

The Big Pay Disconnect

Yes, Money Matters

One Email Says it Best

- ... because I'm spending so much of my time on recruiting / hiring activities and working to keep our key people.
- Crazy market when there is more work overall than people to perform it, leading to...
 - On-going poaching
 - Compensation levels that are unsustainable

Current Pay Issues

- Willis Towers Watson's 2016 Global Talent Management and Rewards, and Global Workforce Studies report was released in September 2016 indicating base pay as the number one driver in both attracting and retaining employees.
- Also in September the Hay Group released a report indicating that when adjusted for inflation, salaries in the United States actually decreased 3.1% on average since September 2008.
- SHRM job satisfaction survey released in April 2017 indicated that 61% indicated compensation is very important but only 26% indicated they were very satisfied with their pay.
- These studies reflecting the importance of base pay, lack of pay growth, lack of satisfaction, and then coupled with the AGC study sets the stage for a large disconnect in our industry.

Current Pay Issues

Attraction Drivers

	Employer View	Employee View
1	Career Advancement Opportunities	Base Pay / Salary
2	Base Pay / Salary	Job Security
3	Reputation – Great place to work	Career Advancement Opportunities
4	Challenging Work	Challenging Work

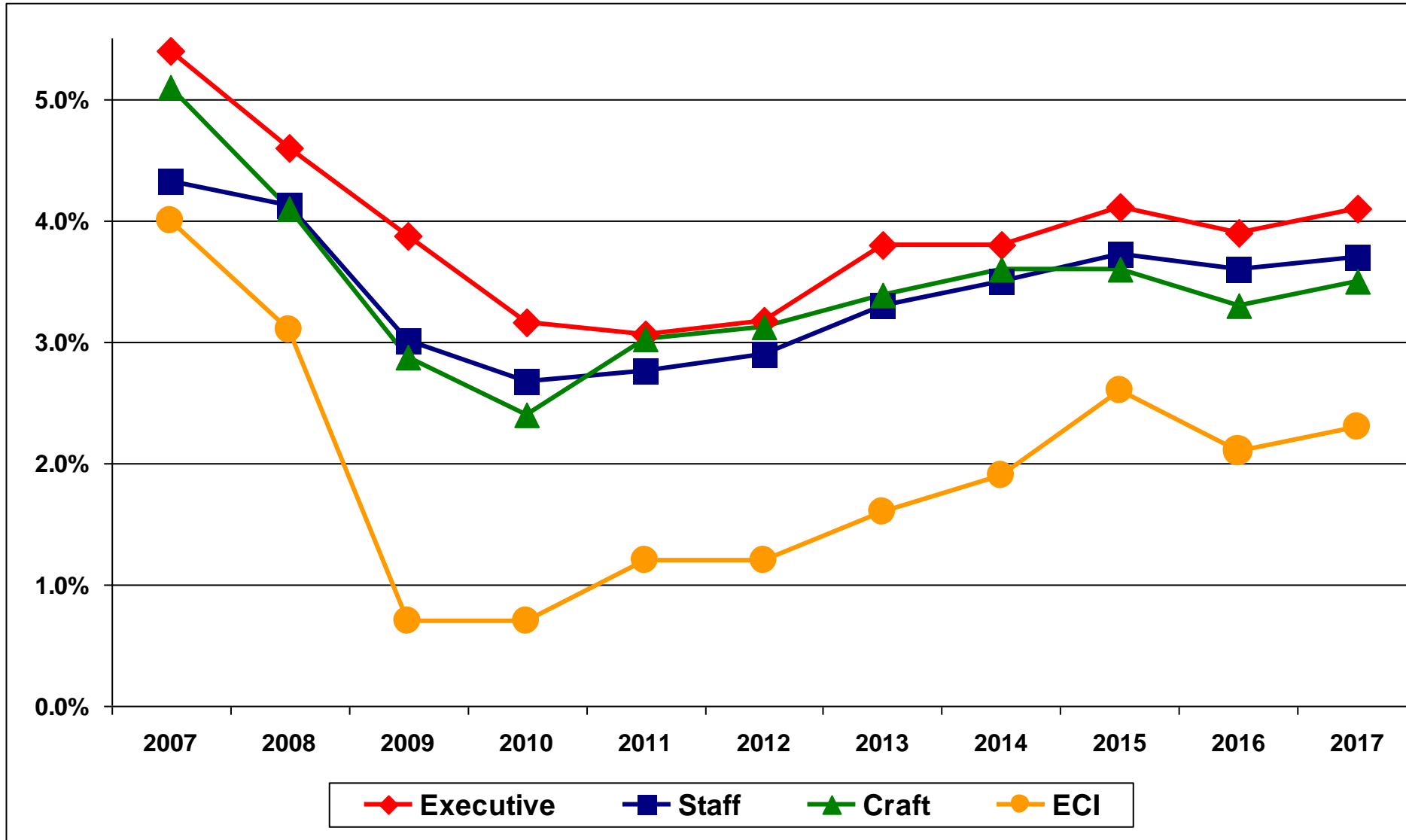
Retention Drivers

	Employer View	Employee View
1	Career Advancement Opportunities	Base Pay / Salary
2	Base Pay / Salary	Career Advancement Opportunities
3	Relationship with Supervisor	Physical Work Environment
4	Ability to manage work related stress	Job Security

Current Pay Issues

- Conflicting messages in the data.
- Staff and craft base pay continues to grow.
- Project hiring practices have a large impact on the here and now.
- Pay compression is still very much alive.
- Tailoring HR and Compensation practices to key employee groups.
- The “Total Package” is taking on more importance.

Trends - Wage Increases (Jeff's 2017 Forecast)

