

2020 National Construction Payment Report

Spring Spotlight: Jobsite Coordination



LEVELSET

Payment help is here.

2020 REPORT: JOBSITE COORDINATION & PAYMENT SPEED

The **2020 National Construction Payment Report** is based on a survey of more than 540 construction businesses conducted in February and March 2020.

Respondents:

- Subcontractors (44%)
- General contractors (37%)
- Both GC and subcontractor (15%)
- Material supplier (4%)

Twice a year, Levelset collects data from hundreds of contractors to increase awareness around the causes for delayed payment and encourage industry-wide visibility, communication, and collaboration. The 2020 survey, a partnership between Levelset and Fieldwire, asked construction businesses about their attitudes and experiences with delays in the field and the impact on payment speed and efficiency.

KEY TAKEAWAYS

- Overall, the construction industry accepts project & payment delays as the status quo.
- More than 3 out of 4 construction businesses (77%) say they are happy with their jobsite performance.
- A majority (53%) are happy with how quickly they get paid for their work.
- Fewer than 1/3 of contractors (30%) always finish projects on time and within budget.
- 70% say poor jobsite coordination is a significant contributor to budget overruns and missed deadlines.
- 80% of companies spend a "moderate" or "substantial" amount of time chasing down payments.
- Only 52% of businesses say they typically receive payment within 30 days of invoicing. 15% wait for 60 days or longer to get paid on most projects.

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JOBSITE COORDINATION

CONTRACTORS RATE JOBSITE COORDINATION & PAYMENT SPEED HIGHLY.

When asked to rate the productivity of their field work, contractors appear to be content with the status quo.

More than 3 out of 4 construction businesses (77%) say they are “happy” with their jobsite efficiency.

Similarly, when it comes to getting paid for their work, a majority of construction companies say they are satisfied.

Just over half (53%) of all respondents report being happy with how quickly they receive payment for their work.



77%

are happy with how quickly they get the job done.

53%

are happy with how quickly they receive payment.

JOBSITE COORDINATION

POOR COORDINATION CAUSES JOBSITE PROBLEMS

Though construction businesses report high levels of satisfaction with their jobsite efficiency, **fewer than 30% say they "always" finish projects on time and within the budget.**



28%

finish all projects on time and under budget.

CONTRACTORS SPEND A LOT OF TIME TRYING TO GET PAID

Even though a majority report being happy with payment speed, **over 80% of companies say they spend a "moderate" or "substantial" amount of time chasing down payments**



80%

Spend a moderate or substantial amount of time chasing down payments.

JOBSITE COORDINATION

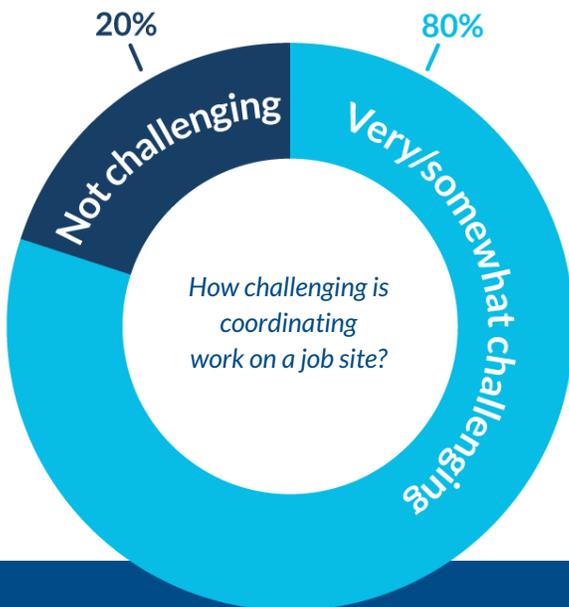
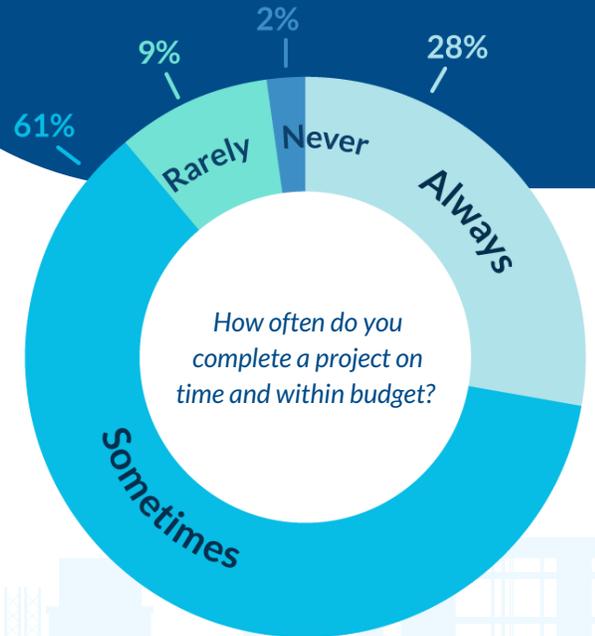
By and large, construction businesses say they're satisfied with their jobsite planning and productivity.

