countries in the LATAM region. Highlights from our research in Latin America include:

Inflationary pressures hinder construction profitability.

Real-time price increases were the second biggest factor impacting profit for LATAM corporates, second only to supply chain disruptions and affecting 61% of LATAM respondents, compared to only 47% of corporates globally. By contrast, labour shortages were much less important, impacting only 35% of LATAM corporates compared to 49% globally.

Corporates misaligned on Next generation's priorities.

Corporate decision-makers in the region are significantly misaligned on what they believe students value when selecting career options. They believe the three most essential factors are: doing intellectually challenging work (53% for corporates vs. 25% for students), having variety and change at work (49% vs. 31%), and the opportunity for travel (49% vs. 25%). In reality, LATAM students' priorities are not much different to their global counterparts: their three most 'essential' criteria are job security (45%), respect for work delivered (45%), and career progression (41%).

Next generation are ambivalent about construction.

A career in construction is generally less appealing to students in LATAM than other industries. Only 24% say they are 'very interested' in a career in the sector, the lowest of any industry tested in our research. However, a further 47% say they are 'somewhat interested' suggesting that the construction sector has more work to do to translate this latent interest into a strong preference for construction.

A missing link on environmental concerns.

More than a third (37%) of LATAM students think it is 'very important' to have a career that positively impacts climate change (compared to 26% globally). 57% of corporates are hiring for environmental competencies in LATAM (compared with 32% globally). However, students in the region don't think the industry currently has a sufficiently positive impact on the environment, which suggests more emphasis needs to be placed on highlighting the positive role of construction in the energy transition.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

08

The Netherlands in focus

An old-fashioned view of the construction sector remains

Our construction research in the Netherlands spans 25 corporate respondents and 30 Next generation respondents. Highlights from our research in the Netherlands include:

"In the Netherlands, we see a strong focus among job seekers on achieving a good work-life balance. While we have observed an increase in this trend, it is lower than in other countries. Given the shortage of staff across the entire industry, it is easy to find a first job or switch between jobs.

Indeed, we have noticed that job seekers in the Netherlands, especially recent graduates, prioritise jobs that contribute to improving issues such as climate change or other societal challenges. Therefore, the low score on influencing climate change is noticeable.

The background of students may play a role in answering the question. Practically educated students will actually work more on the construction site, while theoretical students will work more in an office. The outcome of this question shows that the industry still has work to do to change these perceptions.

The economic conditions in the Netherlands are very complex. Due to rising interest rates, it is more difficult to obtain a mortgage for buying a house or office, and strict nitrogen restrictions make it increasingly difficult to obtain a building permit. Due to the large personnel shortages in all types of companies, it is expected that the Netherlands will not immediately enter a recession. However, it does mean that companies may not expand their workforce and may consider downsizing.

We recognise the importance of hiring experts in the field of climate ourselves. This is driven by the fact that it can strengthen our competitive position but also by the upcoming legislation regarding CSRD. This does indeed present a great opportunity for students to embrace this topic and differentiate themselves from their fellow students."

Michiel Wijnans
Partner and National Construction Industry Leader, BDO in the Netherlands

Dutch students less focused on work-life balance.

While Dutch students place similar importance as their global counterparts on most factors when assessing their career options - prizing factors like respect in the workplace (43% cited as 'essential') and financial reward (40% 'essential') – they were less concerned about work-life balance (30% vs. 48% globally) and job security (30% vs. 43% globally) compared with their global peers.

Social purpose is a key driver for Next generation.

Unlike in other markets, the third most important factor for Dutch students when assessing their career options is social purpose and doing something for the 'greater good.' (37% cite as 'essential'). This is distinct from environmental concerns: only 10% of students in the Netherlands considered it 'very important' to pursue a career that positively impacts the climate, compared to 26% globally.

Mixed perceptions on construction.

Construction is the most divisive industry for students when assessing their career options, with 33% saying they are 'very interested' and 33% who are not interested at all. Part of this may be attribute to Next generation's outdated views of the industry: 80% think a job in construction requires physical effort, and 43% consider the risk of injury as one of the biggest drawbacks to working in the sector.

A more uncertain hiring outlook.

