

# **Human Resource Challenges in the United States Commercial Construction Industry**

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## **Abstract**

In the commercial construction industry, the professionals who handle the Human Resource (HR) departments face many challenges that are unique to the construction industry. Decentralized work sites, mobile workforces and transient workers need the attention of HR professionals as well as executive company managers to provide strategic operational support for the company. Human Resource Management will continue to be a pressing issue in construction company management as new laws and trends in employment continue to change and evolve. Construction’s unique challenges in HR have been explored and outlined in this paper to help company managers know what they may face. Commercial construction companies around the United States were visited to determine the most common challenges and concerns facing HR departments. The results of these visits found that there were commonalities in the challenges that commercial construction companies in the United States face in regards to HR. The main findings relating to the HR challenges that will be discussed in this paper include: finding skilled and experienced workers, equal employment opportunity issues, the mobile nature of construction projects, training, layoffs and termination, compensation, retention, harassment and new trends emerging in construction companies relating to HR. The findings of this study will help construction companies better understand the unique issues of HR in the construction industry and have the information to better handle them.

## **Keywords**

Human Resource Management, Commercial, Construction

## **1. Introduction**

Human Resource (HR) departments are an integral component of many professional industries. In the commercial construction industry there are unique challenges to managing human resources. The complexity of the projects and organizational structure of construction companies can create challenges and difficulties in implementing and controlling traditional HR practices employed in other industries. As the trained construction labor workforce decreases and the number of international trade workers rises (Xinyu Huang 2003), it is important for construction company managers to understand these HR challenges and develop strategies to deal with them. In an effort to better understand the HR challenges that commercial contractors face, and in preparation to teach a graduate level Construction Company HR class, the primary author visited 11 different commercial construction companies across the United States. All of the companies were found on the Engineering News Record 2013 top 400 Contractors, with rankings varied throughout the top 400.

The purpose of this paper is to disseminate what was learned about the unique challenges human resource representatives face in commercial construction companies. While some of the findings are relatable to HR in other industries, these visits gave a distinct perspective of construction challenges that need to be understood by those managing construction companies in the United States. This paper is important due to the lack of research, found through a literature review, dealing with construction company HR operations in the United States. It provides insight into management issues that upper management should be involved in to increase the effectiveness of company operations. The findings of this research allow company executives and HR professionals to make strategic decisions based on what challenges they and other commercial companies are facing. Making informed personnel decisions that are compliant with current employment laws and practices can better protect companies and improve profitability and reduce turnover. With remote worksites, the training of lower level managers in basic HR processes is important because they are often responsible for personnel decisions and administration of some HR capacities on their jobsites.

## 2. Methodology

The data obtained comes from the perspective of experienced professional HR representatives of construction firms in the United States. All companies visited fall under the same federal labor laws. State labor laws may differ from state to state, and may also provide unique challenges for particular companies. It is important to note that these challenges HR professionals are facing are not listed in any particular order as suggested by members of the focus group. Their relative importance depends on a number of factors such as type of the company, scope of projects, size of company project teams, company divisions etc. The readers are advised to use their own judgment and experience in ranking these factors for which challenges could most affect their company operations. While this data is regarded as qualitative data, the understandings gained through this exercise provided valuable information and insights into what HR challenges construction companies face and what construction managers should be aware of. Only the most common challenges among the companies have been discussed at length in this paper, while other challenges may be briefly mentioned. At the request of the companies visited, only general information will be shared including the identity of the companies visited and the processes they use in handling their human resource operations.

## 3. HR Challenges in Construction

Table 1 is a summary of key challenges in construction company HR in the United States.

Table 1 *Summary of Common HR Challenges in Construction*

<b>Human Resource Management Challenge</b>	<b>Key Aspects Facing the Construction Industry</b>
Finding Skilled Labor	Decline of unions, recessions causing workers to leave the industry, decrease in trained workers, labor shortages
Equal Employment Opportunities	Hiring women, hiring minorities, lack of women and minorities in management positions
Mobile Workforce	Short term projects, moving employees, training, finding workers willing to move to where the work is
Training	Remote jobsites, decentralized workers, getting people to trainings, training craft workers
Compensation	Compensation strategies to win work, total compensation packages, pay bands
Turnover	Replacement costs, retaining employees, providing advancement opportunities
Harassment	Discrimination, sexual harassment
New Trends	Affordable Care Act, wellness programs, flexible working hours.

