Tech finally catching up to what construction wants.

Payments in construction are becoming an increasingly large concern: As discovered by PwC the construction industry suffers from 51-days sales outstanding, the longest of any industry in the US, coupled with huge demand for new construction amid growing labor concerns and rising inflation, payment worries are deepening each day.

> *On one hand there's an increased demand for productivity and on-site labor efficiency while on the other slow payments are directly responsible for delayed or stopped work.*

Harbr co-founder and COO, Jeff Kielbratowski gave a crisp run-down of Payment Applications (Pay Apps), a very hot topic among construction technology innovators. Payments & Financing are overdue for disruption as construction technology adoption ramps up, illustrated by Thomvest Ventures in the Construction Technology Market Map: 3 Opportunities Ahead post.

Here's where we posit that there's no doubt that Pay Apps are a welcomed efficiency for digitizing paper and optimizing data-entry processes, but Pay Apps do little to reduce the real problem of getting trades paid faster. Even in a world of Pay App innovation PwC continues to find that invoices remain outstanding for 51-days on average.

> *Pay Apps do little to help when most trade payables are net-30, but trade receivables are outstanding for an average of 51-days.*

Imagine a trade completes $30,000 worth of work on the 1st of the month, half of that is likely a materials bill that is now due net-30. If the Pay App is initiated on the 21st of that month that's already 21-days that the trade has now carried the cost of work that is done and delivered.

Slow payments aren't anyone's fault. It's the process of payment approval that's truly at the heart of the slow payment problem. Which is solvable for those willing to collaborate and innovate beyond automating trigger events, such as the Pay App initiation or disbursement of payments on specific dates. Without optimizing payment approval everything is still date-locked.

> *Automating date-locked processes doesn't speed up the payment. It just makes it easier to set a trigger on that date.*

Now with the Prompt Payment for Construction Work *Act* coming into effect across the country the need to accelerate cost certification has been put on steroids. The industry now needs to verify cost claims in an increasingly efficient manner, which would have to be within 14-days from the GC's proper invoice (Pay App), which at this point is proving to be a lofty goal for most.

> *Krista Chaytor, a partner at WeirFoulds LLP in Toronto points out the difficulty between the industry practice of certifying payments and the reality of prompt payment legislation. "With the introduction of prompt payment legislation, owners in Ontario must either deliver a notice of non-payment within 14 days or pay the contractor's proper invoice within 28 days. Owners can no longer hold up payments waiting for certification from the consultant. Prompt payment legislation means that owners have to be prepared to certify payments quickly. If*

> *they don't, they will be forced to either deliver a notice of non-payment and risk adjudication or pay the contractor before knowing whether all the work for the amount claimed by the contractor has been completed."*

Let's now imagine a world where the trade's work is substantiated as it happens, in real-time. Both coordination and verification occurs in a collaborative environment: Supporting documents and media are reviewed, interactions and approvals are logged, and budgets are kept up to date

Pushing for more efficiency in substantiating claims is the key to fast payments, it is the only way to close the gap without increasing risk to lenders and payers. So what happens when you can accelerate cost certification but financing is slow? This is where we start to get really excited about what is around the corner.

Construction FinTech innovations like harbr.com and payar.co, two companies that are using smart data and digital rails to directly address near real-time progress substantiation coupled with alternative financing optionality. Harbr.com provides services for principals and owners, and payar.co serves trades and subcontractors.

Streamlining source data collection into approvals, payments, and financing may be the smartest compression of workflows construction tech has seen in the past few years, afterall to recap this articles' main pain points moving payments faster is the single largest contributing factor to sustained growth and productivity in the construction industry.

Even though most modern software providers design intuitive onboarding experiences there is always a learning curve, which is why bringing on software mid-project can cause more problems than it solves. No matter how tangible the return on investment is, any new software really needs to be identified and managed early in the process. The most successful projects identify specific software and usage at the earliest bidding stages of the project, ensuring stakeholder buy-in and user adoption.

> *Amanda White, Owner of Foresight Atlantic in Halifax agrees that there are gaps in the industry. "When it comes to technology In the industry, the financial process has been largely ignored or slow to innovate. I welcome technology and innovation coming to the financial side of the project as it too can suffer from the same productivity and inefficiencies trades and contractors experience on the job site. We should be encouraging builders, owners and stakeholders to explore the options and benefits of digitizing and improving the payment certification process, if for no other reason than to help the people relying on the funds to build the projects in the first place."*

It's an exciting time for the construction industry where time and money always reign king (or queen) and now finally, it's starting to look like technology is starting to listen and catch up.

For full transparency this article was written in collaboration with harbr.com and payar.co. Harbr improves profitability of progress payments by substantiating risk early and often. Payar.co allows trades to access their payments anytime without credit requirements or invoice factoring.