

Attract, Hire and Retain: Modern Recruitment Challenges and Strategies for the Construction Industry

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According to recent FMI forecasts, construction will grow 30% in the next five years. While most in the industry would like to see faster growth, the slow return to more-or-less steady growth has been refreshing after a not-so-great recession. Like all forecasts, the economy could slow again or quite possibly have a real growth period in the next few years. One challenge that will dampen growth is that the 30% or more construction workers that were let go or retired during the recession have not just been sitting around waiting for a call back. The best personnel either retired or found other work, often in other industries.

So where are contractors going to find new hires to staff the increasing backlog of work? HR departments and recruiters are discovering there is no single answer to the problem. The age-old approach of putting a sign in the window reading, “Help wanted. Inquire Within” won’t work anymore, even if there are still many people looking for work. Today it is more important to first inquire within your own company to determine what kind of help is needed, not only for today, but also for the next five years and beyond.

The good news is that productivity went up as the recession deepened. Unfortunately, most of that productivity gain was due to doing more with fewer people, and those people were filling multiple positions and working longer hours. That approach isn’t sustainable as backlogs grow. However, after the shock of so many layoffs, contractors are reluctant to add to the payroll. In many markets, contractors are now reaching that point of growth where current employees are constantly working over capacity and contractors are frantically looking to find skilled workers.

Building the Personnel Pipeline

Although many are holding off hiring until they absolutely need to, there is always room for exceptional individuals, according to 28% of the NRCI panelists. (“FMI Nonresidential Construction Index” report, Q1 2014) Contractors are increasingly aware they need to keep the talent pipeline full to replace retiring talent, particularly at top positions as more Boomers plan to retire. However, as one NRCI panelist put it, “We are focused on hiring the top talent available before we need the help. Waiting to hire a body because you have more work than you can handle, produces weak results and unhappy teams.” The question as to when to hire is something each company will have to answer for itself, but hiring talented people ranked at the top of the challenges for 2014.

With retirements and a larger backlog, we will need to be hiring more staff. We are trying to take some of the load off our current staff who has been doing the work of two or more positions. (NRCI panelist, Q1 2014)

“We are focused on hiring the top talent available before we need the help. Waiting to hire a body because you have more work than you can handle, produces weak results and unhappy teams.”

— NRCI Panelist

Strategic Hiring

While it is clear that the majority of commercial contractors are hiring only to replace people leaving or retiring or only after current staff is consistently over full work capacity, there are clearly others with more strategic hiring goals.

Strategic hiring is hiring that is a part of the company's strategic plan, both short term and long term. Strategic hiring incorporates being an employer of choice to attract the best people. Examples of strategic hiring from NRCI surveys include:

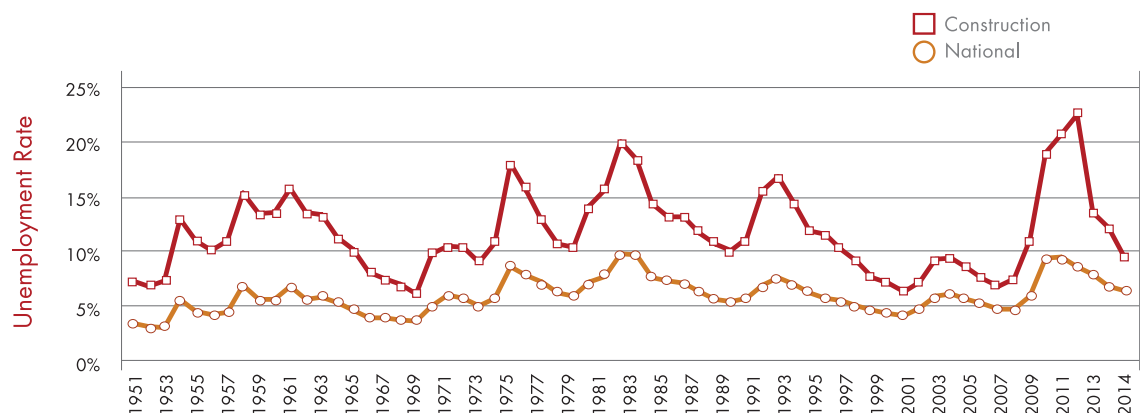
- Hiring to execute plans to enter new markets
- Assuring there are people in the organization to replace managers and executives expected to retire in the next five years
- Hiring to accomplish plans to open new offices
- Scaling up human resource capabilities to perform the work in growing backlogs

