



Construction Risk Advisor

September 2018

INDUSTRY OVERSPENDING \$177 BILLION PER YEAR

The average time construction professionals in the U.S. spend on avoidable issues like conflict resolution, rework and looking for project data costs the industry over \$177 billion annually, according to a new report.

The participants surveyed for the report said they spend 65 percent of their time on “optimal” activities like communicating with stakeholders and optimizing resources that keep projects on track. They spend the remaining 35 percent of their time on “nonoptimal” tasks like hunting down project information, resolving conflicts and dealing with mistakes that require rework. That amounts to almost two full working days lost per person each week.

Some of the reasons for the nonoptimal costs include poor communication, constrained access to data, incorrect data and the lack of an easy way to share data with stakeholders. Another possible reason is that more than 80 percent of the survey’s respondents said they don’t use mobile devices to collaborate and access project data, despite the fact that mobile devices could help them work more efficiently.

Provided by:
Hierl Insurance Inc.



STATES SAY CONTRACTORS MUST GUARANTEE WAGES

Maryland’s General Contractor Liability for Unpaid Wages Act becomes effective on Oct. 1, making private contractors for prime construction projects in the state financially responsible for unpaid wages of subcontractor employees. And unless the reason for nonpayment is related to a legitimate dispute, general contractors could be held responsible for up to three times the amount owed, plus attorney fees.

California and Oregon also enacted similar laws earlier this year. In California, general contractors are now liable for the unpaid wages of any employee who furnishes labor to or through them, plus unpaid benefits and interest.

Oregon’s wage protection law creates liability for the general contractor only if the worker’s subcontractor employer has not yet been paid in full.

MITIGATING THE RISK

In order to reduce the risk of general contractors having to pay their subcontractors’ employee wages, some industry experts are recommending that subcontractors provide their own payment bonds.

Opponents of the recent laws argue that it could be difficult for subcontractors on rocky financial ground to meet bond underwriting requirements. And since large projects could require several new bonds per job, overall project costs could increase significantly. Plus, if subcontractors don’t pay up, prime contractors will have to pay twice for the same labor.