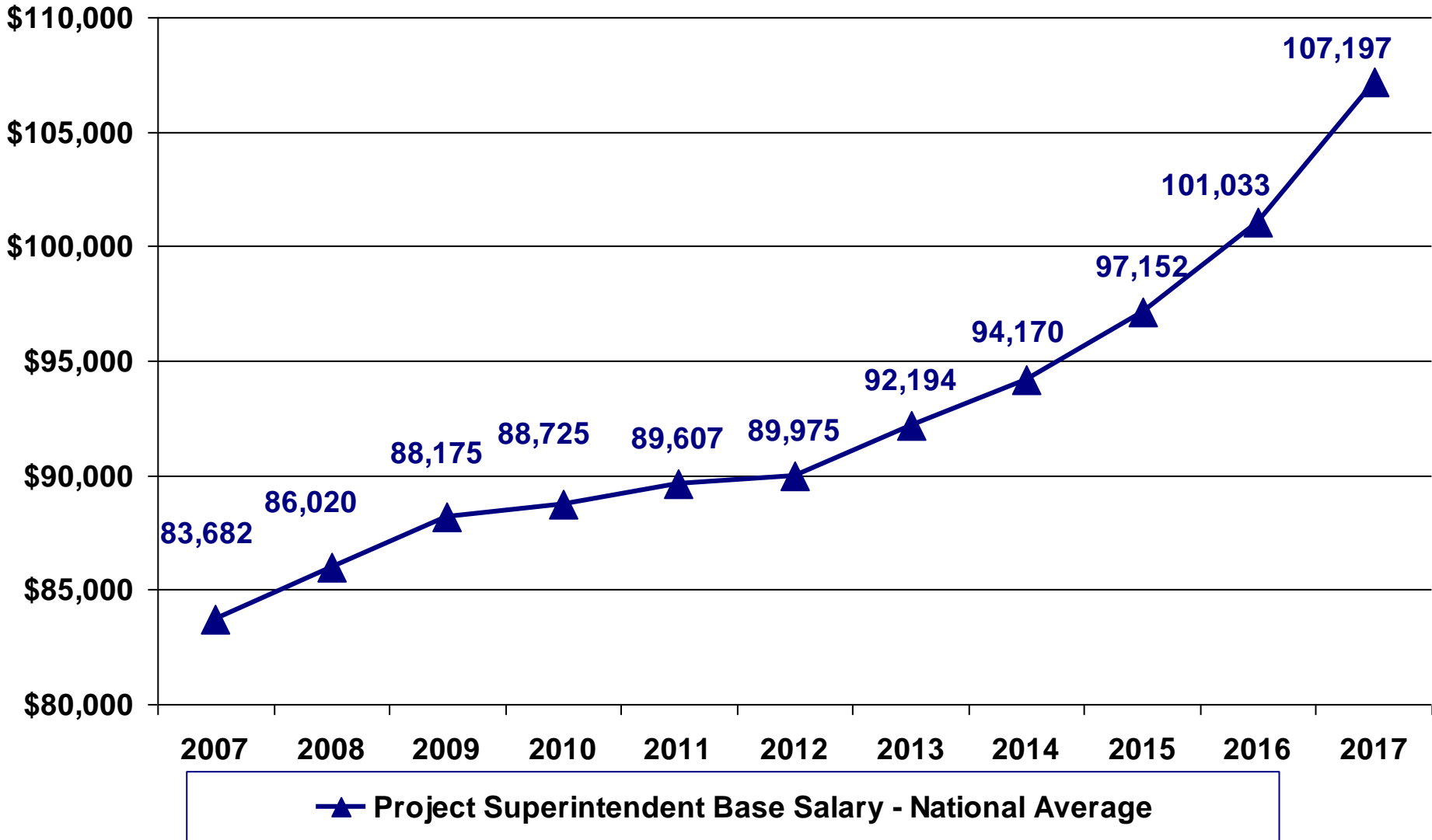


What Others Are Saying about 2018

