




# Construction Cash Flow & Payment Report

# 2022









# Table of Contents

	<b>Key Takeaways</b>	4
	<b>Payment expectations don't match payment realities</b>	6
	Companies rarely see cash on time	7
	General contractors fare much better with payments	7
	Commercial and public construction rife with payment problems	8
	<b>Who's to blame for slow payments?</b>	9
	Finger-pointing deflects blame for slow payments	9
	Construction businesses suffer from self-serving bias	10
	Finding agreement on payment problems in the midst of the blame game	11
	<b>Many companies are holding themselves back from faster payments</b>	12
	Companies are unlikely to take action to ensure payment	12
	Lien hesitancy results from uncertainty and perceived complexity	12



# Survey Results

	Payment & Cash Flow	14
	Impact of Late Payments	18
	Liens & Notices	20
	Contractors, Subcontractors, and Suppliers	22
	Electronic Payments	24
	Software & Technology	25
	Survey Respondents	26





# Key Takeaways

Despite the setbacks brought on by the COVID-19 pandemic, the construction industry is booming. In July 2021, **total construction spending reached an all-time high of \$1.57 trillion, representing growth of more than 12% from pre-pandemic levels.**<sup>1</sup>

However, even after a strong recovery in the past two years, many construction businesses continue to struggle with cash flow issues and payment delays that threaten their productivity and financial stability.

## Slow payment plagues the industry and hurts businesses

**Just 12% of construction companies report always getting paid on time**, citing problems with project financing, customer cash flow, and general contractor mismanagement. In fact, **fewer than half of companies that offer 30-day payment terms actually get paid within that time frame.**

<sup>1</sup> Deloitte. [2022 engineering and construction industry outlook.](#)

## Businesses play blame game with payment problems

While **nearly half of subcontractors and material suppliers blame general contractor mismanagement for slow pay**, general contractors are more likely to blame project financing, poor communication, and customer cash flow issues. These different viewpoints highlight the way the payment chain itself can lead to confusion, stress, and slow pay.

Businesses are also more likely to look favorably on their own actions than those of their customers. Companies tend to attribute faster pay to **high-quality work (43%)** and **good communication (45%)** while blaming slow payment on **project financing (45%)**.

## Construction companies remain optimistic about 2022 despite challenges

While the industry as a whole has a strong growth trajectory, companies and contractors note significant challenges on the horizon as the long-term effects of the pandemic continue to reverberate.

Respondents cited **rising costs (59%)**, **supply chain issues (48%)**, and **staffing shortages (39%)** as major hurdles in the coming year.

Nonetheless, around half of construction companies expect some growth in 2022. Furthermore, the majority of businesses rate their optimism about the coming year with an 8 on a scale from 1-10.

### Survey Respondents



**519**  
respondents

*Full breakdown of survey demographics on page 26*

#### Company Profiles

- 42%** General Contractors
- 28%** Subcontractors
- 13%** Material Suppliers
- 7%** Restoration contractors
- 10%** Others

#### Individual Roles

- 41%** Owner, President, or CEO
- 18%** Operations
- 16%** Office manager/admin
- 11%** Credit or collections department
- 14%** Others

#### Annual Revenue

- 25%** More than \$50 million
- 22%** \$10 million to \$50 million
- 31%** \$500k to \$5 million
- 20%** Less than \$500k

# 1. Payment expectations don't match payment realities

Some construction businesses are getting paid within the terms of their agreements, but a huge gap remains between expectation and reality.

Construction businesses depend on predictable and steady cash flow in order to take on new jobs and pay their vendors. However, **just 12% of businesses say they always receive payment on time**, which is consistent with findings from last year. Similarly, **only 15% of businesses say they're always paid in full**.

Since the median Days Sales Outstanding (DSO) in the construction industry is around **90 days**,<sup>2</sup> many businesses wait months to be paid for jobs that have already been completed. In turn, construction companies report that late payment can result in an inability to secure new credit or pay their employees.

<sup>2</sup> PWC. [Working Capital Study 2020/2021](#).

## What payment terms do you offer customers?



85% 30 days or less  
15% Over 30 days

## How quickly do customers pay you on average?



39% Under 30 days  
61% Over 30 days

## Receive payment within 30 days on average



24%  
Subcontractors



58%  
General Contractors

## Are you always paid on time?



95% No  
5% Yes



79% No  
21% Yes

General contractors are four times more likely than subcontractors to report always getting paid on time.