### **3.1 Finding Skilled Craft Labor**

According to the HR representatives visited, finding skilled craft labor is becoming more of a challenge in the construction industry. With the decrease in union contractors in the United States, the level of formal training that workers entering the construction industry receive has gone down (Dale Belman 2006). The companies visited had commonly experienced difficulty in finding qualified craft workers. Increasingly, the construction workforce is becoming more ethnically diverse and finding international workers who are authorized to work in the United States provides its own challenges. With the economic recession of the past few years, trained workers have left the construction industry in pursuit of other work (J.S. Boschman 2013). As the market in some areas of the country has begun to pick up, companies have started to see a shortage of labor, resulting in higher prices (Ismail Abdul Rahman 2012). With the elimination of craft training and vocational programs in high schools, along with decreased labor union training, opportunities for students to be exposed to skills training and construction industry opportunities continues to contribute to the lack of skilled workers in construction (Jackson, 2004).

In an effort to deal with the challenges of finding skilled labor, the construction companies who were visited were found to be using a variety of methods to try and maintain a skilled labor force. These methods include: training workers within the company to perform certain work, utilizing current employees to recruit other workers they have worked with in the past to join the company, developing in-house training and apprenticeship programs, trade organization trainings including the association of General Contractors (AGC) and utilizing programs such as Helmets to Hard Hats which connects men and women in the armed forces with careers in the construction industry. One method some companies use for finding skilled labor is that of paying referral fees to employees for workers that are hired and retained for a certain period of time. Referral fees ranged from a few hundred dollars to as much as three thousand dollars for one company. A manager told the author “We have a nice referral plan, I won’t give the exact numbers but I know it’s thousands that people can get for referring people.” Construction HR managers are often tasked with the challenge of recruiting skilled workers and developing training for unskilled employees to mitigate the lack of unskilled workers facing the construction industry.

### **3.2 Providing Equal Employment Opportunity, Especially for Women**

Another challenge found among the construction companies HR departments was the issue of hiring women and minorities. The construction industry has historically been a male dominated industry (M. Josephson 1999). There is also a disparity in the amount of minorities who are in management positions in the construction industry. One company also mentioned they felt pressure from the government or outside political influences to hire certain types of people for construction jobs, including ex-convicts and workers who come from poverty stricken areas. “The other big issue we are facing right now is outside political influence to hire certain people. To mirror the demographic of where you are working.” Construction companies along with other industries in the United States are held responsible for providing Equal Employment Opportunities.

“The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information. Most employers with at least 15 employees are covered by EEOC laws (20 employees in age discrimination cases). The laws apply to all types of work situations, including hiring, firing, promotions, harassment, training, wages, and benefits.” (CFR Title 29)

The EEOC also covers the AFFIRMATIVE ACTION APPROPRIATE UNDER TITLE VII OF THE CIVIL RIGHTS ACT OF 1964 (CFR Title 29), which was created to provide more employment opportunities to women and minorities in the workplace. With the limited labor pool of women

looking to work in the construction industry in the United States, construction companies struggle to find women to work in the industry. This problem ranges from actual field labor to management as well as support staff in the construction industry. This limited labor pool of women in construction comes both because of current and historical restrictions by employers such as lifting requirements for trade workers as well as perceived stigmas about the construction industry being unwelcoming to females (L. M. Goldenhar 1998). Based on the interviews with the HR representatives, part of the perception women have of construction is that it is a rough and tough industry and that women don't play a significant part in the industry. This perception is a perceived barrier to hiring women or finding interested women into various roles within the industry. "There's kind of an image in construction of rough talking, disrespectful construction people. And that's kind of a barrier sometimes to overcome to attract people, and I think particularly women." Most of the women working in the companies visited were in support or administrative positions such as HR and accounting. The number of women in actual construction operational positions was low.