At the same time, fewer than 30% of construction businesses say they "always" finish projects on time and within the budget.

Of course, construction projects rarely happen according to plan, especially when multiple subcontractors and suppliers are involved. Construction is a real-life puzzle, and putting all of the pieces together is not an easy task.

Unsurprisingly, nearly 80% of survey respondents say that coordinating field work is "somewhat" or "very" challenging.

ONLY **28%**
SAY THEY ALWAYS COMPLETE A PROJECT ON TIME AND WITHIN THE BUDGET.



80%

SAY THAT COORDINATING JOBSITE WORK IS SOMEWHAT OR VERY CHALLENGING



"My time spent upfront planning and scheduling pays in the long run - before crews get on site wasting time with problems or coordination."

-Survey Respondent

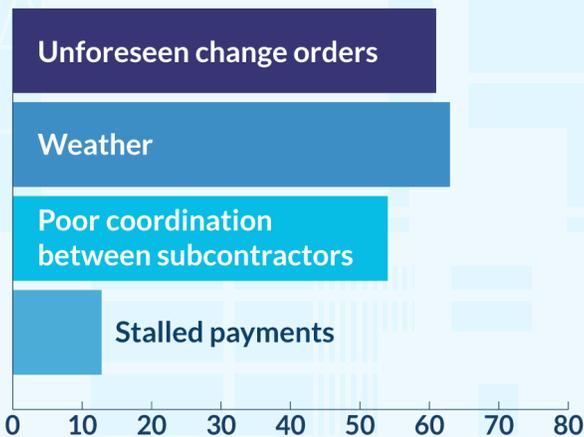
JOBSITE COORDINATION

POOR COORDINATION CAUSES PROJECT DELAYS

A construction project is a delicate balance of work sequences, many closely dependent on the ones before it. Any number of outside forces can interrupt the flow of work, from inclement weather to illness to supply chain disruptions. Project delays are exceedingly common: **84% of construction businesses experience delays on some or all of their projects.**

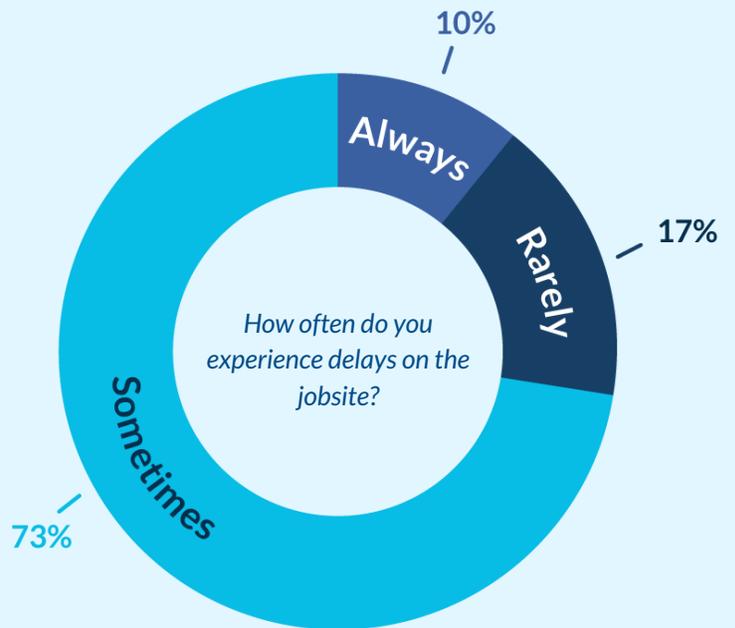
However, the source of those delays would be largely preventable with better planning and faster payments. Construction businesses blame delays on unexpected change orders (62%), weather (60%), poor subcontractor coordination (54%) and stalled payments (12%).

What is the main cause for job delay?



54%

Blame job delays on poor coordination between subcontractors.



84%

OF CONTRACTORS EXPERIENCE A DELAY ON SOME OR ALL PROJECTS.



"Job site coordination all depends on the GC and other subs' schedules in our line of work."