Just over a third (36%) of Dutch corporate respondents anticipate that the size of their workforce will increase in the next six months. However, more than a quarter (28%) anticipate a decline in the size of their workforce over the same period, compared to 18% globally. More respondents in the Netherlands indicate they would be downsizing rather than hiring for finance and accounting, legal, and skilled field work roles.

Environmental expertise highly sought after.

The skill with the largest anticipated future demand was environmental expertise: 40% of corporates expect to hire for this role in the next 6 months, while only 16% expect to downsize. However, students in the Netherlands typically overlook the importance of this skills: only 30% consider environmental expertise to be a relevant skill for the construction sector, compared to 51% of Next generation globally.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA
09 About BDO's research
10 How BDO can help

08

New Zealand in focus

Talent shortages causing issues for employers

The headlines below for New Zealand come from BDO New Zealand's 2023 construction sector research '*Beyond Boom and Bust*': '*A Construction Sector Taking Control of an Uncertain Future*' and its 2023 '*Construction Sector Well-being and Business Performance Index*'.

An uncertain pipeline of work ahead.

Asked what the biggest adverse impacts on their business had been, access to labour (including local, international and subcontractors) was the most common factor cited by 79% of respondents in New Zealand, followed by increased costs eroding margins at 74%, materials availability (66%) and uncertainty of work pipeline (37%).

Staffing continues to cause issues.

Like their global peers, construction businesses in New Zealand have a lot of work but not enough labour to do it, with 67% actively looking for additional staff. Over half of respondents in New Zealand indicated that immigration rules have had a negative impact on their ability to employ appropriately skilled staff, suggesting that New Zealand's tight immigration rules continue to cause issues in the sector.

Environmental concerns rise up the agenda.

Builders are under pressure to demonstrate their ESG credentials from customers, investors, and regulators alike. Construction organisations must ensure green planning from the get-go of every project and consider how to cut both the waste produced and energy used on every build.

However, more understanding of ESG needed.

Despite ESG requirements becoming more common in New Zealand, there is still a lack of understanding from many construction businesses about what they need to do. 22% of those surveyed by BDO say that they don't have a clear understanding of what they should do differently. With a younger generation becoming increasing motivated by a desire to have a positive economic and social impact at work, this knowledge gap needs to be quickly addressed.

Organisations investing in talent retention.

Even with an uncertain work pipeline, forward-thinking organisations are investing in talent retention strategies. These include creating clear progression and development pathways for staff, create bonus schemes and incentives for staff to recognise their hard work, and introducing an employee share scheme or longer-term incentives for senior staff.

"While there are some significant challenges for New Zealand's construction industry, there continues to be reasons to feel optimistic also. The sector as a whole is placing more focus on financial management practices – meaning this boom-and-bust cycle may play out a little differently, with more businesses in a stronger position financially – focussing on what they can control to move through the uncertainty. Risk remains a key issue, however just like with ESG, a more collaborative approach that doesn't just focus on doing everything at the lowest possible cost, will be what strengthens New Zealand's construction sector moving forward."

Nick Innes-Jones
Construction Sector Leader, BDO in New Zealand

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA
09 About BDO's research
10 How BDO can help

08

Norway in focus

Young people driven by pragmatic concerns in their career choices

Our construction research in Norway spans 14 corporate respondents and 22 Next generation respondents. Highlights from our research in Norway include:

"In the current challenging market conditions of the construction sector, we believe that companies who prioritise the attraction of future talent will remain competitive and profitable in the long term.

We are surprised by how the lacking of clear ESG goals and strategy can significantly impact a company's appeal to potential employees and hinder their ability to attract the skilled workers they need.

While we are pleased to see some of our clients placing more importance on ESG practices, we urge the industry as a whole to prioritise these initiatives. Doing so will help companies secure top talent and meet future regulatory requirements."

Henning Dalsegg
Partner, Industry Leader Building and Construction, BDO in Norway

Supply chain pressures.

71% of Norwegian corporates reported that their organisation had suffered financial loss due to the insolvency of a contractor or supplier in the last twelve months, compared to 52% globally. 71% also reported supply chain disruptions as one of the biggest factors negatively impacting their profit in the same period, compared to 63% globally.

Young people are unenthusiastic about the construction industry.

Only 18% of Norwegian students say they are 'very interested' in pursuing a career in the construction sector, compared to 28% globally. As a result, 21% of corporates say they find it very difficult to attract and retain young professionals to a career in construction, compared to 14% globally.