## Companies rarely see cash on time despite clear payment terms

Construction companies looking to stay cash flow positive fight an uphill battle hoping for on-time payments.



Over the past year, **85% of construction companies reported offering payment terms of 30 days or fewer**. In that same timespan, **just 39% of companies reported that their customers paid within 30 days**. The situation is especially dire for certain roles: Just 24% of subcontractors and 9% of material suppliers report getting paid within 30 days.

Thus, data still reveals that **fewer than half of construction companies are paid within 30 days**—even when they specifically lay those terms out in their agreements.

## General contractors fare much better with payments

Although payment problems affect companies throughout the construction industry, general contractors tend to have fewer problems collecting payments compared to other types of construction businesses.

For example, **general contractors are four times more likely than subcontractors to report always receiving payment on time**—and 20 times more likely than material suppliers.



Survey data also reveals that **general contractors are twice as likely as subcontractors to get paid within 30 days**. Meanwhile, 1 out of every 5 subcontractors notes that their average customer takes more than 60 days to send payment.

## Commercial and public construction rife with payment problems

The added complexity associated with commercial and public construction projects may be responsible for more frequent payment issues.

While half of all residential contractors report receiving payment in under 30 days, **just 31% of those working on private commercial projects say they typically receive payment in under 30 days**. Notably, only 23% of companies contributing to public projects say they're paid within 30 days.

At the same time, 15% of companies in private residential construction say they're always paid on time. On the other hand, **just 9% of companies in private commercial and 8% of companies in public projects report always being paid on time**.



## 2. Who's to blame for slow payments? It depends who you ask.

Slow payments and cash flow problems plague many construction companies, but their cited reasons for these issues vary depending on their role.

Those at the top—owners, presidents, and CEOs—have very little consensus on the explanations for slow payments, but they are most likely to cite **poor management by the GC (39%)**. These construction leaders also note that **choosing the wrong jobs (26%)** and **poor communication (25%)** contribute to slow payments on their projects.

That said, diving deeper into the data highlights exactly how each person's role and perspective influences their view of slow payments in construction.

### Finger-pointing deflects blame for slow payments

Although payment problems affect nearly everyone

### Payment Statistics



**50%**

Send payment in under 30 days



**39%**

Receive payment in under 30 days

**Companies are more likely to remember not getting paid than not sending payment.**

in construction, general contractors and subcontractors have significantly different views of who is at fault.

While nearly **1 in 2 subcontractors blames poor management by the GC** for slow payments, **fewer than 1 out of every 10** general contractors place responsibility on themselves for payment problems. Nearly **half of materials suppliers** are aligned with subcontractors in pinning responsibility on GCs for slow payment.

## Construction businesses suffer from self-serving bias

Construction companies typically blame slow payment on external factors, whereas they attribute fast payment to their own accomplishments.

For example, respondents noted that slow payments are typically the result of **project financing (45%)** and **cash flow issues (30%)**. On the other hand, respondents voiced that fast payments are a result of **high-quality work (43%)**, **good communication (43%)**, and **setting clear expectations (37%)**.

Meanwhile, companies are more likely to report paying their customers on time than getting paid on time themselves.

For example, **more than 50% of respondents said that they paid their customers within 30 days**. On the other hand, **just 39% of respondents report getting paid within 30 days**. This disparity cannot technically exist in a closed system, which indicates a tendency toward selective memory: Companies are more likely to remember when they weren't paid on time rather than when they failed to make an on-time payment.

Why do customers pay late?		
General Contractors	Subcontractors	Material Suppliers
40% Project financing	52% Project financing	50% Project financing
30% Poor communication	47% General contractor mismanagement	46% Cash flow issues
24% Cash flow issues	30% Poor communication	30% Poor communication

# Finding agreement on payment problems in the midst of the blame game

Understanding the complex issue of slow payments involves looking for the areas where various parties agree.

For example, both general contractors and subcontractors are largely in agreement about three prominent causes for slow payments:

1

## Project financing

General contractors (39%) and subcontractors (52%) blame project owners for slow payments due to financing issues.