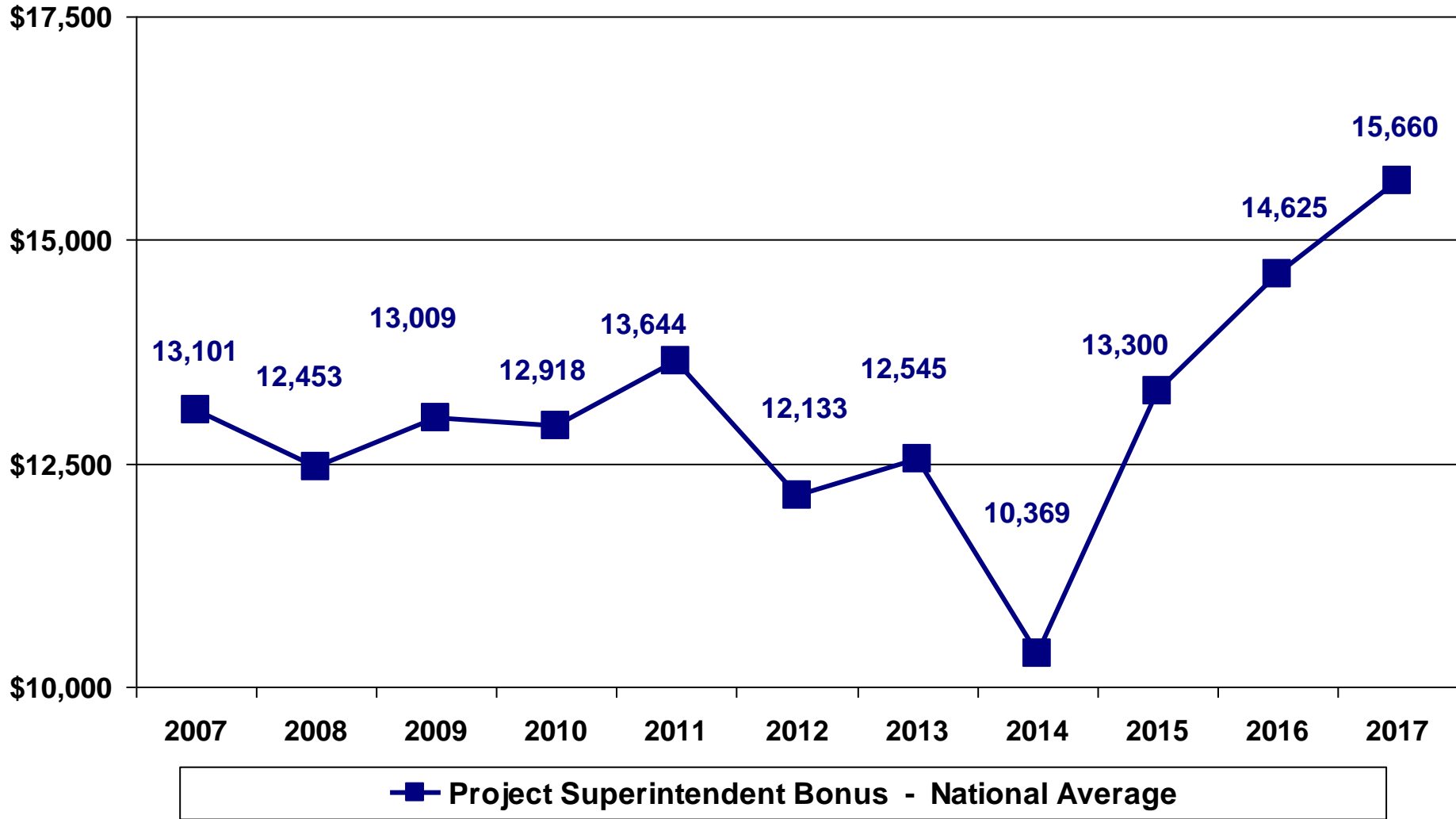
Other compensation folks – all industries...