Construction perceived by Next generation as negative for the climate.

Half (50%) of Norwegian students believe the construction industry has an overall net negative impact on the climate. This is a larger proportion than even natural resources and energy (36%) and manufacturing/industrial (27%). Only 18% of Norwegian students think that the sector has an overall positive impact on the climate.

Young people are more pragmatic in their career decisions than corporates realise.

When it comes to choosing a career, Norwegian corporates failed to recognise a host of practical concerns that students deemed essential. In particular, Next generation place a high value on work-life balance (55% of students cite as 'essential' compared with 21% of corporates), career progression (55% compared with 21%), and job security (50% compared with 7%).

Construction is perceived as low paid and risky by Next generation.

When assessing the biggest drawbacks to working in the construction sector, Norwegian students highlight two factors more than any others: the risk of injury (59%), and the low wages (55%).

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA
09 About BDO's research
10 How BDO can help

South Africa in focus

A fast-growing construction sector, popular with Next generation

Our construction research in South Africa spans 50 corporate respondents and 51 Next generation respondents. Highlights from our research in South Africa include:

"The evolution of the construction industry can be traced from its initial use of sticks, branches, grass, and mud to the more sophisticated permanent structures designed and built by engineers, architects, contractors, subcontractors, and with the use of specialised materials. The industry's progress has created exciting opportunities for both small and large-scale infrastructure projects. However, the industry is not without its challenges.

One of the most significant challenges is the shortage of skilled labour, which has led companies to seek productivity and innovation as a way of gaining an advantage. Other firms are looking to expand through strategic acquisitions, while some are facing a transition in ownership, with owners from the boom era of the mid-20th century reaching retirement age.

Sustainability has become an essential aspect of the industry, with South Africa adopting this approach and making it a priority. Consequently, there are a wide range of job opportunities in the construction sector in South Africa, with a positive outlook on skilled employment, due to growth in the industry.

Climate change has also become an agenda item, prompting awareness and demand for prioritisation. However, political instability remains a challenge, with corruption, high costs of living, and high unemployment rates all contributing to the situation. As a result, many young people have been forced to relocate to other countries in search of opportunities."

Wynand Botha
Construction Industry Leader, BDO in South Africa

Staffing difficulties overtaken by other concerns.

42% of South African corporates confirm shortage of employee talent in the construction industry to be a top factor negatively impacting their profit in the last 12 months, compared to 49% globally. This is a lower proportion than most other factors listed by decision-makers in the region. This is despite 62% of corporate respondents anticipating that the size of their workforce will increase over the next six months.

Construction is a popular choice for students.

Almost half (49%) of South African students say they have considered a job in the construction industry. This compares to 28% globally. The construction industry ranks as the second most popular overall among students in South Africa, just behind the Technology, Media and Telecommunications (TMT) sector.

Climate change a priority for Next generation.

Over a third (37%) of South African students indicate that it is very important to have a career in an industry that positively impacts climate change, compared to 26% globally. This is good news for the construction sector in South Africa because 47% believe the sector can positively impact climate change.

A reputation for physical work.

Despite the outlook being generally positive overall, when South African students think about work in the construction industry, they overwhelmingly think of it as physical and dangerous: 94% agree that working in construction requires physical effort, and 86% cite the risk of injury as one of the biggest drawbacks to working in the sector.

Political affiliation less important to the younger generation.

46% of South African corporates think that regional political affiliation is an essential factor for young adults when assessing their future career options, but only 10% of students agree.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

09 About BDO's research

10 How BDO can help

08

USA in focus

Next generation want a challenge, but also value their personal time

Our construction research in the USA spans 50 corporate respondents and 50 Next generation respondents. Highlights from our research in the USA include:

"The survey results support the mounting concerns over inherent U.S. economic uncertainty, including rising interest rates and inflation, causing disruption within the industry. The gap in new student expectations vs. industry expectations continues to exist. While technology and ESG within the construction industry have come a long way in the last several years, to be successful in attracting new talent to the industry, companies will need to continue their focus on narrowing these gaps. Having said that, I am still bullish on the industry and future prospects here in the United States."

Ian Shapiro
Partner; National Real Estate & Construction Practice Co-Leader, BDO in USA

Downturn in profits reported with greater frequency.