With this challenge of equal opportunity and affirmative action prevalent in construction firms, Section 1608.4 of Title 29 of the CFR (Establishing affirmative action plans) comes into play for construction companies. This section of the CFR requires companies to perform a reasonable self-analysis to determine if there is any discrimination against women or minorities and to determine if this discrimination is resulting from past or current circumstances. Once a self-analysis has been completed, companies are faced with the challenge to determine if they have an adverse effect on employment opportunities of minorities or if employment or advancement opportunities have been limited. A reasonable action plan then needs to be put into place that could include goals and timetables to hire women or minorities, or a recruitment program that is aimed at attracting qualified members of minority groups. With a larger influx of international workers, ethnic minorities are becoming a larger part of construction, although they are more prevalent in field positions as opposed to management positions (Wicks-Lim 7-8). Companies are faced with the challenge to comply with the EEOC and implement affirmative action plans to provide opportunities to women and other minorities. "In our company we try and make sure we have representation of all the minority classes. In 2013 the percentage of minorities in construction management positions was significantly less than Caucasian males. Women made up 7.3% of construction managers employed in the United States while African Americans made up 3.1%, Asians made up 2.5% and Hispanics and Latinos made up 10.1% (U.S Dept of Labor and Bureau of Labor Statistics, 2013). We have a harder job getting the minority classes represented in our administrative (management) side, than we do with our craft."

### **3.3 Mobile Workforce**

Construction companies differ from most general industry employers due to the fact that construction employees are often required to be on site away from a central office. The HR managers in this study expressed this dynamic working climate as a challenge they regularly encounter. Specific challenges found were dealing with things such as recruiting, retention, training, coordinating living arrangements, travel, and team transitions. One of the major challenges of a mobile workforce is finding employees who are willing to adapt to this transient style of living and who are willing to move when needed. Depending on the position of the employee, they may be asked to relocate for the entire duration of the project or for the time it takes to complete their particular scope of work. While the readiness of employees to relocate is a highly sought after trait of construction firms, the firms represented in this study mainly still focused recruiting efforts on workers who came from surrounding areas that corresponded with the regional office's main area of work. Another important aspect for finding employees who fit the mobile workforce that was mentioned was that they are "looking for people who looked at moving as an exciting adventure and not merely a requirement of the job."

Once companies have found employees that are willing to adapt to the transient nature of construction projects, the HR department has the challenge of compensating employees for this lifestyle. It was found through the discussions with the HR representatives that the major impediments to overcome

include determining appropriate compensation for housing, travel and balancing time off for displaced employees to return home and spend time with their families. The HR managers discussed different options that their companies are using to deal with these issues. Their answers are summarized in Table 2.

Table 2 *Compensating Mobile Workforce Strategies Summary*

<b>Challenges of Dealing with Mobile Employees in Construction</b>	<b>Compensation Options</b>
Short term commuting	Mileage reimbursements/ car allowance
Short term displacement	Mileage reimbursement, meal and housing reimbursement, per diem expenses
Long term displacement	Rental housing allowance, monthly salary adjustments, temporary housing with a living stipend, reimbursed periodic trips back to employees permanent place of residence
Permanent displacement	Assistance in selling a home, moving expenses, and assistance in finding a new residence.

### 3.4 Training Challenges

Training is a concern from field labor all the way up through management of construction companies (J. L. Burati 1992). Since employees in construction don't always work at a centralized office, getting large groups of workers to attend training sessions was viewed as a major challenge. The companies visited varied in the amount of training that was offered and required to employees as well as how much training was emphasized. Some of the companies had a rigorous training curriculum where each training was outlined for each employee and the time designated that employee had to have the training completed by. Training topics listed by the study participant companies included safety, leadership, scheduling, construction software, certifications, and accounting among other construction skills. Getting people to trainings and taking the time away from projects can be a major challenge and a significant expense.

While all of the companies visited had some sort of training program in place, the emphasis placed on training varied by company. Regarding the difficulty of getting employees to training sessions, some companies were rigid in that if it is scheduled for the employee to be there, then that employee must be there, despite what is going on with the project. Other companies had more lenient policies. For example, if something important was happening on a project the training could be rescheduled for that employee. The companies with the more stringent policy felt that there would always be something important happening on a job so one day was as good as another to do training. Other companies felt that training happens in the field and try to tailor their training sessions to individual projects. Trainers in those companies are assigned to projects and will go to the site to provide training in lieu of trying to get everyone to a central location. Developing a formal training program as well as in informal training program with individuals mentoring others under their charge was commonly suggested among the HR managers as a way to effectively deal with the challenge of training in construction.