2

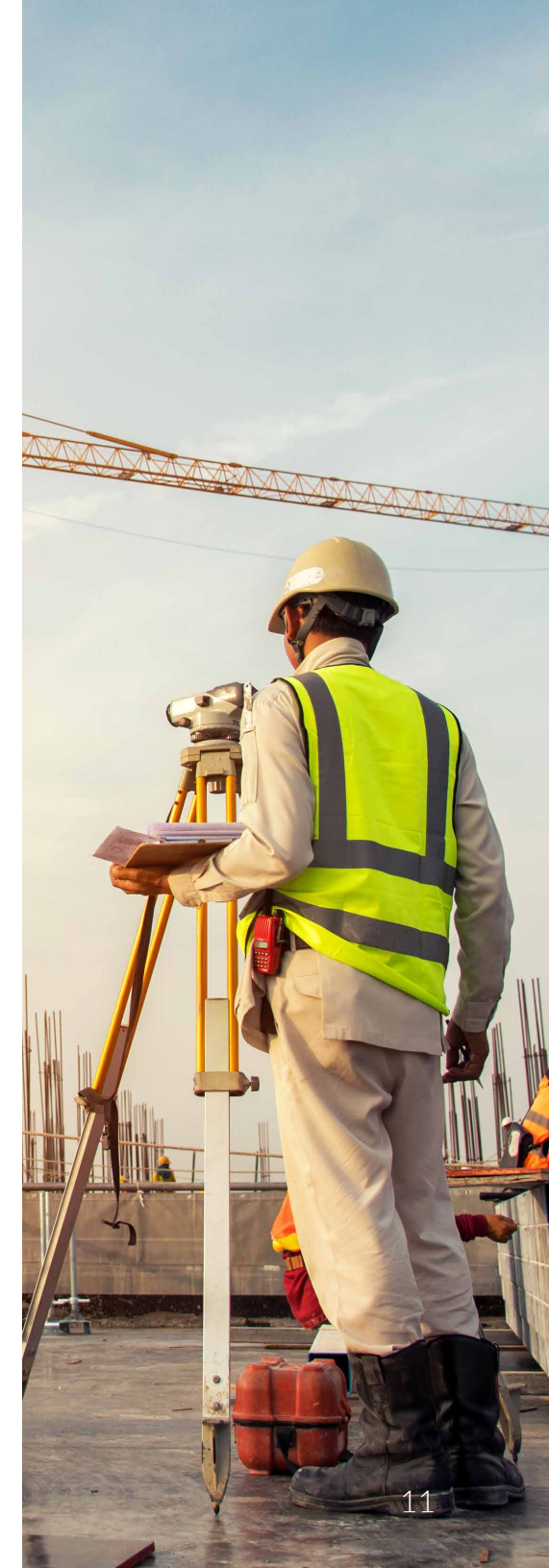
## Cash flow

General contractors (24%) and subcontractors (32%) likewise agree that slow payments are caused by customers holding back payments to improve their own cash flow.

3

## Communication

General contractors (30%) and subcontractors (22%) note that poor communication with customers can result in slow payments.



### 3. Many companies are holding themselves back from faster payments

Although many construction companies are quick to note the causes of slow payments, fewer have taken steps that could alleviate the problem.

For example, 48% of survey respondents cited financially secure customers as the most significant factor in fast payment. On the other hand, **around 1 of every 3 construction businesses says they rarely or never prequalify customers.** Furthermore, 1 out of every 2 subcontractors reports rarely or never prequalifying customers.

In other words, many companies are generally not looking into the financial security of the customers they work with—although they report that this is the most likely reason they'll get paid more quickly.

### Companies are unlikely to take action to ensure payment

Although companies have a strong desire to get paid on time, most are unlikely to consider strong action to ensure payment.

For example, while many companies are willing to send an **invoice reminder (75%)** or **make a follow-up call (73%)**, a smaller number would consider sending a **notice of intent to lien (40%)** or a **demand letter (34%)**. In other words, fewer than half of companies are willing to send letters indicating that they will exercise their lien rights.

An even smaller percentage of companies (25%) would file a mechanics lien if payment is late.

### Lien hesitancy results from uncertainty and perceived complexity

Uncertainty around the lien process is partially responsible for preventing companies from exercising their payment rights.

For example, just 1 in 3 respondents indicated that they would “definitely” feel confident filing a mechanics lien. When considering the reasons against filing a lien, **15% of respondents cited complexity as the main thing holding them back.**

Meanwhile, other reasons preventing companies from filing a lien included fear of losing a customer (18%) and not believing it would result in payment (12%).