- Mercer anticipates 2.9%
- Hay Consultants projecting 3.0%
- Conference Board anticipates 3.0%
- Willis Towers Watson forecasting 3.0%
- AON Hewitt - Projecting 3.0%
- ERI anticipates 3.2%
- WorldatWork (formerly known as the American Compensation Association) is projecting 3.1% overall (Construction projected at 3.4%)

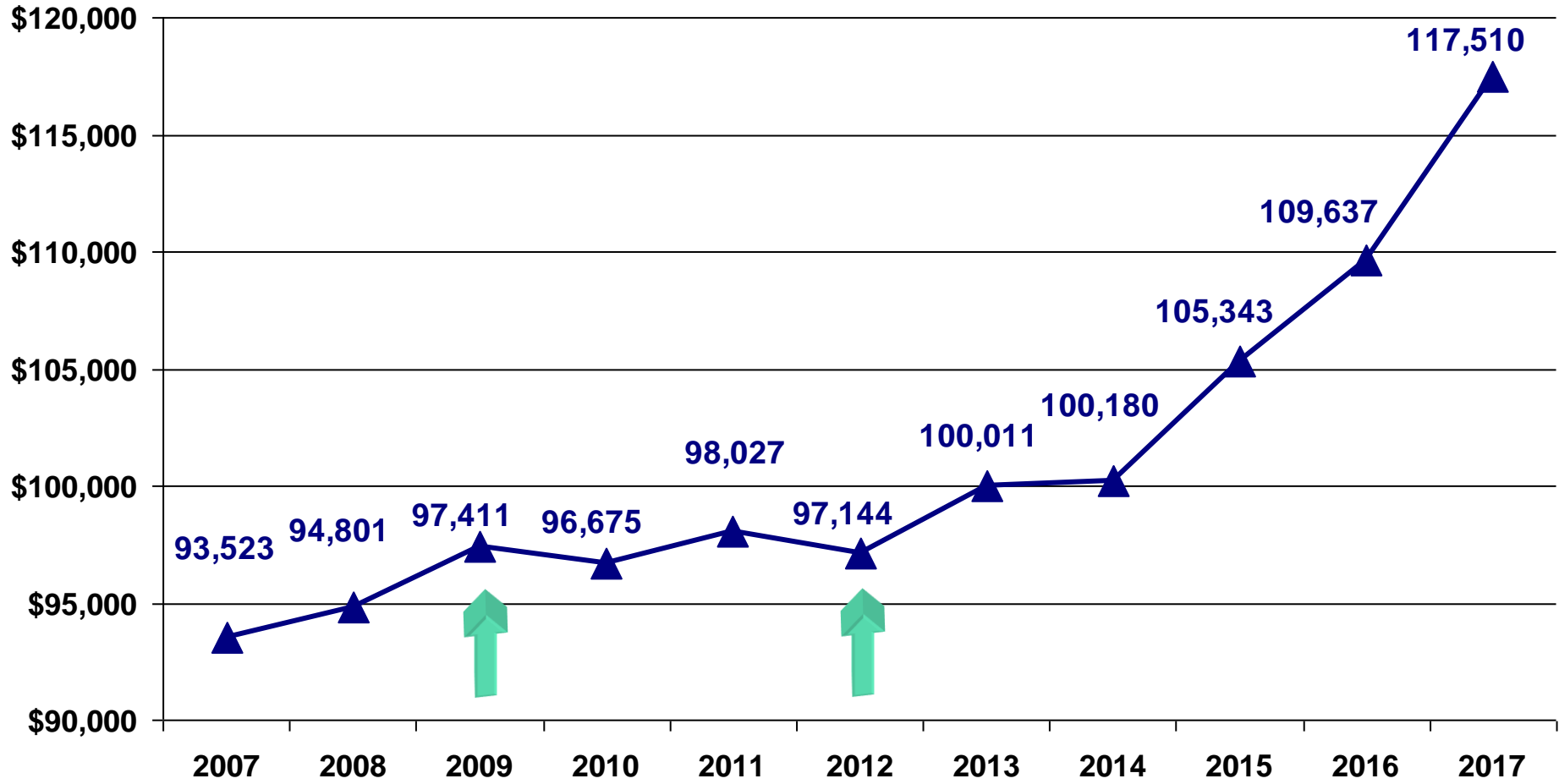
Base Pay Trends



