

Attracting and Retaining Workers in the Construction Industry

Three years ago, the Construction Industry Institute initiated a research project to find answers on how to attract and maintain a skilled construction work force. The major objectives were to determine why craftworkers are leaving the industry and what contractors can do to attract and retain new ones. All types of reasons as to why the industry can't attract and retain qualified workers have been suggested, so part of this study was about confirming or rejecting those assumptions.

The CII also commissioned a Work Force Retention Implementation Feedback Team to see if member companies are experiencing the same high rate of turnover seen in 1992 and what they were doing to combat this problem.

Recently, *National Business Employment Weekly* conducted a survey of high school students pertaining to career choices. The students were asked to rank 250 careers. Construction worker was ranked 248, with insurance actuary at 249 and migrant worker at 250.

This reinforces the poor image the construction industry has among young people. If the industry is to be successful in attracting a sufficient number of qualified craftworkers, steps need to be taken locally, regionally and nationally to change its image.

Also, craft skill levels are declining. Technology is changing the industry, and younger people about to make career choices are skilled in many of the new technologies, especially computers. One of the steps that needs to be taken to attract and retain a qualified work force is to change the way construction work is performed.

As a result of shortages, contractors are out bidding each other for the same workers. This produces a higher project turnover rate, further contributing to the labor shortage problem.

What Employers Say

The CII polled 21 contractors, representing all sectors of the construction industry working in an open/merit shop environment. Seventy percent acknowledged experiencing shortages of skilled craftworkers. The extent of the need varied on a regional basis. The research team suggests that this percentage is higher today because the survey results are now about two years old.

Only 30 percent monitored retention company-wide and they were primarily monitoring retention by projects, rather than looking at it company-wide. Of the 30 percent, the average rate of retention was 70 percent and almost 60 percent had some formal recruiting and hiring programs. What this says is that contractors are doing something. They know there's a problem out there.

For the purposes of the CII research, rate of retention is defined as the total number of craftworkers hired minus those who quit voluntarily or were terminated for cause divided by the total number of craft workers hired. The word turnover is sometimes used in place of retention, and it is the number of craftworkers who quit voluntarily and are terminated for cause. Workers who are let go because the project is completed (reduction in force) are not included.

The CII research team further studied companies having an 80 percent or higher rate of retention. Of the 21 companies, only seven fell into this category. All of these companies realized profits on more projects, completed more projects on or ahead of schedule and experienced better project safety performance. Relative to safety performance, it is a well-known fact that new workers have a greater chance of being involved in a safety incident in the first 30 days on the project.

What Craftworkers Say

The team surveyed 1,200 craftworkers employed by 21 construction companies. When asked why their peers leave the construction industry, the five reasons, in order of importance, provided by the craftworkers surveyed are as follows:

- 1) Poor pay and benefits. Craftworkers want wages and benefits that are competitive both in the construction industry and in other industries in which they can find employment.
- 2) Non permanent employment. Young people don't want to work in an industry that has a reputation of laying off people on project completion. If permanent employment is available in another industry, construction workers can't be blamed for leaving.
- 3) Poor job safety. All the contractors said they put safety as number one, but the craftworkers still say there's a lot of places where safety is not given enough attention.
- 4) Poor treatment by supervisors. When The Business Roundtable did a study a number of years ago, it found that the number one reason workers quit was because of the poor treatment from their supervisors. Ongoing supervisory training in human relations is a must for every construction company. The composition of the work force is changing today, so it is even more critical to train supervisors on a continuous basis.

5) Poor working conditions. Craftworkers need to be provided an environment in which working conditions are conducive to supporting a high level of productivity. This includes having clean Portajohns, and smoking and break areas.

What Employers are Doing

The research team found that contractors experiencing an 80 percent or higher rate of retention were involved in certain activities to attract and retain craftworkers that the other contractors weren't doing.

First, the seven contractors had in place programs to pay competitive wages and benefits, to help ensure permanent employment, to create safe jobsites, to treat workers with respect and to provide good working conditions.

Also, to attract qualified craftworkers, these contractors took “unique” steps, which included:

- Recruiting at trade schools, high schools and community colleges;
- Working with other contractors for hiring;
- Recruiting outside the project location; and
- Using written and performance tests for hiring.

To retain craftworkers, the seven contractors also took steps that included:

- Conducting needs assessment to train workers on a continuous basis;
- Conducting supervisor human relations training;
- Creating wage benefits packages specifically tied to skills;
- Providing long-term preferential treatment (not favoritism) to tenured workers;
- Keeping employees informed of project progress; and
- Promoting the family side of construction.

The CII Workforce Retention Implementation Feedback Team found that the most effective retention programs included:

- Pay differential and overtime;
- Transfer through re-employment;

- Morale building;
- Improvements in safety and working conditions; and
- Exit interviews.

When asked to identify those retention programs with the largest financial returns, the team identified the following:

- Transfer through re-employment;
- Training enhancements;
- Retention bonuses;
- Morale building; and
- Improvements in safety and working conditions.

Using overtime to retain workers was found not to result in a financial return for contractors. Why? Working scheduled overtime over four to six weeks is proven to result in lost productivity.