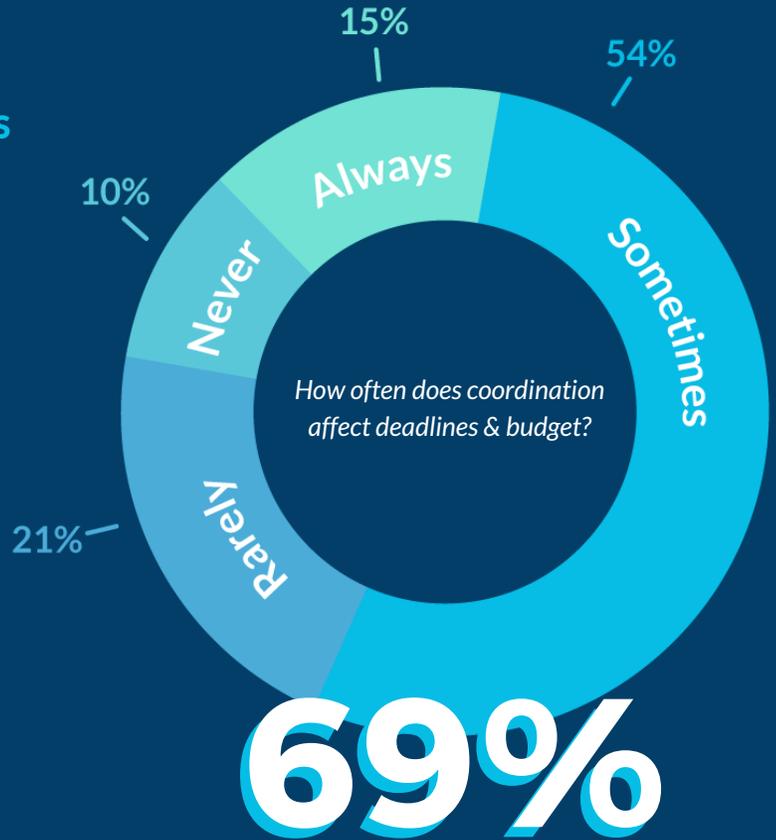
-Survey Respondent

JOBSITE COORDINATION

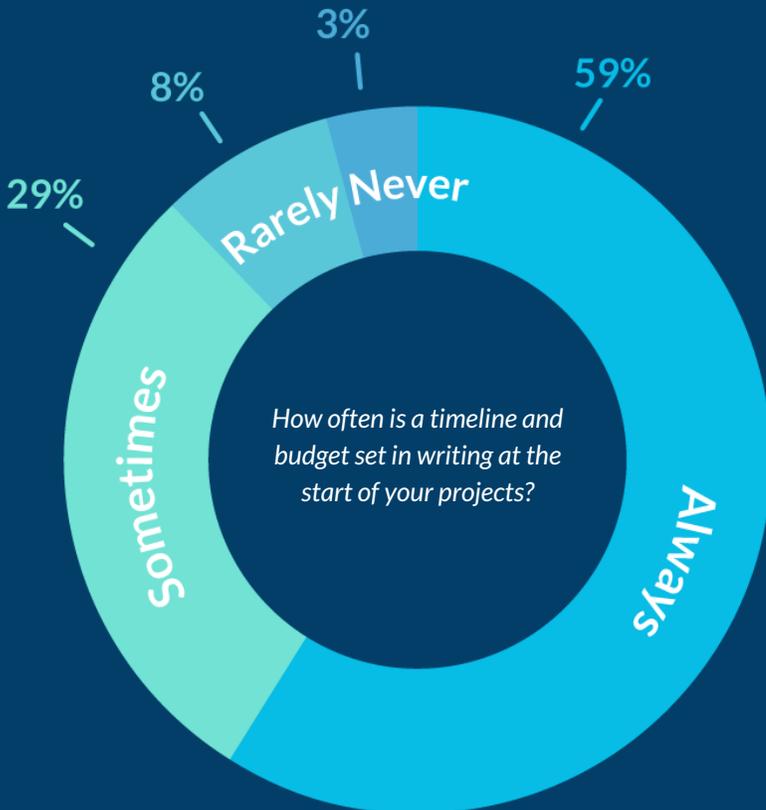
CONTRACTORS MISS DEADLINES DUE TO POOR PLANNING

Finishing a project on time and under budget is critical not just for each contractor or supplier on the job, but for the construction project as a whole. Nearly 70% of contractors say that poor jobsite coordination "sometimes" or "always" causes projects to run over budget or past deadlines.

One culprit appears to be the lack of proper planning. Only 59% of contractors say they work from a set budget and timeline in advance of every project.



BLAME POOR JOBSITE COORDINATION FOR MISSING DEADLINES AND GOING OVER BUDGET.



FEWER THAN

60%

SET A TIMELINE & BUDGET ON EVERY PROJECT

JOBSITE COORDINATION

CONTRACTORS ARE WASTING TIME

Overall, construction businesses are losing more than 1 full day of work every week to inefficiency. Two-thirds (66%) spend more than a quarter of their work hours waiting for work to be done.

The lack of jobsite planning and coordination ends up preventing contractors from doing the work they were built to do.

Nearly 75% of respondents say that their company spends less than half of their time doing actual construction work.

And 84% report spending more than 1/4 of their time tracking & reporting on project progress.

84%

spend more than 1/4 of their time tracking and reporting on project progress.

75%

spend less than half of their time doing actual construction work.

66%



spend more than a quarter of their work hours waiting for other work to be done.



JOBSITE COORDINATION

IMPACTS: LOST MONEY & UNHAPPY WORKERS

On a construction project, another party's delay can have a direct effect on your own productivity - and your ability to collect payment.

