The Construction Industry: Managing the Coronavirus Crisis

The Coronavirus (COVID-19) pandemic will affect the construction industry by adding many more challenges and increasing the level of uncertainty in an industry that already must deal with challenges and uncertainty every business day.

So many questions, and too few answers, are available for contractors to help them make decisions that will influence their company’s ability to navigate through the upcoming weeks, months, or possibly even longer. New York State has been hit so hard by the outbreak.

What possible problems, both long and short term, will be associated with the current crisis? Some of them are listed below:

* ***Supply Chain Disruptions***- It is estimated that, on average, US contractors use over 30 percent of Chinese-made materials in their projects but some use 80 percent or more. The sharp decline in output from China caused by the closing large numbers its factories in the wake of the virus outbreak could have a significant impact on the availability of these products, potentially causing increase costs, project delays, and spot shortages.

The Chinese, however, are attempting to return to normal by lifting the lockdown this week in Hubel province, the contagion’s point of origin. The government is reopening production lines and will create hundreds of public works projects to try to jump-start the country’s economy. This experiment is not without risks because it is possible that another wave of COVID-19 could result. Countries around the world will be monitoring the Chinese experiment as they struggle with when and how to revive their own economies.

* ***Shaken Confidence-*** Returning to “business as usual” is as much a psychological battle as it is a battle against the virus itself. Investors and customers may be nervous and non-committal, taking a “wait and see” approach, before plunging ahead with new projects. Despite extremely low interest rates, construction financing has decreased too as an emphasis on conservative underwriting and risk taking have increased.
* ***Employee Health and Welfare-*** Quality employees play a vital role in the success of the construction industry. Whether skilled or unskilled, all companies rely heavily on their workforce. Despite OSHA’s claims that the risk of contracting the virus is low, many workers in the hardest hit regions of the country are very anxious about becoming infected, recent polling data indicates. These worries rank first over their other worries, such as project delays and material shortages.

 Concern for the well-being of family members, and feeling insecure, depressed, even panicky, about the general situation, could prevent employees from working as effectively or as consistently. School closings and the unavailability of public transportation in the event of a “lock down” may make it difficult if not impossible for some employees to even travel to their places of employment.

* ***Jobsite Isolation or termination due to quarantine-*** Jobsites are vulnerable because they subject to the local conditions as determined by the governmental authority having jurisdiction. Closure of individual jobsites may cause delays for the minimum 14-day quarantine period at least, including restricted or banned travel.

A company’s main office and any satellite offices potentially may also encounter the same problems as jobsites. The quarantine of a village, town, or city containing company offices could create disruptions to communications, operations, and logistics.

* ***Breach of Contract-*** Contractors should consult with their attorneys to determine if they may be accountable for failing to complete projects because of unforeseen delays caused by the pandemic, leading to breach of contracts. This review should also include any liability for exceeding project budgets due to supply, travel, or work force difficulties.

The unprecedented scope and impact of the virus outbreak on the construction industry presents a host of problems that must be understood and properly managed. Awareness of the difficulties to expect during and after the pandemic is critical for it to emerge from the crisis in good order. A “wait and see attitude” will also help contractors avoid making poor or hasty decisions that could cost them time and money because too much uncertainty surrounds the duration of the outbreak and its aftermath to take unnecessary chances.