



1st Quarter 2016 Newsletter

What's Happening with Compensation, Performance Management, and Employee Retention for 2016?

Construction industry economic activity remains strong in most sectors and markets and the labor supply remains tight. Those two market conditions are driving many of the trends for 2016. A summary of these are as follows:

- According to Jeff Robinson at PAS, Inc., overall actual 2015 executive and staff employee salary increases were 4.1% and 3.5% respectively. Overall salary increases for 2016 are projected to be 3.8% to 4.0% for executives and 3.5% to 3.7% for staff employees. Overall nonunion craft employee wages should increase about the same as staff employees.
- The craft/superintendent job family (craft workers, assistant superintendents, superintendents, project superintendents, and construction managers) continues to see the largest year-over-year wage/salary increase. The pay increases for this job family are being driven from the bottom by wage increases for craft workers.
- Retaining key employees will become a bigger and bigger issue for a number of reasons, including demographic shifts in the workforce. Generation X and Millennial employees are more inclined to change companies than their predecessors.
- Strategic retention systems, including the use of nonqualified, deferred compensation (NQDC) plans, are being put in place at more companies. The majority of medium- to large-sized construction companies now offer an NQDC plan.
- Annual bonus or incentive plans will be more structured and less discretionary than in past years. Just about all companies have reinstated their incentive plans after the recession.
- Work-life balance and retention issues are driving the increased use of flexible scheduling and telecommuting for certain positions.
- More and more companies are implementing formal performance management systems and directly tying those systems to incentive payments.
- Companies are increasingly using sophisticated software for their performance management process and integrating that software with their HRIS system.

Article Spotlight



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A Word from Rick Sharpnack



2016 promises to be an interesting year for the construction industry. Construction markets are strong in most areas of the country and there is a big backlog of mega commercial and industrial projects. The only sector that is slowing down is industrial oil- and gas-related construction. Every company I talk to is looking for additional employees. Hopefully, project fees will increase with all of this work, and you can pay good year-end bonuses. Give me a call or send an email if you would like to discuss any of the compensation or performance management trends identified above.