Employee Benefits That Work

by Wendy Talarico

Most contractors recognize that good benefits are important in attracting and keeping good employees. The trick is finding a package that's affordable, even during tough times. It's especially difficult for small contractors who are competing for employees with larger companies that may offer extensive benefits programs.

Benefits for construction workers are a fairly recent phenomenon. In fact, many companies still have no benefits, especially for their field crews. Based on a survey of about 500 remodeling contractors of various sizes conducted by the National Association of Home Builders' Remodelors Council, about 80% provide some form of

From four-day work weeks to gift certificates for tools, contractors are finding innovative ways to keep employees happy

health benefits to their management while about 70% extend these benefits to their crews. About 36% offer some allowance for training and education, 38% provide a tool allowance, and 24% provide work clothes.

"Providing benefits not only motivates employees, it tells them that the company cares about them as human beings," says Jill Foley, a spokesman for the Employee Benefit Research Institute in Washington, D.C. It also "makes them feel part of things. It tells your employees that they are worth investing in." Benefits can also be a cost-effective alternative to higher salaries since employees are not taxed on most benefits and the company's costs are deductible.

Providing the standard benefits, including medical, life, and hospitalization insurance, gets expensive. A nationwide survey of 1,600 contracting firms of various sizes, conducted by Contractor's Executive Newsletter, shows benefit costs range from $2,760 to $7,020 per employee per year. For a firm with ten employees this can mean annual costs of more than $70,000.

Also, administering benefits programs takes time, which usually requires office help, something many small contractors can't afford. Plus it's not worth instituting a program unless you have a stable and sizable crew.

The solution, then, is to use some imagination to develop benefits that keep your employees happy while keeping costs down. It's important to gauge the interests of your employees and match the benefits to their needs. For example, a young framing crew probably won't be inspired by a retirement plan. But they may be interested in a performance-based bonus system or a tools purchase program.

It's also a good idea to let your employees know just how much their benefits are costing the company. Some employers include a monthly statement with employee paychecks. Others discuss these costs at quarterly or annual meetings. That way your employees can see in black and white just how valuable benefits are.

Tools

Many contractors offer a tool maintenance program, a purchase program, or both. Con- or Bob Vranizan, president of gn/Build, an $850,000 company in San Francisco, spends about $2,000 per year on tool maintenance for his six-person crew. This includes repair, replacement of broken bits and blades, sharpening, and general maintenance. He also spends an additional $50 to $200 per employee, depending on their performance, for gift certificates to the local tool store.

Some companies supply power tools for their employees, but this is usually too expensive for small companies. Besides, as Vranizan says, "they have a way of disappearing."

Continuing Education

Education can be another benefit, one that pays dividends in better job performance. Many employees, however, don't have the interest or time to take college courses or seminars, or attend trade shows. Companies offering this as a benefit may find it is seldom used and, therefore, not a good motivator.

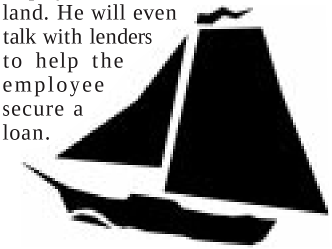
But Ray Sandbek, pre dent of Metro Remodelers, a $300,000 general remodeling firm in St. Matthews, Ky., strong encourages his four emplo ees to use the educati fund he sets up for each of them. While many employers will only pay for construction-related courses, Sandbek says any sort of continuing education benefits his company. "I don't care if they want to take an art course or a cooking class. They're going to come away from it happier and more knowledgeable," he says. "And it may bring them a step closer to meeting some personal goals."

Sandbek pays $1 per hour worked per employee, with a limit of $2,040 per year for education. Employees pay for the course out of pocket and are reimbursed only if they receive a passing grade.

Reaching Goals

The ideal benefits package would be custom tailored to meet each employee's needs. That may sound impossible, but Dave Love, president of Sorrento Construction in Beaverton, Ore., has found a way to do it. Each year Love asks each of his 24 employees to set three personal goals, two of which they hope to achieve within one year, and one which they hope to reach within five years. Love discusses these goals with each employee and plans out ways the company can help them meet these goals. He also provides each employee with a plastic-coated card that has their goals printed on it.

"I use all the resources available to me to help my employees reach their goals," he says. For example, if an employee's five-year goal is to purchase a house, Love will provide extra time off so the employee can look for land. He will even talk with lenders to help the employee secure a loan.



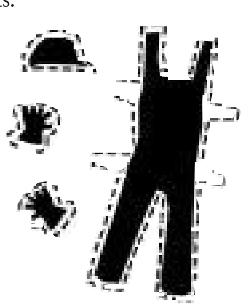
Sometimes goals are as simple as buying a boat or a new car. In this case, Love might open a savings account for an employee and deposit $500. "At first employees are skeptical about the program," he says. "But once they realize I'm sincere about trying to help, they get into it."

Costs for the program run about $10,000 per year, or $400 per employee, Love says. But the payback is in worker motivation. "My employees know they are working for something concrete," he says. "They're not just making a living."

Uniforms

Some employees don't consider uniforms a benefit. They might prefer their own workclothes to a company T-shirt and khakis. But wearing uniforms saves wear and tear on their own clothes while allowances for workboots, pants with padded knees, and other expensive items saves them money.

Ray Sandbek has a uniform allowance of 25 cents for each hour an employee works. Out of that fund the company buys each employee T-shirts, a windbreaker, a hooded sweatshirt, and long-sleeve shirts. Anything left over in each employee's fund goes to workboots and pants.



The benefit to the company is obvious: "Our employees always look good to our clients," Sandbek says. "And no one goes on the site in sneakers."