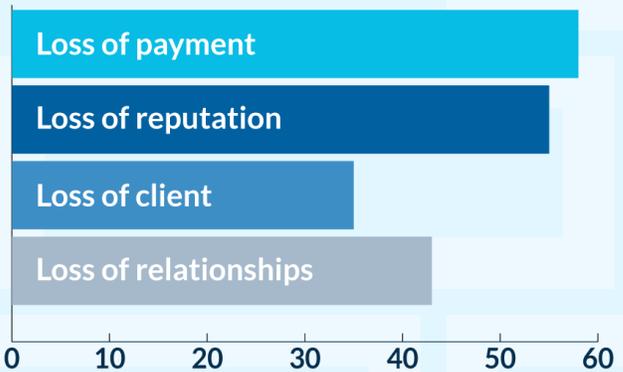
58% of contractors say that **poor coordination on the jobsite means they get paid less for their work.**

In addition, 40% of contractors say that **poor coordination on the jobsite is a significant barrier to their job satisfaction.**

58%

OF CONTRACTORS LOSE PAYMENT BECAUSE PROJECTS ARE POORLY COORDINATED.

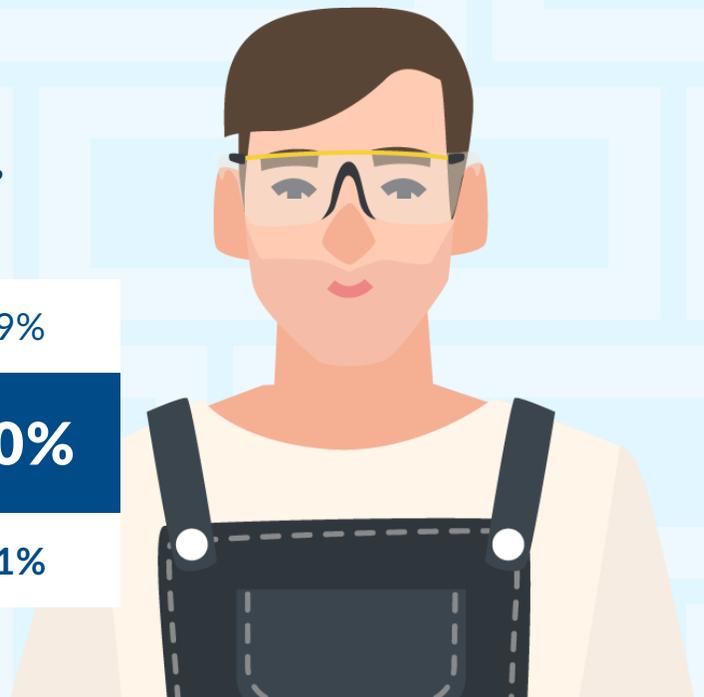
How does "Lack of coordination" on the job affect your business?



40%

SAY THAT POOR COORDINATION ON THE JOBSITE IS HOLDING THEM BACK.

What's stopping you from being your happiest at work?



CONSTRUCTION PAYMENTS

GETTING PAID IN CONSTRUCTION IS A CHALLENGE

Getting paid in construction is a challenge, and it makes it difficult for contractors and suppliers to manage their cash flow.

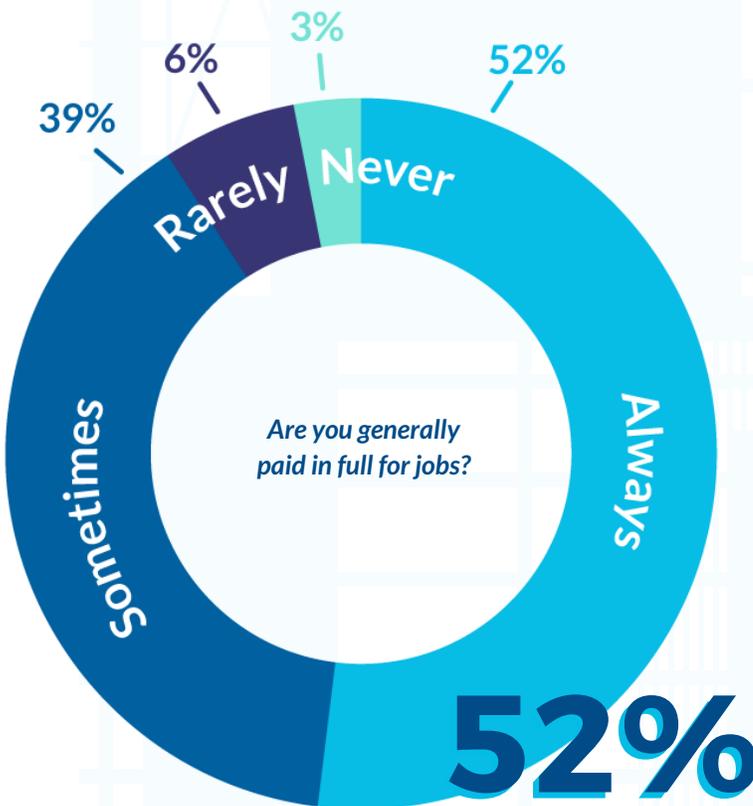
Contractors and subs are forced to deal with last minute change orders or directives, back charges, retainage, and other payment practices particular to the construction industry.

Only 52% of contractors say they are always paid in full for their work. Nearly 1 in 10 say that they are "rarely" or "never" paid in full.

The upfront deposit - once a mainstay in the industry - has been eroded over time, putting a heavy strain on a construction business's cash flow.

In the survey, only 23% of businesses say they "always" receive an upfront deposit on their projects.

Without a payment up front, contractors are expected to pay their suppliers and meet business expenses while they wait for payment.



