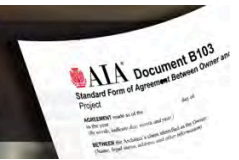


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BUILDING EXCELLENCE

Indiana's Construction Industry Booms Amidst Workforce Woes

by: Joseph Natarelli, National Construction Leader, Marcum LLP



As Indiana's construction sector experiences an unexpected surge in job creation, outpacing the state's general economic expansion, the broader picture reveals a labor market stretched uncomfortably thin. In the Hoosier State, where labor has become a scarce commodity, the unemployment rate paints a picture of resilience

at 3.5 percent, comfortably below the national average as reported by the **Bureau of Labor Statistics** (BLS). However, this rosy outlook is clouded by the sharp contraction of the labor pool available to the construction industry, which has seen a reduction of approximately 11,700 workers since October. (**Marcum** Indiana graph 1)

Against this backdrop of statewide labor shortages, Indiana's construction industry has emerged as a formidable growth engine. (**Marcum** Indiana graph 2) With a year-over-year job growth rate of 4.0 percent — dwarfing the state's overall economic job growth rate of 1.6 percent — the construction sector stands as a pillar of economic strength. Since the pandemic's inception, construction employment in Indiana has catapulted by 12.4 percent, which leaves the state's cumulative industry growth of 3.4 percent far behind. (**Marcum** Indiana graph 3)

Finding Balance

The implications of such robust sector expansion are multifaceted in a landscape where skilled workers are increasingly hard to come by. While the heightened demand for construction services signals a thriving industry, it simultaneously drives wages upward and intensifies hiring competition, straining project budgets and completion timelines.

The construction segment of the national construction industry paints a bleak picture. Although buoyed by a sturdy quarter overall, it experienced a slight dip in spending, with a mere 1 percent increase over the full year. After factoring in inflation, this suggests a decline in real dollar investment. It is a potent example of the selective pressures bearing down on various construction market segments and further shades otherwise encouraging data on the local region.

In **Marcum's** most recent construction survey analyzing Q4 of 2023, the Commercial Construction Index, **Anirban Basu**, **Marcum's** chief construction economist, suggested that price escalations have leveled off to offer some relief, particularly in the later parts of the year. Yet, despite these tailwinds, including global supply chain improvements and a reduction in global demand, commodity prices persist at levels approximately 38% higher than those seen at the pandemic's outset.

Doubling Down

The urgency to attract and retain skilled labor necessitates inventive hiring strategies, as seen in the latest Bureau of Labor Statistics Job Openings and

Labor Turnover Survey (JOLTS) analysis by Marcum LLP's National Construction Services Group. For contractors, that means doubling down on workforce development, apprenticeships, and community engagement efforts to entice the next generation into the trades while further developing the existing workforce. While all eyes remain fixed on the Federal Reserve's monetary policies, the future hinges on more than monetary policy. Marcum's survey of the industry reveals that industry leaders feel the need to stay alert and flexible in response to economic changes to sustain momentum and navigate through any forthcoming uncertainty.



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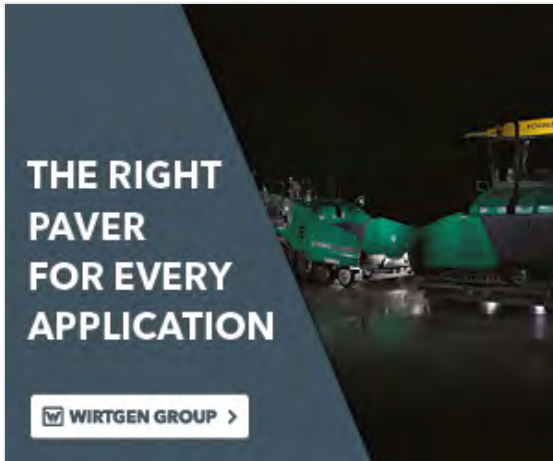
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In Indiana, the construction industry stands at a crossroads marked by a significant workforce deficit juxtaposed with enviable growth figures. Dedicated efforts to cultivate a sturdy workforce, embrace innovative recruitment methods, and remain nimble amid economic flux could steer the regional industry toward prosperity. However, confronting the workforce challenge directly remains a priority for the industry's medium and long-term prospects.

About the Author

Joseph Natarelli is the office managing partner for Marcum LLP's New Haven, Connecticut office and a member of the Firm's Executive Committee. A specialist in accounting for construction contractors, Joseph also serves as national leader of Marcum's Construction Services practice, overseeing audit, consulting, and taxation services to construction clients ranging from start-ups to multi-billion-dollar international enterprises.

He has extensive experience advising on mergers, acquisitions, and divestitures. He has served as a technical reviewer for the American Institute of Certified Public Accountants' (AICPA) construction audit and taxation guides for more than two decades and had the privilege of chairing the AICPA National Construction Program Conference Committee from 2012-2014.



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