This is just a sampling of some typical strategic moves that should be supported by a personnel or staffing plan as part of the overall organizational strategy and business plans. The personnel plan should have more detail covering the skill level, experience and other characteristics of the hires that are required to carry out strategic initiatives as well as some tactics to achieve the strategic goal.

A Few Good People: The Talent Hunt

While construction unemployment is still higher than the national average, it is also improving faster than the national rate of unemployment. Similarly, although growth in construction is slow compared to historical growth, it still is outpacing GDP. Companies like to say that their people are their most important assets; human resources are also one of the most expensive assets to hang onto when there is not enough work. Nonetheless, in construction, nothing is done without people, and nothing is done well without good, talented people. The current recession and rebound is likely one of the steepest in the recent history of construction, but it is not the first.

Construction Unemployment vs. National Unemployment (1951 to 2014)



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Given construction's cyclical employment history, one could say that we have been in this situation before and managed to get through it. Yes, that is true to a point. However, in the past, when the boom cycle headed for its peak, contractors were just hiring "warm bodies." That is, they were hiring anyone that could work. That works OK as long as prices go up and the lack of productivity is compensated for. That approach is not likely to work as owners are still looking for low price in most markets, and markets are still very competitive.

One of the major causes of the slow bounce back is that technology is changing everything in the world today, even construction. Plans for new hires must now include more technically capable employees, even at the trade level, or especially at the trade level. In order to be more competitive or to stay up with the competition, many trade contractors, especially electrical and mechanical, are turning to prefabrication and modularization to get the work done faster, safer and more efficiently. That means they will add more people to the shop and need fewer in the field. Those new workers will be able to work with tools and software such as BIM (Building Information Management) systems and CNC (Computer Numerically Controlled) machines.

Re: Generations

As generations change, so do value systems and communication styles. Much attention has been drawn to the Baby Boomer generation as they now begin to retire. With their retirement, there is not only a talent vacuum created but also a change in values. The next generation, Generation X, became more interested in family, better educated than any generation and more technically capable, but there aren't enough of them to fill the spaces left by the Baby Boomers. Now, the new generation entering the workforce, "Millennials," have grown up with technology in their pabulum. They are more socially conscious and totally consumed with networking and technology. Even though Baby Boomers began the information generation by inventing the precursors to today's technology, many of that generation struggled to understand or accept new technologies. Millennials hardly know how to live without it. The problem for recruiters and human resources is how to get buildings built using Twitter and Facebook.

With Baby Boomers, Generation X and Millennials simultaneously in the job market, recruiters will need to use a number of means to attract the best people to fill open positions in the near future and for positions in the long-range future. The goal is to build up a pipeline of good candidates as well as understand the types of candidates needed to fulfill the company's strategy. To some, this might seem to be as time-consuming and expensive as hiring a professional recruiter to find a new executive or superintendent. That would be a good comparison, and that is the goal. When looking for top managers and executive candidates, recruiters use their own pipelines and networks. Recruiters for other prospective employees have to borrow from this same playbook. This is not only good for hiring, but the process should help to find candidates who will more likely stay with the company. Formalizing the process will also help to make it more strategic, repeatable and effective.

Millennials like working in groups and not only do they have family values, but also social values. They readily accept racial diversity and may even demand it. Their ability to communicate with their peers is like no other generation before them. So how does one use Twitter and Facebook to get buildings built? One uses social networks as recruiting tools as well as a means to stay in touch with prospective employees and to use those talents for better communications on the job and between office and field. Ultimately, communications and collaboration among workers, office, suppliers and owners is a key goal for improvement in the industry.

“According to many reports, Millennials potentially have the right characteristics to revive an old industry like the construction industry and make it a more attractive career destination.”