Although some companies feel that filing a mechanics lien could hurt long-term relationships with customers, data does not necessarily support that assertion. In fact, **only 13% of respondents said they would not work again with a subcontractor or supplier who filed a mechanics lien on their project.**

Of those who have filed a lien, only 1 in 3 has ever had to foreclose in order to get paid.

## What actions do you take if payment is late?

- 75% Send invoice reminder
- 73% Call to follow up
- 40% Send intent to lien
- 34% Send a demand letter
- 25% File a mechanics lien

## What keeps you from filing a lien?

- 27% Unpaid amount not large enough
- 18% Afraid of losing a customer
- 15% Too expensive
- 15% Too complicated
- 12% Don't believe it will help

## Would you feel confident filing a valid mechanics lien?

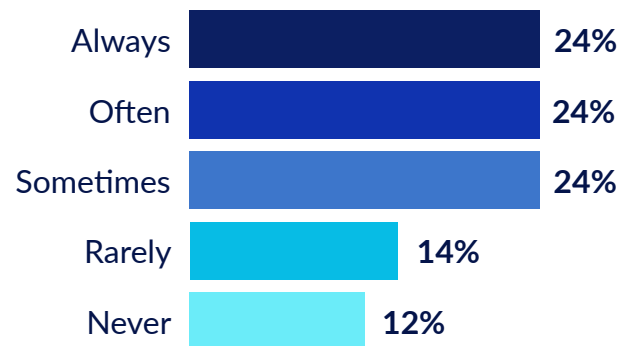
- 33% Definitely
- 28% Probably
- 20% Maybe
- 13% Probably not
- 6% Definitely not



## SURVEY RESULTS

# Payment & Cash Flow

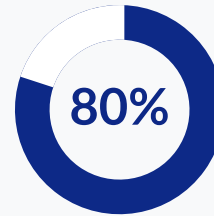
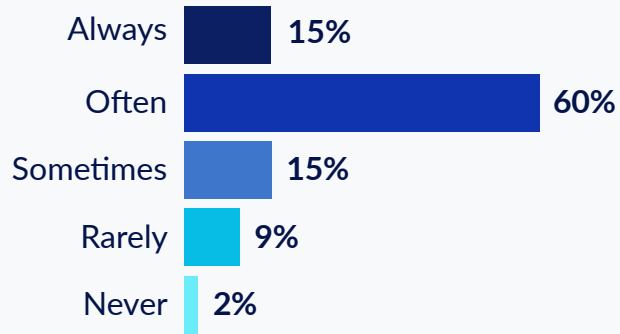
How often do you receive an **upfront deposit** before beginning work?



Percentages may not total 100 due to rounding

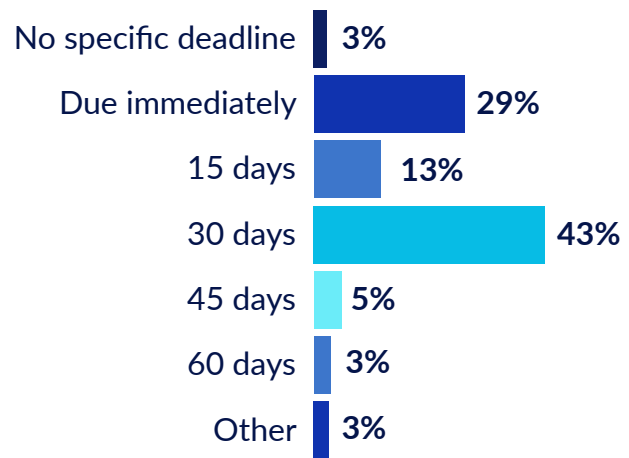


## How often do your customers **pay in full** (without backcharging or withholding funds)?

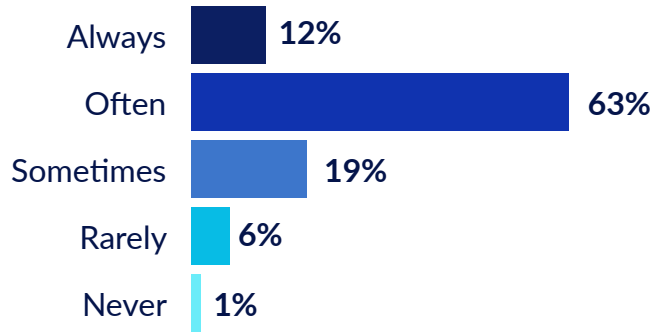


More than **80%** of respondents require payment within **30 days**.