64% of US corporate respondents report suffering financial loss due to the insolvency of a contractor or supplier over the last 12 months, compared with just 52% globally. Delays in project timelines and projects being suspended was the second biggest factor impacting profit, affecting 56% of US corporates compared to 44% globally.

A work-life balance perception gap.

Work-life balance is the most important factor for US students when assessing their future career, with 46% considering it an 'essential' factor. Only 30% of corporates recognise this, however. For students, this is a problematic aspect of working in construction: only 34% agree that the industry offers a good work-life balance, and 54% consider the prospect of working 6 or more days a week to be one of the biggest drawbacks of working in the industry.

The social purpose gap.

Social purpose plays a more significant role in the considerations of young people in the US compared to their peers in other geographies: 42% of students deem this factor to be 'essential' to their career. However, views on how the construction sector performs against this differ: 82% of US corporates believe that their organisation has a positive impact on communities and the environment, but only 52% of students agree that the sector is delivering positive social outcomes.

Next generation focused on tech roles in the construction industry.

More than two thirds (67%) of US students with an interest in a role in the construction sector are interested in IT and technology roles. More generally, 74% of all student respondents think that the construction sector needs to focus on promoting the new science involved in the sector in order to be fit for the future.

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

06 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa
USA

▶ About BDO's research

10 How BDO can help

About BDO's research

BDO commissioned independent research consultancy Meridian West to undertake research on its behalf among decision-makers in the construction industry as well as students and other representatives of Next generation at the start of their career journey.

Research was undertaken across nine markets: Australia, Belgium, Brazil, Canada, Latin America, the Netherlands, Norway, South Africa and the USA. Additional research conducted by BDO in New Zealand provided further context. In total, 714 individuals took part in BDO's research, comprising 336 corporate respondents and 378 students.