— Andy Patron, FMI

The Millennial generation may finally help make real improvements in many areas that need attention in the construction industry, writes Andy Patron, FMI:

According to many reports, Millennials potentially have the right characteristics to revive an old industry like the construction industry and make it a more attractive career destination. Millennials also need jobs. . . .

One of the concerns we often hear from construction executives is that there is a lack of communication between the office and the field and among others connected with a project. Millennials should be able to solve those problems. Construction may not work for the majority of those of this generation, but it may help many who are becoming lost find their way to new career paths.

Finding and Retaining the Best Talent

Finding and retaining the best people has always been important for construction industry companies, but now it has become much more of a strategic advantage. What’s more, it isn’t just a recruitment strategy; it is a training program that also requires supporting programs outside the company like “Helmets to Hardhats,” “Hiring Our Heroes,” “Hero to Hire,” “RecruitMilitary” and ACE Mentoring and local college construction and engineering programs. It is a matter of looking at the whole package.

Once you have hired them, you will want to help them succeed and retain them. After all, the cost of turnover is expensive in lost time, reduced output, cost to advertise for a new person of recruiting and training costs, to name the largest factors. In FMI’s “Talent Development Survey” (2013), we asked contractors a number of questions concerning their hiring and retention efforts and strategies. The responses demonstrate the number of approaches taken to attract and retain talent.

For starters, we asked how organizations are preparing for a changing workforce, and at least three-quarters of those who responded indicated they were:

- Promoting internally to key positions (84%)
- Training to improve performance in specific competencies (78%)
- Providing internship/co-op programs (76%)

More than half of the respondents indicated they were preparing for a changing workforce by:

- Employing “best practices” to retain key talent (67%)
- Establishing core competencies by position (61%)
- Networking with community and industry groups (56%)
- Identifying current gaps in core competencies (54%)
- Increasing recruiting efforts at schools, colleges and/or universities (51%)

While this list favors promoting internally to key positions over recruiting efforts at schools, it mostly indicates the predominant current practices at the time of the survey. Actually, all the items on the list above are important; however, establishing best practices and core competencies as well as identifying gaps in core competencies may become even more important in the face of worker shortages.

How Are You Recruiting the Best Talent?

When asked about recruiting strategies they were using to recruit the best talent, 79% of respondents said they were using online recruiting tools. This was followed by 68% who were using internal employee referral programs and 63% who were taking advantage of internships or co-ops to bring new people into the company.



Strategies for Attracting and Retaining Talent

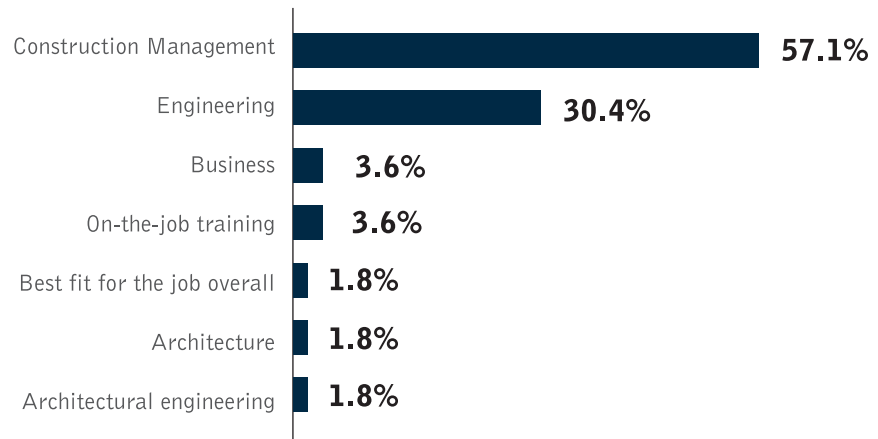
According to respondents, the top strategy to attract and retain talent was “being an employer of choice” (78%). Providing comprehensive benefits and rewards (57%) and market-competitive compensation (46%) rounded out the top three.