Variable Pay Trends - Cash

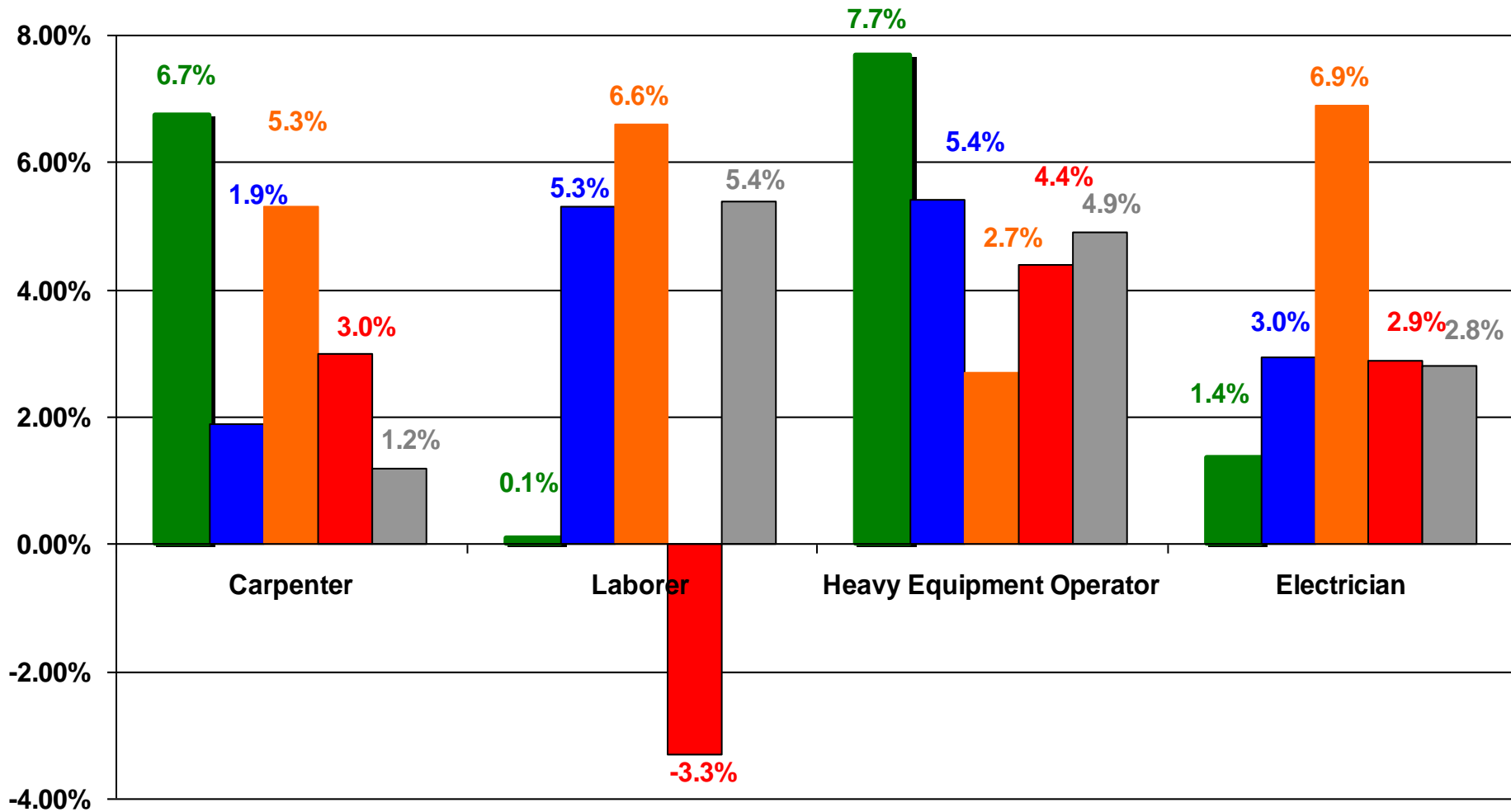


Total Compensation Changes



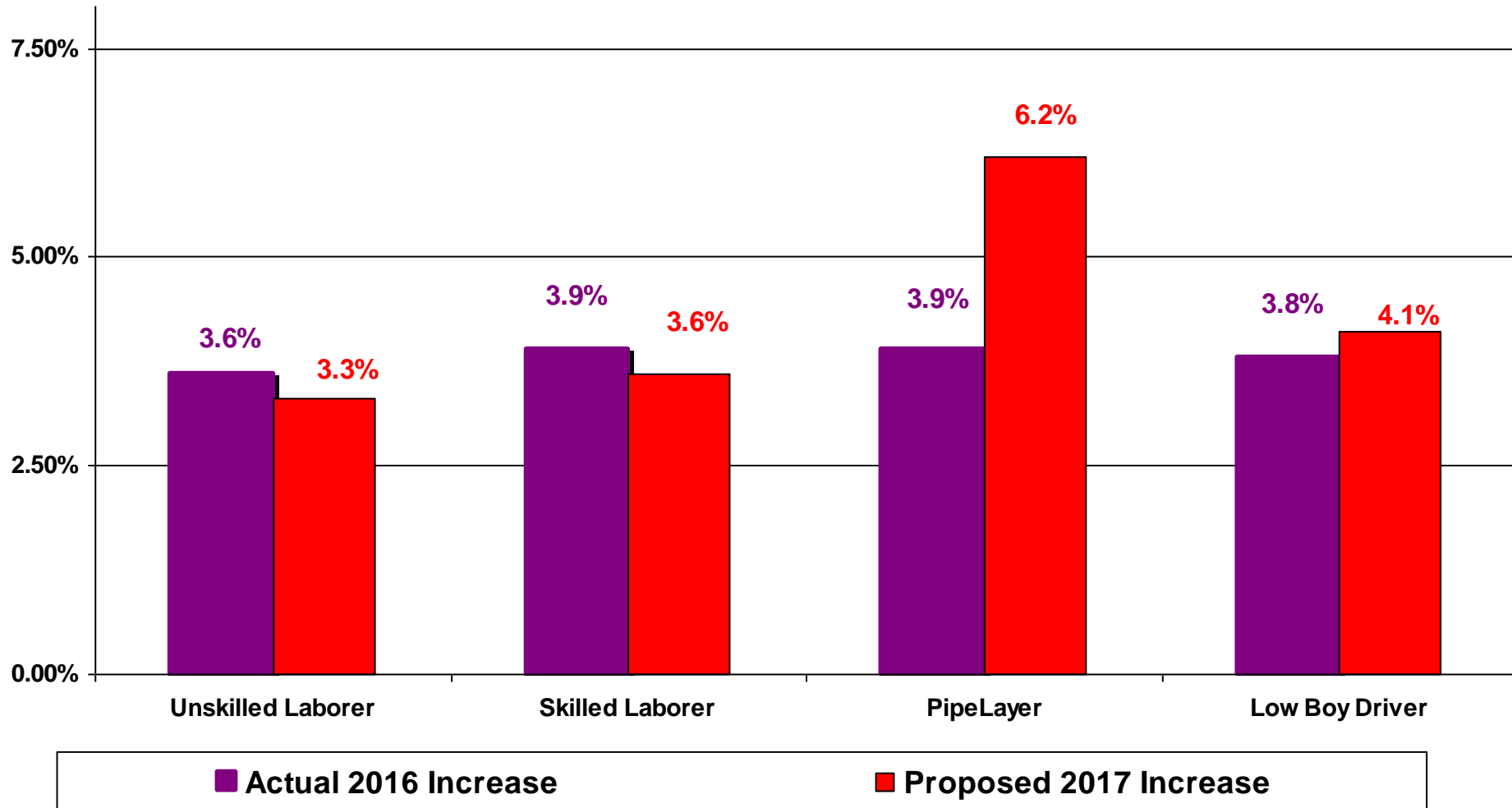
▲ Project Superintendent Total Comp All - National Average