## What **payment terms** do you offer customers when you send an invoice?



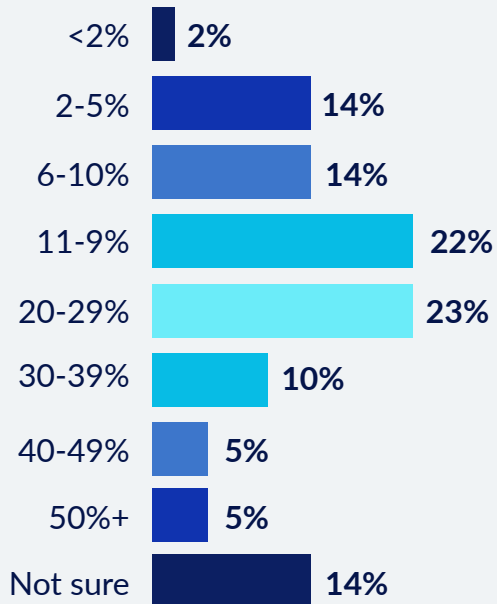
## How often do your customers pay on time according to the agreement?



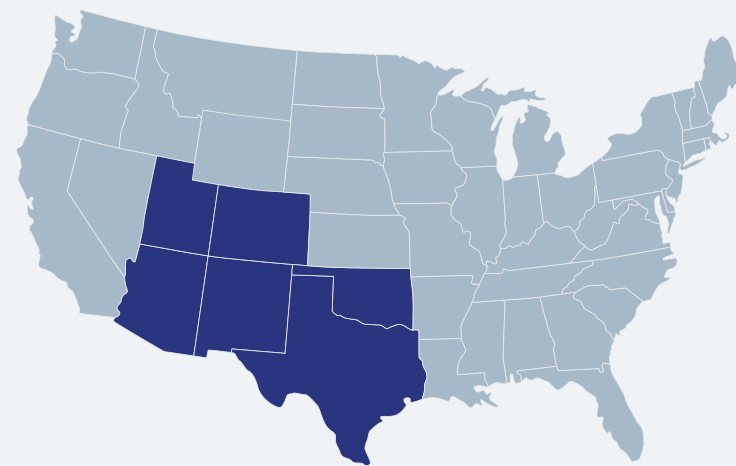
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## What is your typical bottom-line profit margin on a project?

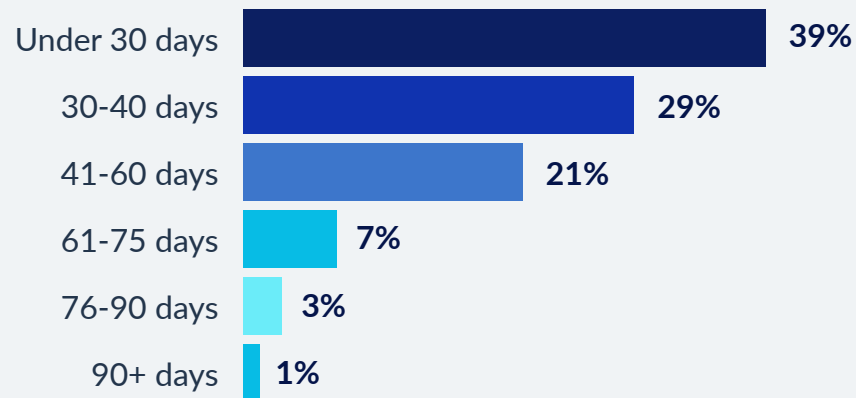


Respondents in the Southwest were **more likely** to have a higher bottom-line profit margin than in other areas of the country.