ONLY
23%

OF CONTRACTORS ALWAYS RECEIVE AN UPFRONT DEPOSIT

52% OF CONTRACTORS SAY THEY ARE ALWAYS PAID IN FULL FOR THEIR WORK

“The ability to purchase and pay on time is critical. When cash flow is slow, we cannot move forward on a project as quickly as we would like.”

- Survey Respondent

CONSTRUCTION PAYMENTS

PAYMENT TAKES A LONG TIME

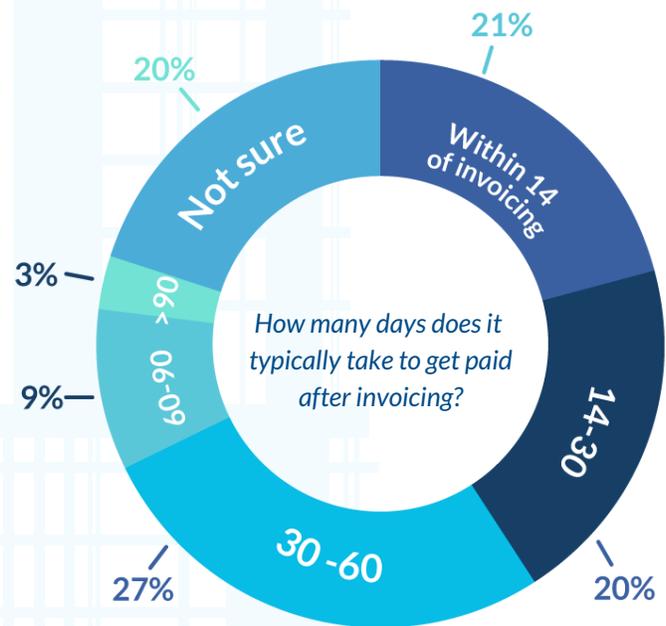
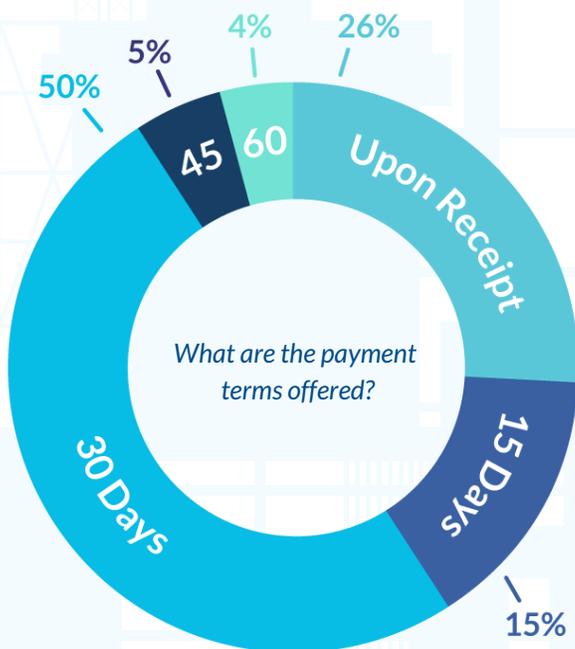
Getting paid for construction work isn't easy - and contractors are often forced to wait a long time.

According to the survey, almost half of contractors and suppliers (49%) report waiting more than 30 days for payment on a typical job. And nearly 1 in 6 contractors (16%) say they routinely wait longer than 60 days to get paid.

Adding to the problem, contractors frequently offer their customers payment terms with their invoices that encourage longer delays. In fact, 59% offer payment terms of 30 days or longer. Nearly 10% submit invoices with terms exceeding 45 days.

49%

TYPICALLY WAIT MORE THAN 30 DAYS TO GET PAID



59%

OFFER PAYMENT TERMS OF 30 DAYS OR LONGER

16%

TYPICALLY WAIT MORE THAN 60 DAYS TO GET PAID

CONSTRUCTION PAYMENTS

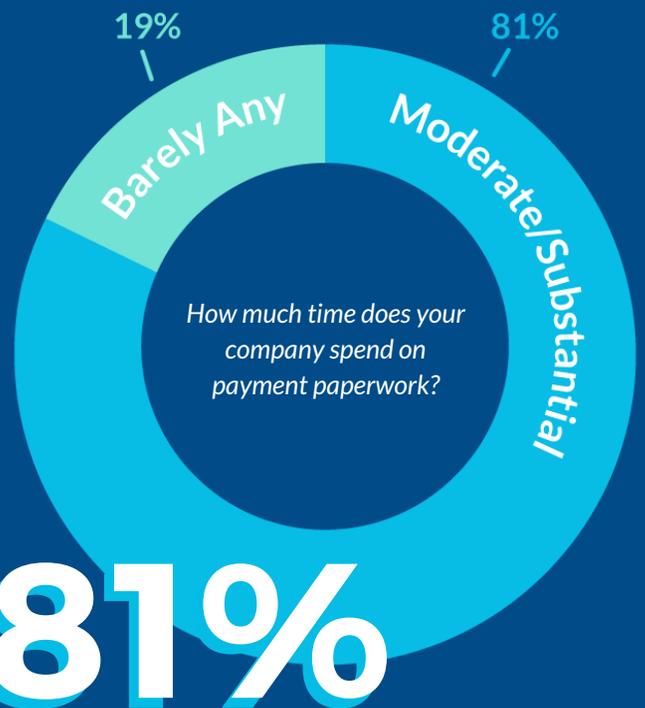
PAYMENT CHALLENGES

Back office staff are forced to fight for payments, requiring contractors to spend extra time and money collecting money that they earned.