Educational Background of Most Successful Management Hires

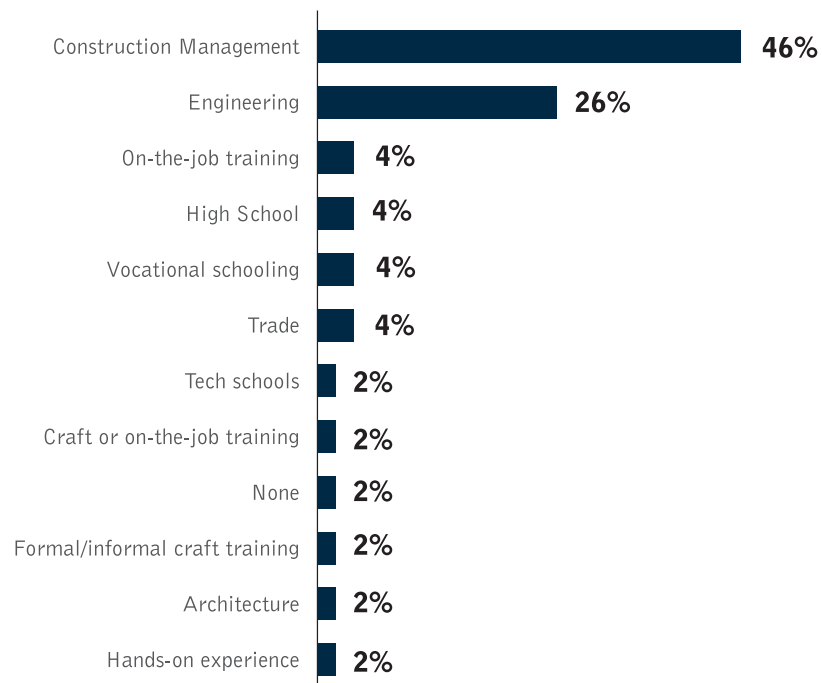
Educational Backgrounds

The educational backgrounds of the most effective and successful hires in management and supervisory positions included construction management (57%) followed by 30% who favored an engineering background.



Strategies for Attracting and Retaining Talent

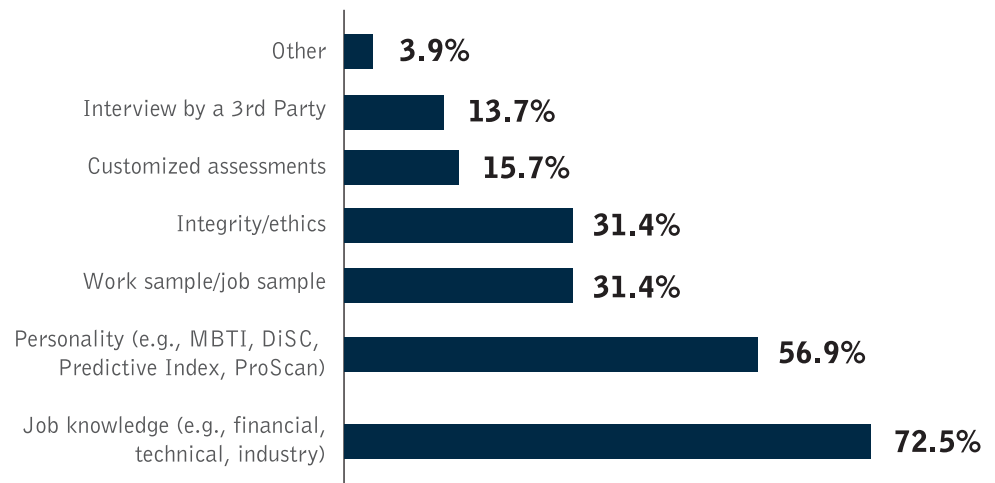
The results of the “Talent Development Survey” also indicated that the most effective educational backgrounds for technical/craft positions were construction management (46%) followed by engineering (26%).



Interview/Hire Assessments

Psychological and Other Assessments

FMI asked if companies were still using or planning to use psychological and/or other assessments as part of their hiring strategies. Job knowledge tests (73%) topped the list for assessments used as part of the selection process followed by personality profiles such as Myers-Briggs®, Wonderlic, DiSC or the Predictive Index (57%). Integrity/ethics surveys (31%) and work/job samples (31%) are other popular assessments organizations use during the interview process.