Direct Pay Issues - Changes Commercial

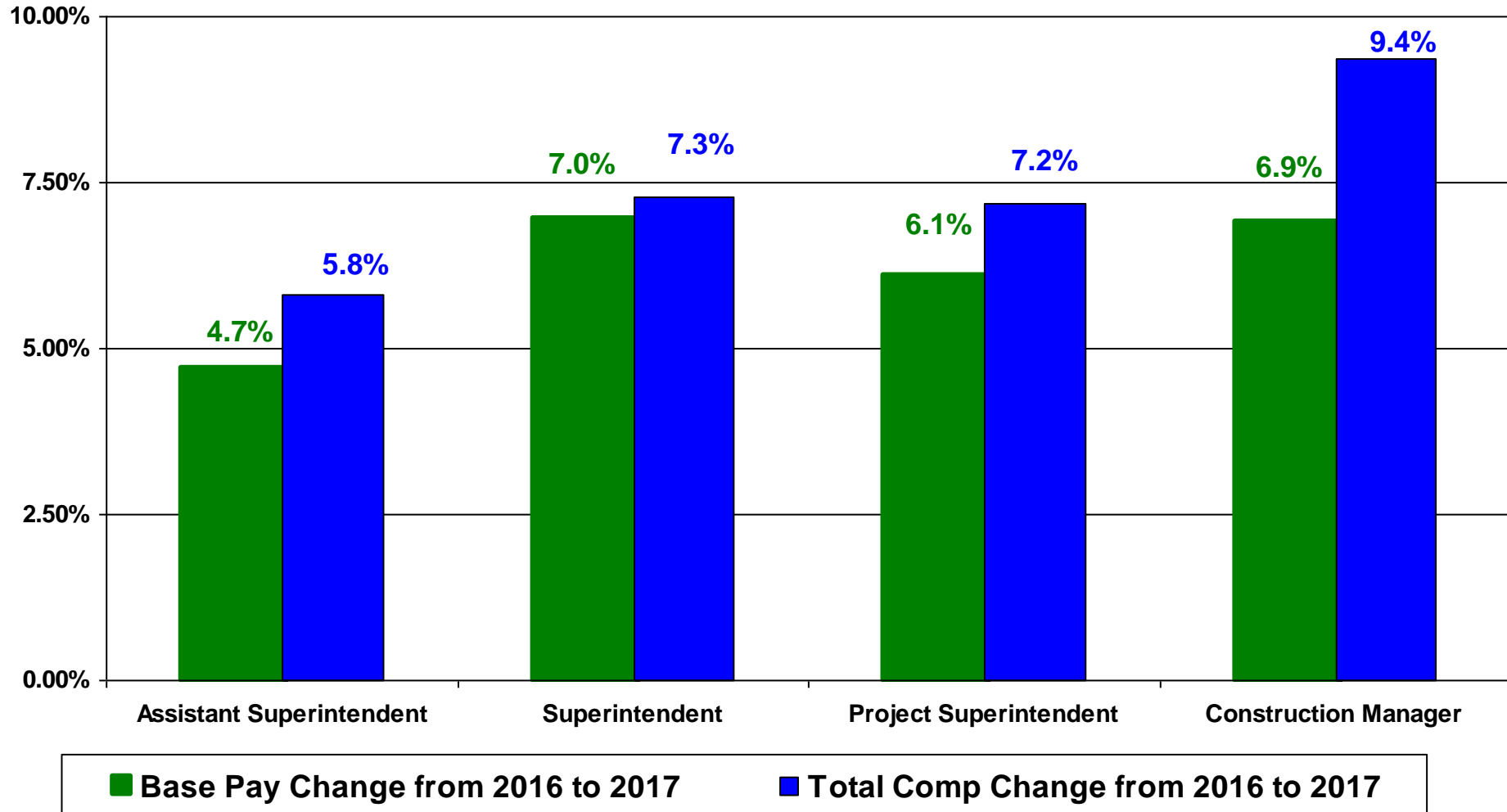


■ From 2012 to 2013 ■ From 2013 to 2014 ■ From 2014 to 2015 ■ From 2015 to 2016 ■ From 2016 to 2017