81% of construction businesses say they spend a "moderate" or "substantial" amount of time chasing down payments.

Property owners don't make it easy for contractors, subs, and suppliers. Only 18% of construction professionals said that the owner always does a good job communicating about when they can expect payments.

The most common reasons for payment delays? Waiting for payment from the owner (54%), incorrect work (26%), and missing invoices (23%).



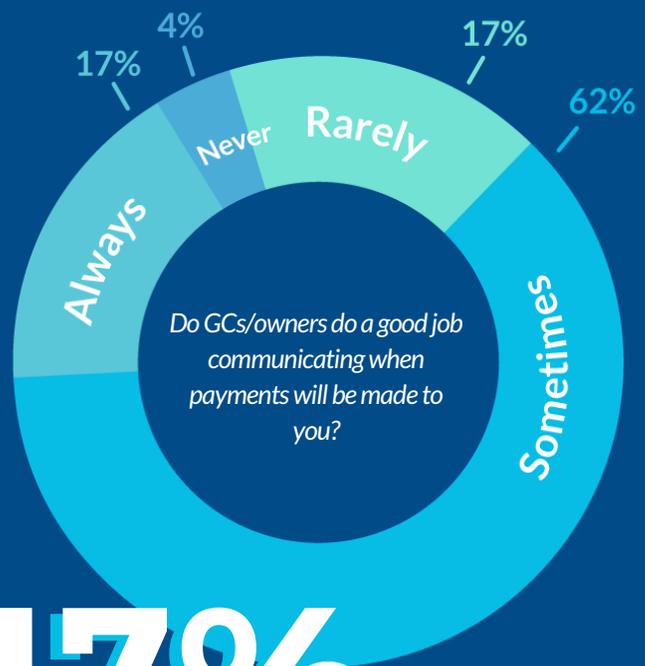
81%

SPEND A "MODERATE" OR "SUBSTANTIAL" AMOUNT OF TIME CHASING DOWN PAYMENTS.

54%

SAY PAYMENT DELAYS ARE CAUSED BY SLOW PAYMENTS ABOVE THEM

What are the reasons for late payment?



17%

ONLY 17% SAY PROJECT OWNERS "ALWAYS" DO A GOOD JOB COMMUNICATING ABOUT PAYMENT TIMING.

CONSTRUCTION PAYMENTS

CONTRACTORS DON'T TAKE STEPS TO SPEED UP PAYMENT

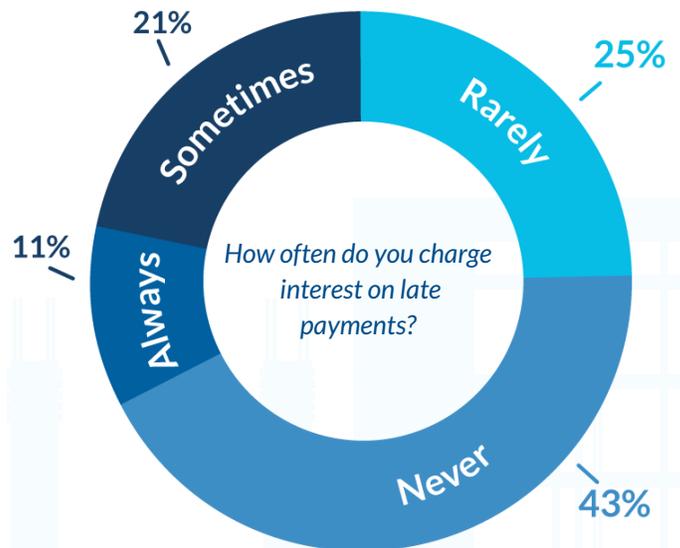
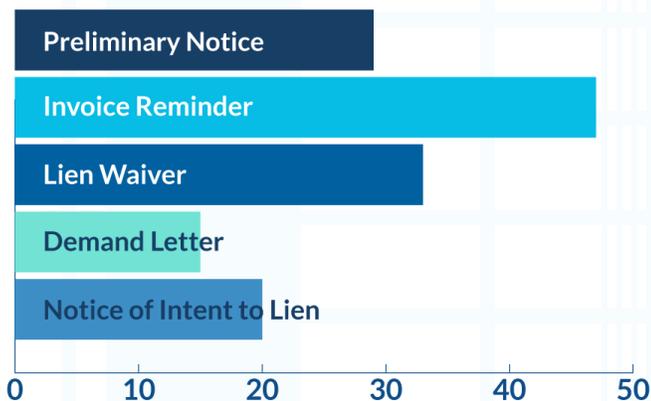
Even while they're reporting slow payments, construction businesses are hesitant to take action that would speed up payment.