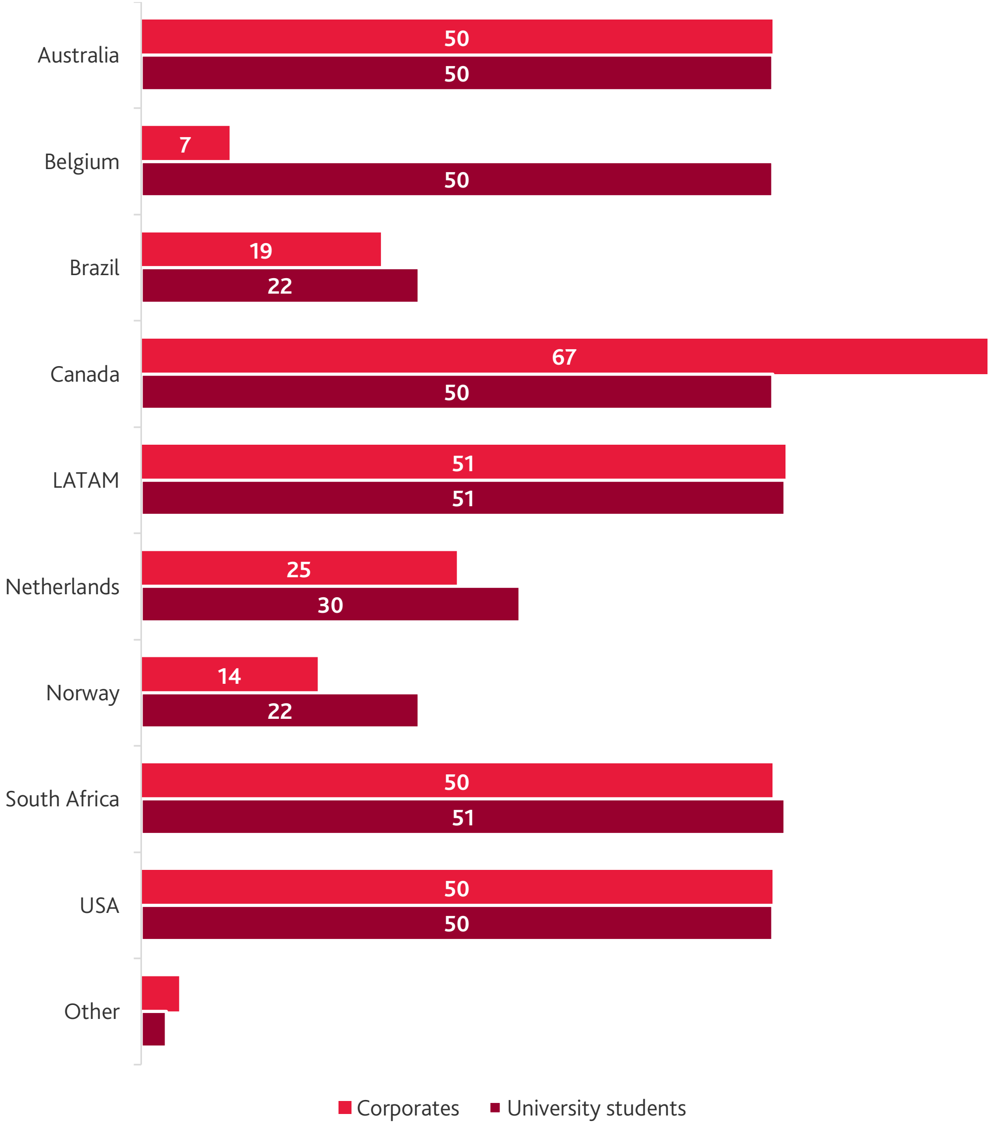


Figure 8: Responses % by demographic segment – split by country/region of respondent

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
06 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
About BDO's research
10 How BDO can help

09

CORPORATE RESPONDENTS

Corporate respondents represent a range of decision-makers across the construction industry with two thirds (65%) of respondents in senior management roles. Over half (57%) are from organisations that have a turnover of between USD$5 million and USD$250 million. 28% have a turnover of more than USD$250 million. A range of different types of construction company are represented: 34% are general construction, 21% civil construction and infrastructure and 18% residential construction – see Figure 9.

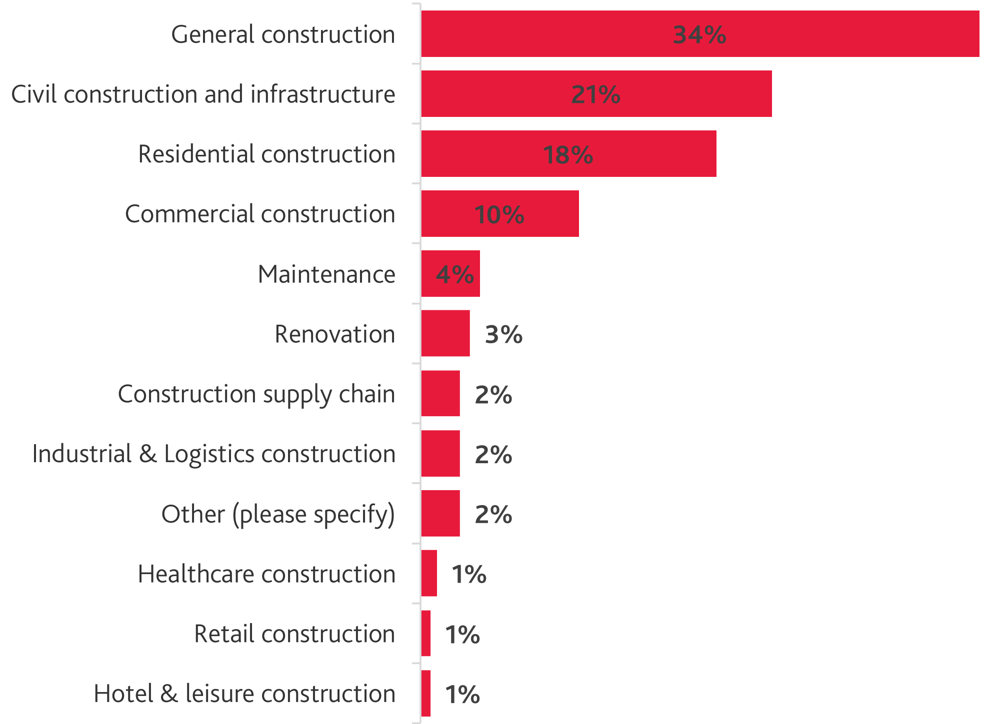


Figure 9: Which of the below best describes the sector in which your company operates?