### 3.5 Compensation

Compensating employees fairly is a challenge in any industry. Balancing company overhead expenses while keeping employees satisfied in their earnings is difficult to manage. HR managers in construction have the challenge of determining what fair compensation is for each position within the company. This compensation can vary greatly from field laborers to upper management. Of the companies interviewed, the most common way of determining salary ranges for employees was to conduct salary surveys. Salary surveys are sent out to other employers who perform similar work in the industry as the company looking for the information. One of the common national surveys that was found to be in use by many HR managers is the PAS Construction Salary/Wage Surveys which

provide up to date data for craft workers, support staff, management and executive compensation information (<http://www.pas1.com/>). These surveys help companies determine fair compensation packages including starting salaries, raise percentages, promotion salary increases, bonuses, fringe benefits, and working conditions. Companies use information from salary surveys and industry reports to create a compensation strategy for employees.

Coming up with a compensation strategy is a complicated process. Companies need to determine what will be the most attractive package that will keep overhead costs low while meeting employees' personal needs. Several managers noted that base pay is what most employees are focused on in the initial hiring stage. HR managers interviewed all felt that while base pay was important, their companies all had unique compensation strategies that included more than just the base pay amount. With hard bid projects being common in construction, the difference in contractors' prices often comes down to the general conditions on a project which includes employee salaries. Some companies interviewed chose to keep base salaries lower than their competitors because they felt it made them more competitive on bidding projects. If lower salaries were the only part of the compensation strategy, these companies would have a hard time keeping employees from moving to competitors with higher salaries. In order to competitively compensate their employees and to help them meet or exceed the compensation packages of their competitors, these companies would include larger bonuses on successful projects. Bonus structures, health benefits, profit sharing plans, stock options, retirement savings plans and paid time off to salaried employees are items that were listed by HR managers in this study that are used in combination with base salary to provide an overall compensation strategy by companies.

### **3.6 Employee Turnover**

Employee turnover in construction comes from various avenues. Turnover is affected by changes in the market requiring layoffs, termination of employees, or by employees seeking new opportunities (Sargent, Sullivan, and Hanna, 2003). During the most recent recession, many companies were forced to lay off workers due to lack of work. In 2008 at least 5 million construction workers had lost their jobs (Boschman, 2013). While this is not an ideal situation for employers, it is a part of the construction industry that HR managers are a part of and have to deal with. In the cases of firing or laying off employees, the construction industry can present unique challenges. Most companies interviewed followed the practice that the least qualified employees were the first to be let go during layoffs.

Another important facet of managing HR that was discussed by companies in this study were their responsibilities during terminations. These challenges included recovering cell phones, computers, company property, terminating access to email and company servers, and issuing final pay checks. With workers not generally located at a central office, these challenges are more difficult to accomplish. In a termination setting, the employee would be called in and notified that their employment had been terminated. In an office setting they would be escorted back to their desk where they could collect their belongings. In construction however, this becomes a greater challenge since the employee doesn't always have a fixed location and escorting them to collect their belongings could be difficult.

Terminations and layoffs are a major challenge for HR managers. One manager stated that the three laws for terminating an employee are "Document, Document and Document." With the litigious society, terminated employees often will come back with wrongful termination suits which are a threat to companies. With the advances in the information available on the Internet, employees are more informed on matters of their rights and appropriate HR practices than ever before. Protecting the companies' interests is a major responsibility of HR professionals in today's construction companies and often revolves around the termination of employees.

### **3.7 Harassment and Discrimination**

With a diverse workforce, the companies in this study felt it was extremely important to educate their workforce on what could be viewed as harassment and discrimination. In meeting with these companies, they related that the construction industry workers are reluctant to report incidents of discrimination and harassment. Employees may often feel that reporting harassment incidents could put a target on their back and possibly lead to further incidents (Peirce, 1997). One manager interviewed related that they found out about some of the incidents that incurred in their company only after the employee had moved on or was quitting and the employee felt someone should know what was happening.