Nearly 70% of contractors rarely or never charge interest on late payments. Even more (76%) say they rarely or never offer discounts for quick payments.

In effect, the vast majority of construction businesses are providing interest-free loans to their customers, even when they don't pay according to their contract terms.

Even while contractors say that getting paid is a slow, time-consuming process, few of them send or exchange documents that have been proven to speed up payment. Only 44% say they regularly send invoice reminders. Even fewer report using lien waivers (33%), preliminary notices (29%), notices of intent (20%), and demand letters (15%).

PAYMENT DOCUMENTS CONTRACTORS USE



68%

RARELY OR NEVER CHARGE INTEREST ON LATE PAYMENTS



76%

RARELY OR NEVER OFFER DISCOUNTS FOR FASTER PAYMENTS

CONSTRUCTION PAYMENTS

CONTRACTORS DON'T PROTECT THEIR PAYMENTS

In the survey, construction businesses also revealed that they are hesitant to protect their mechanics lien rights.

Fewer than 1 in 3 contractors say they "always" protect their lien rights, while 65% say they rarely or never file a lien - or even threaten to file one in order to speed up payment.

So why are contractors so reluctant to use the rights provided to them by state laws?

Ultimately, contractors are afraid to demand payment. While some said that the lien claim process was complicated (16%) or expensive (16%), a majority said they were afraid to lose a customer (56%).

56%

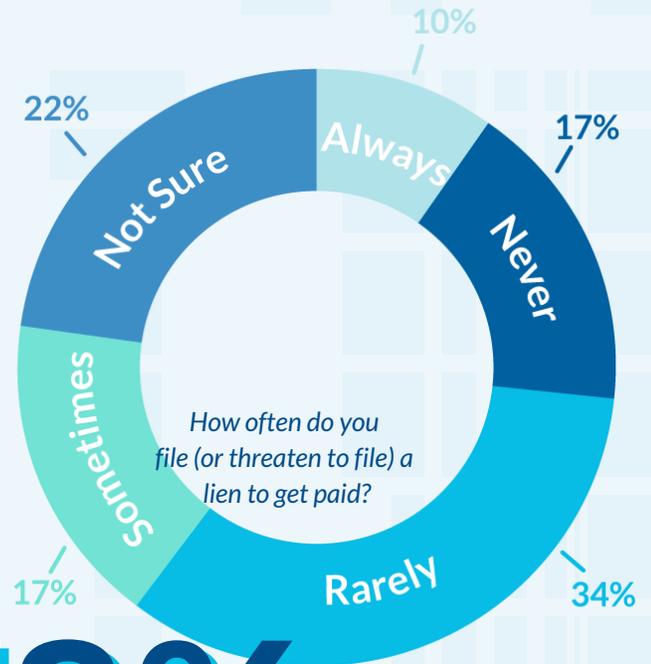
DO NOT FILE LIENS FOR FEAR OF LOSING CUSTOMERS

What are your main reasons for not filing a lien?



31%

ALWAYS PROTECT LIEN RIGHTS



78%

RARELY OR NEVER FILE A LIEN (OR EVEN THREATEN TO FILE) IF THEY ARE UNPAID

SOFTWARE & TECHNOLOGY

In spite of the challenges that construction businesses say they face, both in field coordination and collecting payment, contractors are largely slow to adopt technology or software that would help. However, nearly half (48%) said they planned to invest in software during the year (as of Q1 2020).

More than half use software for plan management (59%) and jobsite coordination (53%). Far fewer use solutions that help them manage payment paperwork (33%) or process payments (29%). **More than 1 in 5 say they don't use any construction software at all.**

ADOPTION OF CONSTRUCTION SOFTWARE

What construction software do you use?