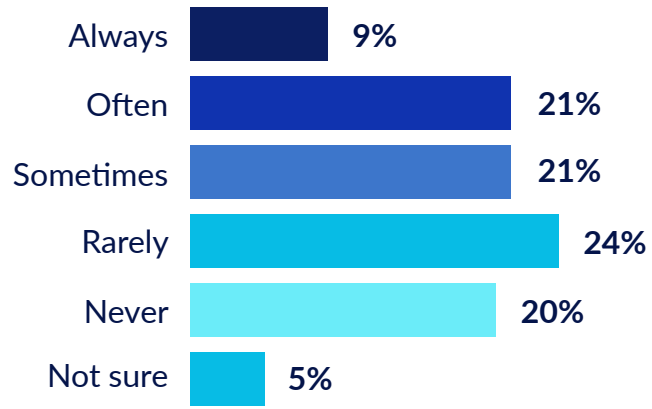




## On average, how long does it take **your** customers to pay you?



## How often is **retainage** withheld on your jobs?

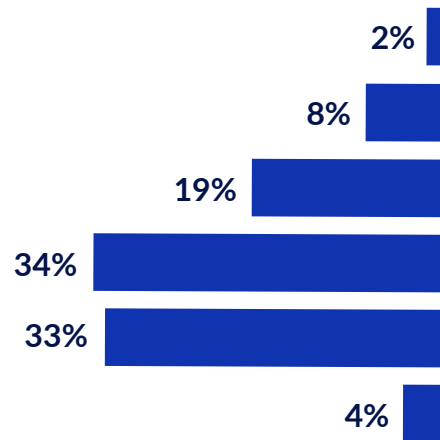




## SURVEY RESULTS

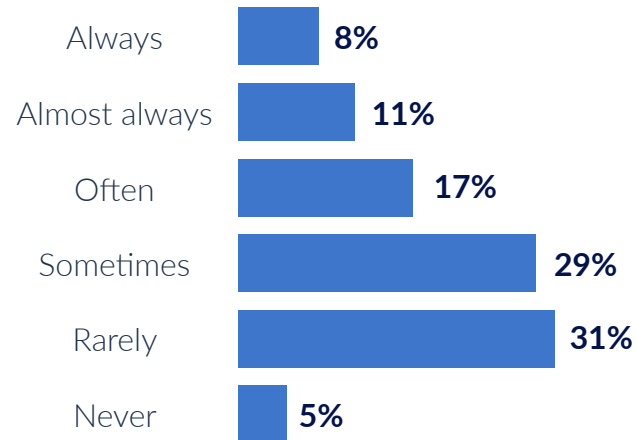
# Impact of Late Payments

How often do you experience **slow payments** on projects?



X

How often do you experience **stress** over slow payments on projects?



## When payment is late, what are the **3 biggest consequences** for your business?

Multiple selections allowed

**45%**

Wasted time and resources

**41%**

Reduced profit

**32%**

Project delays or stoppages

**23%** No significant negative impacts

**21%** Forced to take out loans/debt

**18%** Unable to meet payroll

**14%** Stop taking on new projects

**9%** Suspend capital investment

**9%** Hiring or pay freezes

**5%** Cut employee benefits





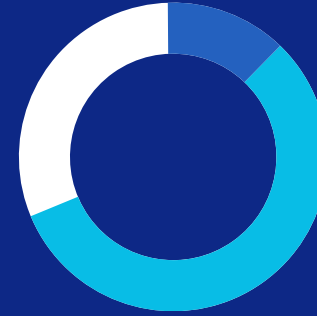
## SURVEY RESULTS Liens & Notices

Have you ever filed a lien?



51% Yes 49% No

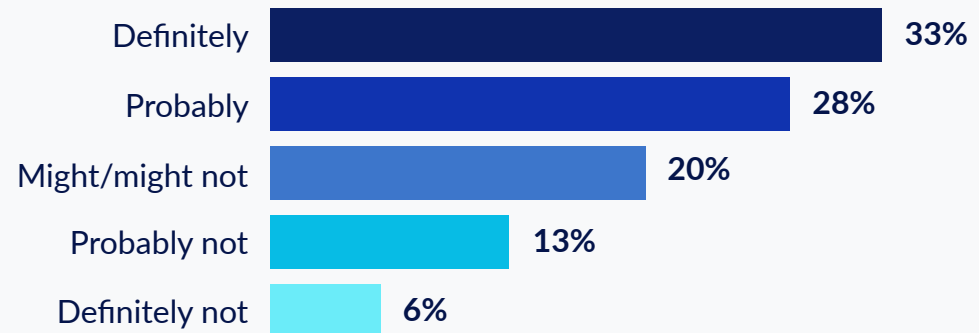
Has your company ever had to **foreclose on a lien** in order to get paid?



31% Yes 57% No

12% Not Sure

Would you ever feel confident filing a mechanics lien on your own if you needed to?



# 52%

of respondents say nothing keeps them from filing a lien.

Among those who would like to file a lien

# 27%

would only file a lien for amounts over a specific threshold.

# 52%

of respondents send a lien waiver in exchange for payment on some or all projects.