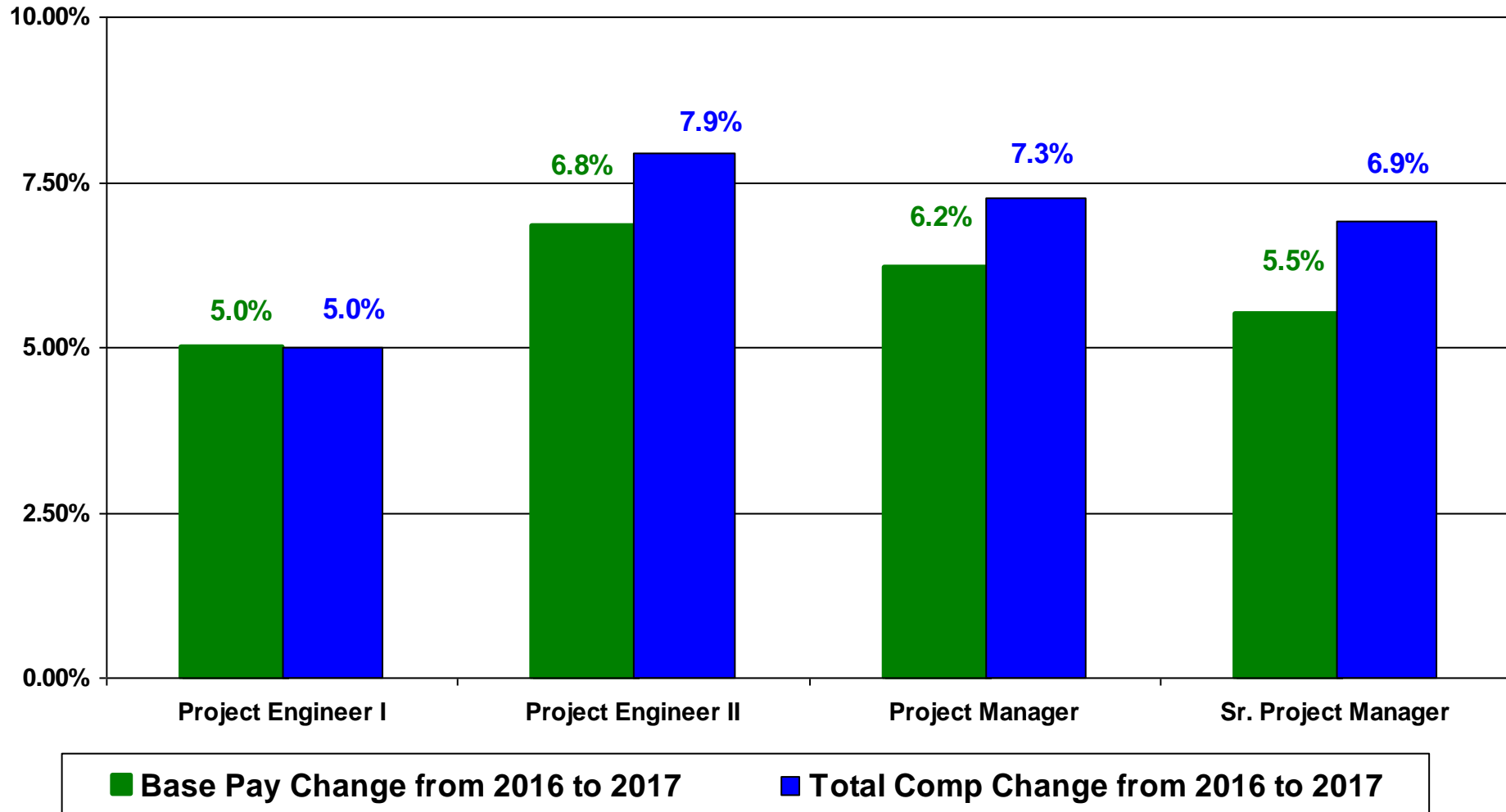
Direct Pay Issues – Civil Sectors



Direct Pay Issues



Direct Pay Issues



Direct Pay Issues

- Revisiting the ECI and the industry pay increases
 - Why don't the actual changes reflect the overall industry changes?
 - The inchworm effect.
 - Compression
 - Pay Equity

Things to Think About

- Trend your pay increases against the industry.
- Analyze wage movements and compensation issues in other construction sectors. Consider the impact on your firm.
- Look at your compensation components in total. Have your employee pay packages stagnated or grown?
- Your company will most likely experience compression at some point - deal with it quickly.
- Consider the impact the “competition for workforce” has on your pay program.
- Make certain your pay program is market driven in 2018 to ensure competitiveness.

Continuing into 2018 - Revisiting the Email

- ... because I'm spending so much of my time on recruiting / hiring activities and working to keep our key people.
- Crazy market when there is more work overall than people to perform it, leading to...
 - On-going **poaching**
 - Compensation levels that are **unsustainable**
- It will take more than one pay element to solve the problem.

Take Away

- Recognize the importance of each pay element. Base pay is the anchor for recruiting, but variable pay is key to retaining and motivating your employees.
- Remember, what happens at the craft level will affect every position that supervises the craft and those that support the craft.
- The focus in 2018 will be on those employees and job families that are in the greatest demand and/or have fallen below the “going pay rate”.
- Pinpoint those actions necessary to address 2018 direct pay equity issues.