For example, if workers are placed on a 50-hour per week schedule, their productivity falls about 10 percent after four to six weeks. In other words, a contractor pays overtime for a 50-hour week to retain employees but doesn't even realize 40 hours of productive work. The answer is to pay a higher wage and offer 40-hour weeks to maintain estimated productivity.

Turnover Negatively Impacts Productivity

The CII also studied six projects in depth to determine if there is a relationship between turnover and productivity. And a strong relationship exists: The higher the turnover, the lower the productivity.

To place a value of the impact of turnover on labor cost, the research team used the CII Model Plant computer program. The program determined that a 10 percent increase in turnover resulted in a 2.5 percent increase in total labor costs, assuming productivity remained constant.

The increase in labor costs is even worse if productivity is considered. For instance, if the turnover was 100 percent and productivity reduced 40 percent, total labor costs would approximately double.

CII Recommendations

The CII recommends that contractors have in place programs to pay competitive wages and benefits, to help ensure permanent employment, to provide safe jobsites, to treat workers with respect and to provide good working conditions. In addition, the CII recommends that contractors adopt those attributes being used by the contractors in the study that experienced an 80 percent or better rate of retention.

Contractors should monitor retention rates along with reasons why craftworkers quit or are terminated. A formal process must be developed to document retention rates on all projects and to analyze the resulting data to identify if specific reasons or trends exist by project and on a company-wide basis.

As part of monitoring retention, contractors also need to determine why workers quit or are terminated. Reasons for termination should be documented at the time of the event. As for voluntary quits, an exit interview is the most effective way of acquiring the reason(s). Company management should review the reasons for termination and quits on a monthly basis to determine if project and company problems such as poorly trained supervisors or unsafe jobsites are causing the increased rate of turnover. If patterns exist, management needs to take the appropriate actions to alleviate the causes.

The CII also recommends that contractors and owners adopt a national certification program like that of the National Center for Construction Education and Research. In addition, contractors should use a skilled craftworker assessment process to ensure workers receive and successfully complete the needed training on projects to maintain a high level of productivity.

Multi-Skilling: Creating a Career

One way to help ensure permanent employment and reduce the rate of turnover is through multi-skilling. Multi-Skilling is nothing more than training craftworkers in more than one trade.

The CII studied this issue and found there were many benefits for the worker, the project and the industry. The benefits for the worker include:

- A 47 percent increase in employment duration;
- An opportunity to become more marketable;

- Increased earning potential;
- A greater variety of work; and
- Fewer relocations.

The project benefits include:

- A 35 percent reduction in project work force;
- Flexibility in work assignments;
- Increased acceptance from workers;
- Increased motivation; and
- Improved safety.

The industry, as a whole, benefits with multi-skilling. Training for multiple skills is a more effective utilization of the existing work force because it improves employment opportunities. Plus, multi-skilling saves 5 percent to 20 percent in labor costs and in total project costs.

Creating a Career Path for Craftworkers

The industry must get away from thinking of its craftworkers as commodities. Workers want to be proud of what they do; they want to have people in the company interested in them. Yes, they might come to the site with few skills and knowledge, but it is the employer's responsibility to pick them up and give them the training, skills and knowledge. If that's done, turnover rates drop.

Developing formal career paths for all of the craftworkers is foundational to any employee retention program. A career path is defined as a patterned sequence of work-related positions and an ordered movement of an individual among the positions. A company's organizational chart serves as the structure through which an employee can move either vertically or laterally in the company.

Career paths improve employee skills and knowledge, and provide a sense of permanency in a company. Developing a career path begins with establishing formal job descriptions.

To implement the career path process, begin by meeting with each employee and identifying what career path he desires to embark on in the company.

It should be stated in this discussion with the employee that an opening must exist in an identified position of the individual to be able to move into it.

Once the career path is identified, document it and revisit it at the next performance evaluation, and make needed changes.

Changing the Image For a Changing Work Force

The work force is changing, and workers coming to projects are looking for different things than they did 10 to 15 years ago. Leisure time is becoming more important; more single parents are working, older people are coming to project sites; people with handicaps and those who are bilingual are coming.

Studies show that younger workers want the money. Once they get married, have families and start to realize they're getting older, benefits become more important to them. Benefits may be the area to show some long-term preferential treatment.

Plus, flex time is becoming more important because of the changing nature of the work force. Contractors that adopted a flex time schedule find it effective as a means to attract and retain workers.

To improve the image, contractors should start with their own construction sites. They must provide safe, clean, well-organized construction sites, and give workers uniforms or initiate policies on clothing, hygiene and acceptable language.

Another meaningful way to improve the construction industry image is to participate in high school career days and serve as a guest speaker in math, science and other formal classes. The objective is to bring the subject of construction into the classroom and demonstrate how what students are learning can be applied to the industry.

The industry also must work with middle and high school counselors. Counselors are telling kids they have to go to college. Efforts need to be made while students are in high school to identify who might not immediately succeed in college and present them with opportunities in the construction industry such as through the NCCER annual video conference.

Contractors should have, as part of their organization, an academic arm. Association education directors and others can serve as that academic arm and let contractors get on with the business of construction, and let the educators get on with education.

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