**48% rarely or never** send a lien waiver.





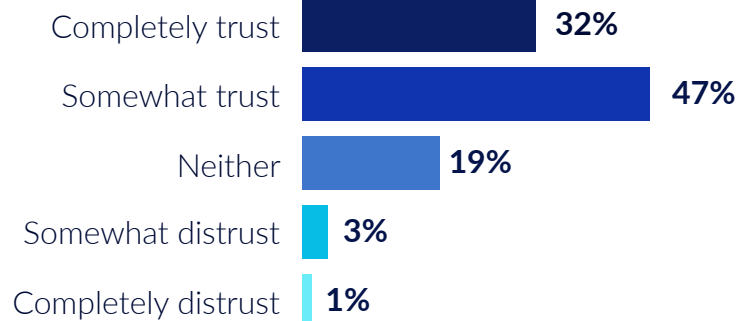
## SURVEY RESULTS

# Contractors, Subcontractors, and Suppliers



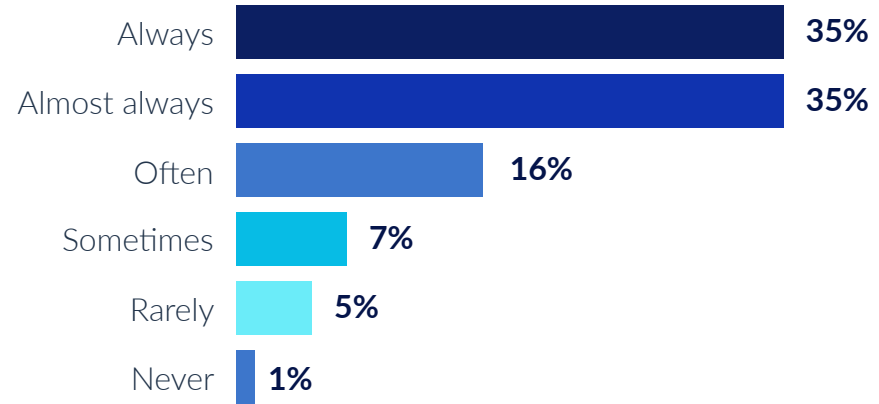
**56%** of GCs, subs, and suppliers say they would support their subs' or suppliers' efforts to get paid if they file a lien on a project.

How much do you trust your subs to pay their vendors on time?



*Percentages may not total 100 due to rounding*

How often do you receive the amount of credit that you need for materials?



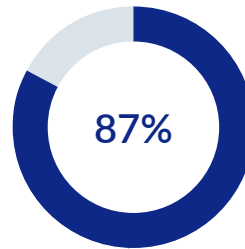
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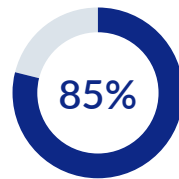
## SURVEY RESULTS

# Electronic Payments



Do you currently have the ability to accept electronic payments?

**87%** Yes  
**12%** No  
**1%** Unsure



Say electronic payments **helped them get paid faster**







## SURVEY RESULTS

# Software & Technology

Which of the following activities does your company use software for?

*Multiple selections allowed*

**65%** Sending and tracking payment paperwork

**59%** Tracking and processing payments

**53%** Task management and jobsite coordination

**47%** Plan management & viewing

**35%** Inspections and reporting

**34%** Managing lien rights

**11%** Don't use

Software is most often used for sending, tracking and processing payments.





## Survey Respondents

519

Responses

**50%**

of respondents work for companies with **20 or fewer employees**

What is your primary role in the company?

**41%** Owner/  
President/CEO

**18%** Operations

**16%** Office Manager/  
Administrator

**11%** Credit/Collections

**9%** Accounting/Bookkeeping

**2%** Finance

**1%** Legal

**1%** Sales

**1%** None of the above



What is your company's primary role on a typical project?

**42%**

General Contractor

**28%**

Subcontractor

**13%**

Material Supplier / Distributor

**7%**

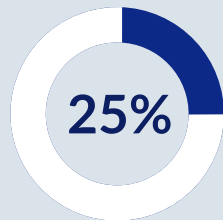
Restoration contractor

**4%** Architect/Engineer/Designer

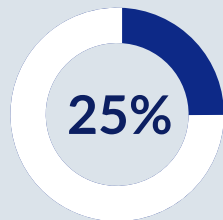
**4%** Other

**1%** Rental Company

How many people work in your company?



