How is that ‘Help Wanted’ sign working out?

CFMA Day

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Presented by CliftonLarsonAllen
Presenter

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Learning Objectives

• Recognize why demographics and economics render traditional construction recruiting, hiring, and retention strategies ineffective.

• Devise short term solutions to increase the capacity of your current staffing levels.

• Formulate a long range strategy to become a preferred employer in your market.
If Rule #1 is Cash Flow, then Rule #2 is Sustained Profitability

- Profitable jobs regardless of annual volume
- Overhead and indirect cost must be absorbed by some minimum sales threshold
- Often, reputation for quality creates customer loyalty and opportunity
- Diversified sources of revenue
- Must be paid for out of scope work
The Elephant in the Room — Sustainability

- Past performance is no guarantee of future results
- Our industry tends to be short sighted and reactive
- External influences often result in a dynamic construction market
The perfect storm
Economics

• Construction spending increased 5.6% in 2014 after increasing 5.7% in 2013.

• In 2014, for the first time in nearly 10 years there was growth in all three sectors public, private non-residential, and residential

• August 2015 YTD up 9.8% over same period 2014

• July 2015, construction spending was $1.086 trillion-the highest rate since May 2008

• Buyer concerns could challenge sustained growth
  - (e.g. interest rates, elections, oil prices, highway funding, ACA)
Shaded areas indicate US recessions - 2015 research.stlouisfed.org
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What does this mean to you and me?

• There was pent up demand for capital investments
• Construction has been a “good buy” for owners
• Demand should have resulted in:
  ? Less competition for the work → higher prices
  ✓ Return to profitability
  ✓ Growth both healthy and unhealthy
• For many contractors, backlog is growing at a more rapid pace than workforce capacity.
• Contractors are satisfied with 2015 results and are cautiously optimistic about 2016.
2.2 million workers

1 million workers

Shaded areas indicate US recessions - 2015 research.stlouisfed.org
Demographics

• Less than half of 2.2 million reduction in construction workforce has been rehired

• “It is possible that employment gains in some metros were held down by a lack of available workers rather than a lack of projects” – AGC Data DIGest September 22-28, 2015

• Work force continues to age
  – 50% are over 45 years of age
  – 20% are over 55 years of age
  – Fewer skilled crafts persons entered the construction workforce pool in the last 10 years
The work is here. Where are the workers?

• “86% of respondents to an AGC Survey released on September 10 said they were having difficulty filling hourly craft or salaried professional positions”
  – AGC Data DIGest September 22-28, 2015

• As a result of the recession, workers chose to leave construction— for other industries or retired

• The most difficult craft positions to fill are
  – Carpenters
  – Sheet Metal Installers
  – Concrete Workers
  – Electricians
  – Truck Drivers
Civilian Workforce by Age Group

Workforce Growth Rate by Decade

The demographic winds have shifted...

- In the next 10 years, 1.5 million new workers are needed to keep pace with demand and retirements.
- Population will grow, but the growth rate of the labor force will reach its low of .5% in 2020-2030.
- “Too many younger Americans don’t want to work and get better at a tough job.”
- “Our labor force is going to depend to a great extent on what we do with immigration.”

1 Signs of an economy being stretched: Minnesota’s restaurants have trouble finding workers by Adam Belz Minneapolis Star-tribune October 3, 2015
Training a work force
Our society deserves a trained employee gap

- Four year post secondary was encouraged as entrée to high tech economy
- Trade schools and programs were under funded, under attended
- Union membership declined and apprenticeship programs languished
- Open shop contractors were hesitant to individually bear the cost of an unrealized benefit to training workers
“Organizations exist to make people’s strengths effective and their weaknesses irrelevant. And this is the work of effective leaders.”

-Frances Hesselbein
No better time to start leading your team

• Structure pay to attract and retain employees
  – Bonus for attendance or retention
  – Non-pay incentives or appreciation

• Invest — not only to keep up, but out pace competition

• Extend capacity of the work force
  – Outsource-creatively
  – Overtime-planned and managed
  – Non-traditional construction workers

• Leverage to better utilize skilled labor
  – Managers must manage use of time
  – Enforce delegation policies
Time to become creative but effective

• Pay more but expect more
• Help workers find and like you
  – Update web page
  – Applications on line
  – Job search websites
• Referral bonus to employees who recruit a “keeper”
• Hire or retain a talent manager
  – Multi meeting hiring process-reduce turnover
  – Hire part time employees and interns where appropriate
• Take note of companies or industries that are downsizing, regardless of industry or geographic location
Capacity tomorrow relies on retention today