Is Your Company a Desirable Workplace?

(Abridged from FMI “Talent Development Survey” (2013) by Tim Tokarczyk)

How would you describe your organization’s culture? This is a common question asked of many leaders and employees throughout the construction industry. Potential clients, prospective employees or possible partners ask because they want to understand what makes an organization unique and discover if their values and beliefs align with that culture. Unfortunately, many leaders struggle to provide an adequate, accurate answer to this question. Culture can be difficult to see and even harder to describe.

What exactly is organizational culture?

Fundamentally, an organization’s culture is the collection of values and repeatable behaviors its employees display at work. Throughout the construction industry, wide arrays of organizational cultures exist. Some are formal — employees work a strict 9-to-5 schedule, follow a rigid hierarchy and produce massive paper trails for every action. Other cultures may be more informal — working remotely is the norm, and everyone acts in an entrepreneurial, flexible manner.

Why does organizational culture matter?

Organizational culture is closely tied to a company’s ability to sustain success for the long haul. Destructive cultures have more difficulties attracting great people, retaining strong employees, creating loyal clients and maintaining long-term success.

Some organizations have a strong, healthy company culture. These cultures are supportive and nurturing of their people and encourage employees to achieve their maximum level of effectiveness. Because employees are drawn to organizations with great cultures, those companies are able to hire top talent, retain great employees and create lasting success. We would all like our own organizations to have this type of company culture. The question that remains is, “What makes a great culture?”

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What makes a great company culture?

Every culture is unique, there is not a one-size-fits-all approach to fostering a great organizational culture. While we can emulate or learn from companies that have built strong, healthy cultures, we need to be mindful of creating a culture that works for us.

There are several characteristics that are frequently observed in the best places to work. For example, Fortune magazine, partnering with The Great Place to Work Institute, releases its “Best Companies to Work For” index annually.

Ratings are based, in part, on culture. Great cultures, according to this group, have the following five characteristics:

1. Employees work closely together to build a sense of camaraderie.
2. Individuals take great pride in their work.

3. Importance is placed on fairness and fair practices.
4. There is a shared sense of respect.
5. Leaders are seen as having credibility and are trustworthy.

The construction industry faces its own unique challenges and opportunities, and organizational culture may look very different for a construction firm as opposed to a high-tech or medical company.

An organization’s culture shapes its employees’ values and behaviors. Over time, cultures change and can actively be shifted, if done with intention and care. To maximize an organization’s effectiveness and efficiency, leaders must have a clear view of their current culture as well as identify the changes they want to make. This will help improve organizational culture and create an even more enjoyable, productive place for employees to work.

Conclusion

With luck, your competitors won’t read this paper, and others like it, so you will have an edge if you get out there and recruit the best people for your company. If your company is just getting started with many of these practices, you are already behind. Recruiting, retention and managing talent must be part of the company’s strategic plan, and HR should have a seat at that planning table. More importantly, HR must execute those plans and be accountable. “Help Wanted. Inquire Within” is not a viable strategy anymore. First, inquire within your own company to plan the kind of help needed, not only for today, but also for the next five years and beyond.

The construction industry has long had the unfortunate image as dirty, dangerous and slow to respond to new ideas. That is not the case in the best construction companies today. An array of new technologies is being adapted for construction at all levels, from the tools on the job to design and materials. Processes are part of the new order of business using computer technologies and software for communications and record keeping. This automation not only replaces the need for more people, but also keeps up with mounds of regulations including the creation of more integrated data networks. The future of construction will be different from the past, as it always has been.

About the Author

Phil is a research consultant with FMI, management consultants to the construction industry. He specializes in construction industry market research and manages FMI's Nonresidential Construction Index survey. In his fourteen years at FMI, he has conducted research and produced reports on a number of economic and management issues for the construction industry including business development, productivity, strategy, owner practices, industry ethics and successful contractors. He frequently contributes articles for a number of industry trade magazines and FMI publications and publishes FMI's quarterly Management Letter.

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