Sharing Medical Costs

Providing medical coverage for all employees is out of reach for many small contractors. Some employees who are young and who don't have families might prefer some other type of benefit anyway.

With this in mind, Neal Carter, president of Neal Carter Solar-Assisted Homes, a $650,000 custom home builder in Charleston, Maine, has developed his own "cafeteria" plan that allows employees to choose the medical plan most suited to their needs. Carter reimburses them for all or part of the premium, depending on the cost and how long they've been with the company. Premiums for his five employees range from $78 per month to $300 per month. In some cases, the employee may forego medical coverage in favor of a higher salary.

"Letting our employees find their own medical coverage also helps us avoid all the administrative work that goes along with providing a plan — a big expense in itself," he says.

Providing this kind of coverage isn't cheap, but it is worthwhile. "I have a waiting list of people who want to work with us," Carter says. "Part of the reason is that we build superinsulated homes. But they also see that we care about our employees."

Bonuses

There are dozens of ways to calculate bonuses. Most are based on employee performance. For instance, some companies pay employees for jobs done ahead of schedule or under budget while others pay them for jobs of exceptional quality. In some cases, the supervisor or the lead carpenter gets a larger percentage of the money. Other companies avoid all the confusion by simply giving all employees a set amount at Christmas.

The problem with bonuses is no matter how you work them, they are never quite equitable, says Larry Prucyk, president of Aluminum Exteriors Inc., a $780,000 general remodeling firm in Newport, Del. "We're constantly revising our program. Every system we come up with has a flaw in it somewhere," he says.

Last year, instead of giving raises, Prucyk started a bonus program on what he calls "cookie-cutter jobs," such as gutters, siding, roofing, windows and doors — anything that is costed by unit. To be successful when offering bonuses on additions or decks, estimating has to be on target every time — something that's nearly impossible, Prucyk says.

The first step in the company's program was to develop a unit price list based on how much it costs subs to provide labor on various jobs. If Prucyk's crew can beat the labor costs, they get to keep the difference. For example, if the unit cost on a job is $800 and the crew brings the job in at $760, the $40 difference is given to the lead carpenter, who then distributes it to the crew members based on their performance on the job. The bonuses, paid every two weeks, may not exceed a total of $400 per pay period.

"For a program like this to work you have to really know what's happening on the site," he says. "It might appear that a job is coming in under price, but then you'll realize that some of the costs of the job weren't included. A good example of this is failing to factor in trash removal."

Despite the administrative work they require, bonuses can boost employee morale and motivation. They also cost little since, ideally, they are paid out from excess profit.

Four-Day Work Week

There are lots of advantages to letting field employees work ten hours a day, four days a week, says Polly Evans, president of Case Design/ Remodeling in Bethesda, Md. For one thing, carpenters have to set up their tools and clean up only four times a week, which means more construction time. And clients who spend four days tripping over extension cords and listening to pounding hammers get a breather. For employers, this is a benefit that's absolutely free.

"We've offered a four-day week for as long as we've been in business," Evans says. "It's something that makes people want to work for us." Employees spend less time each week commuting to job sites, which saves them money. Best of all, they get a three-day weekend.

Some Different Ideas

Sometimes the best benefits are the most unusual ones. Something small, like holding a company party or giving employees their birthday off, can be more meaningful to an employee than a life insurance policy.

Employers have come up with the following low-cost, but imaginative, ideas:

- *Mental health day.* Once in a while, everyone needs a day off just to relax, reassess, and regroup. Larry Prucyk gives all of his employees one each quarter.
- *Safety incentives.* Neil Kelly Designers/Remodelers, of Portland, Ore., has found a way to benefit its employees while encouraging job-site safety. Employees accrue accident-free hours to receive prizes that range from a T-shirt for 200 hours to a $50 gift certificate to the local hardware store for 3,000 hours.
- *Truck advertising.* Sandbek knows that one of the best forms of advertising for remodelers and builders is truck signs. While he can't afford to give his employees trucks, he does pay 25¢ per hour worked to "rent" space on their trucks for company signs.
- *Company news.* Company newsletters are motivators because everybody likes to see their name in print. But they're also a good way to update employees on company affairs and keep them posted on things like birthdays, job changes, and births or deaths. Case Design/Remodeling publishes "On The Level" once a month. While costs are negligible, the newsletter is an easy way to keep field and office employees in touch.
- *Time off.* Last year was a tough one for many builders and remodelers in New England. Neal Carter likes to give his employees Christmas bonuses but couldn't manage last year. So instead he provided two days off for all employees — with pay.

Keeping Employees Happy

Benefits are likely to become more important over the next decade as contractors find themselves competing for skilled workers in a tightening labor market. "It doesn't take a lot of intelligence to realize that the more benefits you offer, the better the quality of the people you'll attract," Evans says.

Benefit	Most Important
Health insurance	61%
Pensions	17%
Disability insurance	5%
Long-term care insurance	4%
Life insurance	4%
Child care	3%
Savings plan	2%
Annual leave	2%
Parental leave	1%

This survey was based on interviews of 1,000 U.S. adults conducted by the Gallup Organization for the Employee Benefits Research Institute. Overwhelmingly, most rated health insurance as the most important benefit a company can offer.

Also, as more women enter the work force, the types of benefits offered by builders and remodelers are likely to change. For instance, many will be forced to offer maternity leave. Neil Kelly Designers/Remodelers is also considering day-care services for employees.

Finally, as costs for medical insurance increase (rates in some metropolitan areas have already reached $900 per month for family coverage), there won't be a lot of money left over to devote to other benefits. Employers will have to get creative in finding new, inexpensive ways to keep employees happy. ■

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