One unexpected finding discovered by the author on visits to the various HR departments was the common existence of male-to-male sexual harassment on construction sites. Some of the male to male harassment incidents reported by HR managers included people being made fun of for being virgins or their sexual orientation, crude language, horse play (specifically guys walking by another and taking a whack at the others genitals), and making fun of others for being feminine. With HR managers not being on site regularly, it is a challenge for them to witness these incidents, and, unless they are reported, they don't know they are taking place. These managers expressed that many of the victims were not reporting the incidents because they did not want to be viewed as weak or feared that they would be retaliated against. Educating employees on their rights and what actions they could take was a focus of training among the companies visited, as well as educating all employees on what behaviors could be considered harassment or discrimination in the workplace. If harassment is reported, the HR manager gets involved by doing an investigation and documenting the events surrounding the incident in question, and then takes appropriate action based on the findings.

#### **4. New Trends Facing HR Managers in Construction Companies**

With the rising costs of healthcare in the United States, companies are looking for ways to cut costs. New government regulations, The Affordable Care Act, commonly referred to as Obamacare, which mandates that employers provide affordable health care to employees, is affecting the way employers are able to offer benefits to employees. Keeping up with, understanding, and complying with these new regulations puts an added burden on HR managers. In order to reduce claims and to control insurance premiums throughout companies, many construction companies as well as general industry companies have begun to institute wellness programs for their employees. Wellness programs are intended to encourage healthy lifestyles and to create healthier workplaces. Therefore, with The Affordable Care Act comes new incentives for employers who participate in wellness programs.

The companies visited were using wellness programs in varying degrees. Some were not involved in wellness programs, while others provided large incentives that could completely cover the employees' health insurance premiums if employees met certain requirements of the program. According to the Affordable Care Act, wellness programs rewards could reduce health coverage costs from 20-30 percent. By promoting better health, companies have seen a reduction in claims from their employees, which also helps to lower insurance premiums. Managing a wellness program and dealing with insurance companies on claims and evaluating policies and when to change insurance carriers is an ongoing responsibility of the HR managers.

Another new trend being explored by some HR managers interviewed was modifying the traditional workday to accommodate the mobile and technology savvy workforce. Historically, companies have had office spaces for their employees where managers can walk by and ensure that their employees are there and that they are working. With internet connectivity being so readily available, some of the companies visited were exploring the opening up more flexible work time and remote work time for certain employees. One company interviewed was starting the practice for project manager level and higher that one Friday a month they could work from wherever they wanted to, as long as they had connectivity. Whether they wanted to work from home or a coffee shop, it would be their choice. This would allow them to forgo a commute and give them the possibility of working remotely on some

level. With the hands-on nature of construction, for most employees working remotely full-time is not an option. These new trends impact the construction HR manager and the way companies deal with their employees.

## 5. Conclusions and Future Research

The visits to the companies provided an understanding of the HR challenges commercial construction companies deal with. The changing nature of construction, the mobile/transient workforce, turnover, employee training, compensation, harassment, discrimination, and providing equal employment opportunities are the major HR challenges in construction companies that were discovered to be common among all companies in these visits. The implications of these challenges as they relate to the specific companies and for the industry in general were beyond the scope of this paper and may be addressed in future research studies. The changing worksite and workforce of the construction industry proves challenging for companies as they try to handle the conformance, monitoring and enforcement of some of the required standards. The HR managers in this study felt it was important that they work closely with upper management to be able to understand the goals, visions and culture of the companies they work for. It was observed that it is also important for the management of companies to have an understanding of the challenges that the HR department deals with so they can be informed to make strategic personnel and administrative decisions.

Prior to these visits, the author was focusing efforts on creating a course to help students better understand HR in construction at the graduate level. These visits confirmed the need for a course in HR that can help future construction managers to better understand the company management challenges they will encounter as they enter the construction industry. Understanding the challenges of HR will help future managers to make decisions that are in conformance with state and federal laws as well as help improve operations within the company. These visits have led to further studies being conducted by the author that deal with the use of wellness programs and turnover reducing strategies in construction.

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