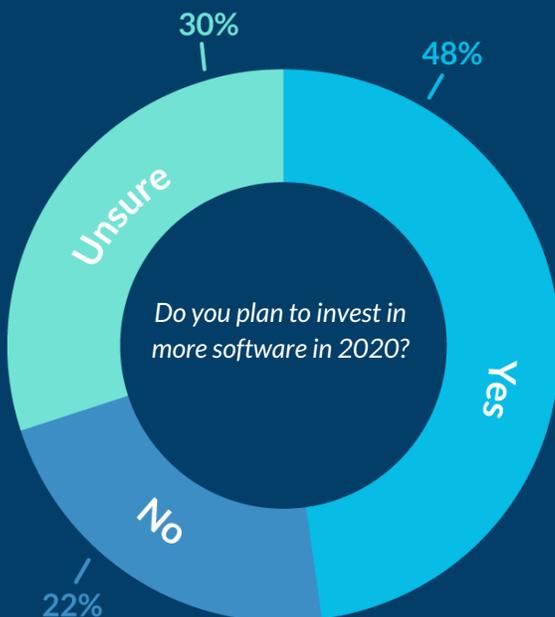


21%

OF CONTRACTORS DON'T USE CONSTRUCTION SOFTWARE AT ALL

81%

SAY SOFTWARE HELPS THEM COMPLETE PROJECTS ON TIME AND UNDER BUDGET



48%

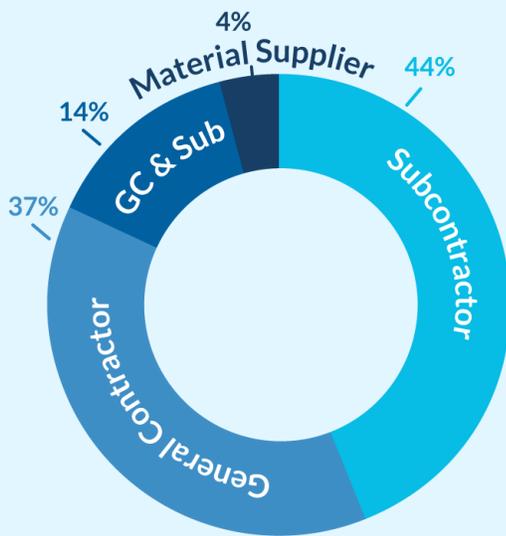
PLAN TO INVEST IN MORE TECHNOLOGY IN 2020

SURVEY RESPONDENTS

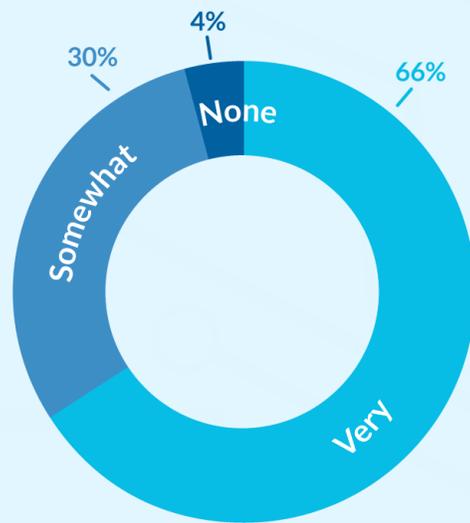
More than 540 construction professionals responded to the survey. General contractors and subcontractors made up the majority of survey responses (96%), with material suppliers accounting for only 4%.

Companies of all sizes were well represented. Overall, survey respondents had knowledge of both field and back office work. 96% reported being "somewhat" or "very" familiar with project management on the jobsite. 90% said they were "somewhat" or "very" familiar with the financial and payment side of their company.

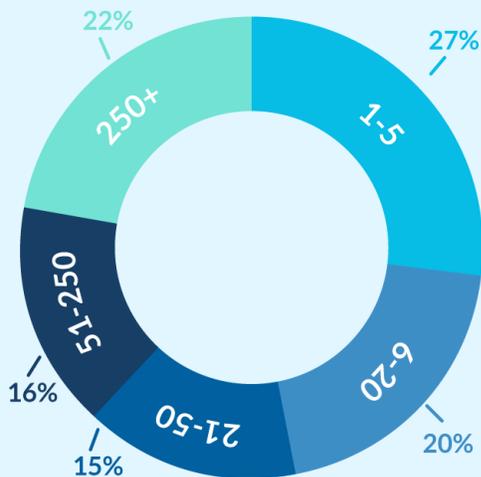
PROJECT ROLES



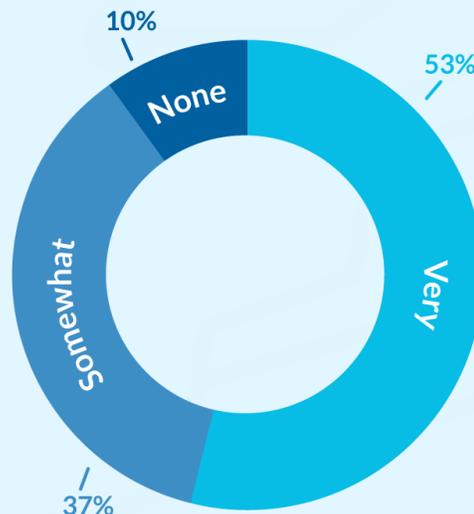
FAMILIARITY WITH JOBSITE



COMPANY SIZE



FAMILIARITY WITH PAYMENTS



ABOUT LEVELSET

Levelset's mission is to empower contractors to always get what they earn. Levelset's products help millions in the construction industry each year to make payment paperwork and compliance easier, get cash faster, monitor the risk on jobs and contractors, and better understand payment processes and rules. The results are faster payments, access to capital, and fewer surprises.

Backed by investors like Horizons Ventures, S3 Ventures, Altos Ventures, Operating Venture Capital, and Brick & Mortar Ventures, Levelset is headquartered in New Orleans, Louisiana, with offices in Austin, Texas, and Cairo, Egypt, and has over 200 employees.

ABOUT FIELDWIRE

Fieldwire connects your entire field team, from project manager to each specialty contractor's foreman, on one construction management platform. Its plan viewing and task management tools make it easy for anyone to view up-to-date drawings, schedule work, and track punch list items from any device in real-time.

Fieldwire's mission is to be the world's most trusted field management solution for construction teams on projects of any scale. The platform powers more than 750,000 commercial, industrial, heavy-civil, and residential projects worldwide.