NEXT GENERATION STUDENTS

Respondents are those who are in or have recently completed an undergraduate or postgraduate degree or apprenticeship. Of those studying for a degree, 29% are studying business, finance or commerce, while other common degree subjects include engineering (17%), and life sciences (14%) – see Figure 10. 75% of respondents are under the age of 25. A majority (57%) identify as female, while 38% identify as male, 3% as non-binary, and 3% did not disclose their gender.

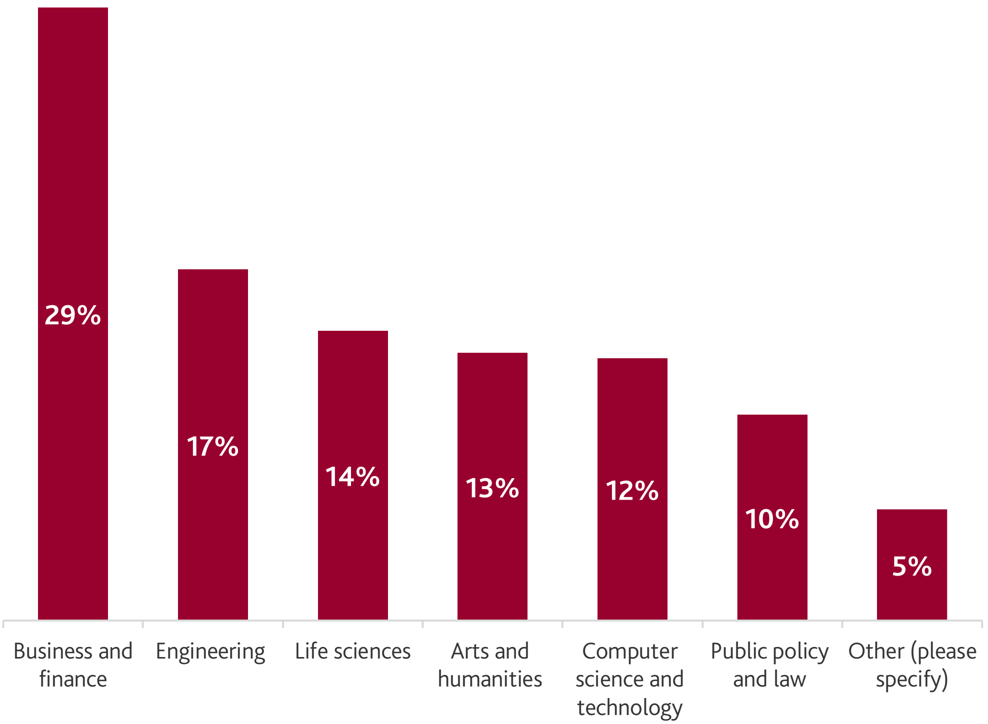


Figure 10: What is the main subject of your degree? Please select all that apply.

01 Construction
Navigating the talent crisis
02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits
03 Next generation
Understanding what motivates the workforce of tomorrow
04 Closing the gap
Aligning the construction industry with Next generation's aspirations
05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem
06 Refreshing the industry's approach to recruitment, retention and diversity
07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives
06 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA
09 About BDO's research
How BDO can help

10

How BDO can help

Our global expertise in the construction industry

01 Construction
Navigating the talent crisis

02 Employment growth
The construction sector is bouncing back following difficult years and heavy impact on profits

03 Next generation
Understanding what motivates the workforce of tomorrow

04 Closing the gap
Aligning the construction industry with Next generation's aspirations

05 Proactively altering Next generation's perceptions
Addressing the construction industry's image problem

06 Refreshing the industry's approach to recruitment, retention and diversity

07 Conclusion
BDO's message to Next generation
Practical lessons for construction executives

06 Countries in focus
Australia
Belgium
Brazil
Canada
Latin America
The Netherlands
New Zealand
Norway
South Africa USA

09 About BDO's research

How BDO can help

10

BDO Australia Construction Survey Report 2023

BDO New Zealand well-being in Construction Report 2023

BDO New Zealand Construction Sector Report 2023 - A construction industry taking control of an uncertain future

BDO UK Construction Report 2022 - Navigating Construction's challenging new landscape.

BDO Canada Construction Report 2021 - Rising from a pandemic

FOR MORE INFORMATION

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