• Resignations are a de-motivator to those who stay
• More work for those remaining even if temporary
• Growing your workforce depends on adding to what you have, not replacing those who left
• Developing a workforce who cares
• Career path, mentoring and feedback
• Understand why people leave your company and act on it quickly and decisively
• Everyone is in employee relations — if they don’t believe it, help them understand the consequences
Right people - right seats - right bus

• Reorganize to conserve and better deploy skilled labor
• Is it time to re-think the “working supervisor”? 
• Each generation will be increasingly expectant that technology is valued, accessible and current
  - Integration or interoperability is required
  - After the break in period, technology should make less work
  - Collect data not information

• Increase gross profit per Project Manager
  - Produce timely and accurate **system** job cost reports
  - Reduce reliance on spreadsheet analyses (outside system)
  - Eliminate duplicate data entry through integration
  - Estimate → Bid → Budget → Compare Actual to Estimate
Prescription for Capacity-Productivity

• Wages will likely increase to attract new workers, thus margins will suffer

• Output per construction worker has been in decline for decades—some think due to influx of lower skilled workers

• It is hard work to measure and improve productivity
Continuous Productivity Improvement

- Industry is notoriously inefficient
  - Less than 50% of time on task
  - High tolerance for status quo

- Create and increase capacity
  - “Rosie the Riveter” and the “Toyota Way”
  - Reduce or eliminate wasted time

- Improve processes
  - Better planning
  - Dedicated management
  - Input from entire team

- Employee development (training)
The Long and Winding Road

• Construction demand is an opportunity
• Skilled workforce shortage will continue
• Developing a work force takes time
• Poaching is a band aid not a cure

• Traditional recruiting may not be effective
• Consider a new long range strategy
Strategy: Compete for good labor

Shift your thinking from: “It’s your lucky day—we have a job for you”

To: “We can make a compelling case for joining us”

- Become talent managers
- Think differently about why people work
  - Everyone’s reason is unique
  - Wage is important but not the only factor
  - Control, flexibility, belonging, growth, future
  - Self esteem and spousal approval
- Differentiate yourself to become the employer of choice among those skilled construction workers
Strategy: We have a vision you want to share

- We have more than a compensation package
- We will respect you and value you
- We can offer you a future because we are a profitable, sustainable company
- We only keep the best — others can have the rest
- You will have what you need to be successful
- You will know what is going on
- You will be able to learn new skills
- You will be entrusted with more responsibility
- You will be proud to say that you are on our team
Strategy: Job satisfaction through technology

- Each generation will be increasingly expectant that technology is valued, accessible and current
- Employee kiosk or portal to access pay stub, benefits, work assignments, etc.
- Creativity and trials are supported
- Integration or interoperability required
- Training is effective and timely
- After the break in period, technology should make less work, not more
Strategy: Demonstrate that all are valued

- Refresh the web site often with relevant information
- Produce a regularly distributed newsletter with both company news and human interest
- Meaningful tokens of appreciation — it is the thought and to some extent, the size that counts
- Work schedule flexibility with accountability
- Transparency consistent with responsibility
- Owner/CEO/President/Managers model that every employee is valued by job site visits and interactions
Thoughts from my mountain top

- In the absence of leadership, employees will find someone to follow — possibly out the door
- When employees stop learning they start looking
- Identify the game changers and maintainers — there is a role for each — but in balance
- As a manager I am responsible for placing my staff in a position to be successful — it’s my job
- Don’t underestimate the power of asking someone how they are doing — and listening to their answer
OPEN FORUM

Questions?
Challenges?
Solutions?
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Profile
Bob Sniegowski is a principal and construction operations consultant with the CliftonLarsonAllen Construction and Real Estate Group. After working within the construction industry for 24 years, he joined the firm in 1998. He is the principal in charge of the construction group’s specialized industry consulting practice.

Experience in serving clients
Bob specializes in operations consulting to construction companies, implementation of technology, dispute resolution support services to attorneys and project management training to various contractors and industry groups.

Educational/professional involvement
Bob graduated from Michigan Technological University in 1976 with a Bachelor of Science degree in civil engineering and is a registered professional engineer in the states of Georgia and Minnesota. Bob began his construction career in 1974 as a student engineer for Bechtel Associates, followed by a twenty-two year career with Al Johnson Construction Co. where he held the positions of estimator, senior estimator, office engineer, project engineer, project manager, vice-president and president of two different subsidiary companies. Bob has worked nationally on heavy civil works projects such as navigation locks, dams, bridges and tunnels; as well as regionally on grading, paving, and utility highway projects and commercial building construction projects.

Bob is an active member of the Associated General Contractors of Minnesota.

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