1-5 employees



6-20 employees

**15%** 21-50 employees

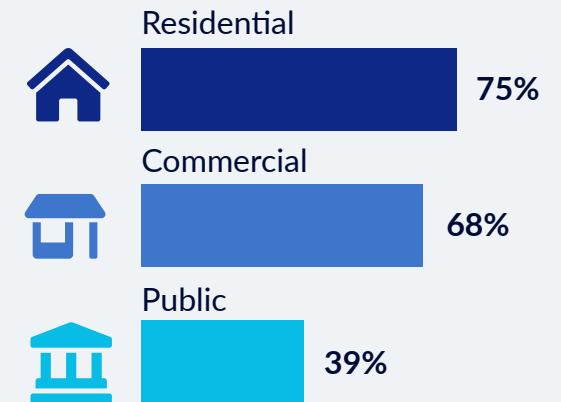
**19%** 51-250 employees

**6%** 251-500 employees

**10%** 500+ employees

What types of projects does your company primarily work on?

*Multiple selections allowed*



*Percentages may not total 100 due to rounding*

On average, respondents complete  
**14 projects per month**

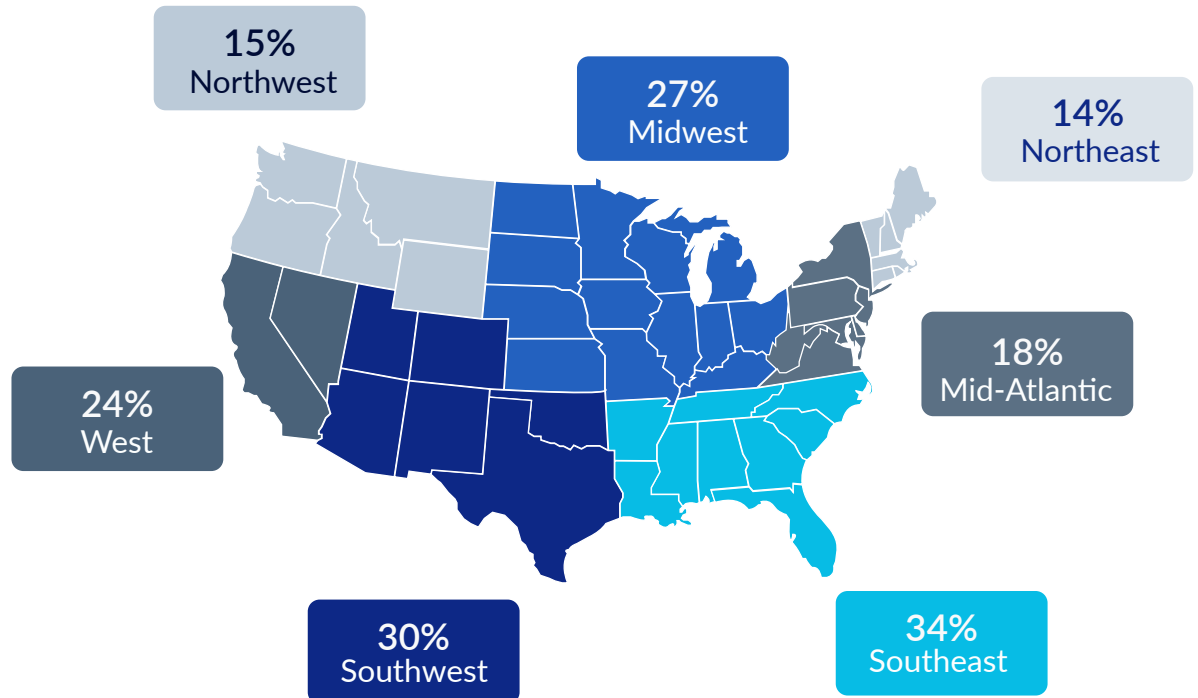
What was your company's  
annual revenue in 2021?

**20%**  
\$1M - \$5M

- 20% <\$500k
- 11% \$500k - \$1M
- 20% \$1M - \$5M
- 10% \$5M - \$10M
- 8% \$10M - \$20M
- 4% \$20M - \$50M
- 5% \$50M - \$100M
- 9% \$100M+
- 11% Not sure

In which region(s) are your  
projects typically located?

*Multiple selections allowed*





# We empower people to get what they earn.

Levelset is a construction software company that helps contractors and suppliers simplify the collection process, reduce credit risk, improve cash flow, and manage their payment rights. The results are faster payments, reliable access to capital, and fewer surprises.

Learn more at [www.levelset.com](http://www.levelset.com).

