

# HARDER, FASTER & SMARTER

## USING INFORMATION & INCENTIVES TO IMPROVE PRODUCTIVITY IN THE UNION CONSTRUCTION INDUSTRY

General Presidents Report  
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The loss of market share in the union construction industry demands that labor and management examine new competitive strategies.

Until now most strategies have been on attempting to control external factors impacting the projects and work. Examples of this include;

- PLAs: using political influence and impact to secure work
- Targeting: subsidizing select projects that otherwise would not be competitive
- Bargaining: modifying work rules, provisions and coverage
- Training: enhancing skills and capabilities to meet and exceed market needs and expectations
- Special Market Focus: creating special agreements for special markets
- Organizing: hundreds of millions of dollars invested in membership development annually
- ADR: Using economies of scale and cooperation to reduce insurance costs

Despite most all of this, there has been little movement in the percentage of union market share overall. My view is that most of these external factors do not directly impact the competitive factors that drive our business model. It is my strong conviction that the greatest opportunities for an improved competitive market position should be focused at the site of construction in the direct influence of behaviors, motivation and productivity of the field workers.

To my knowledge, labor and management put very little effort directly into this at the site of construction. This is the subject of this General Presidents Report.

How do we improve motivation and productivity at the site of construction and what is the prospective impact on our competitiveness and performance measurement?

### **The Problem: A Bar Too Low**

After five years and over 150,000 people having attended one or more of my programs, the verdict is in. Union field craft workers clearly and consistently, across all lines of work, report that somewhere between 20- 30% of their peers are underperforming on the job. This is peer to peer evaluation; not contractors or supervisors. They report the bottom ten to twenty percent as a serious liability.

These individuals and the accepted status quo performance are a serious drag on the workplace culture. If unions continue to use the idea that every worker should be paid in accordance with the bargaining agreement rather than their merit, then the only way to continue to increase such compensation is the improve the performance and output of the workers at the same or a higher rate.

A more profound problem is that new apprentices are every day being indoctrinated into an industry that clearly tolerates marginal performance. What is the net impact of tens of thousands of new apprentices coming into our industry each year, and then working for less money than some of the worst guys on the job for four or five years? What is the message we have sent loud and clear to the field? It does not matter. The culture is not high performance. Losers and winners will always make the same so why work harder, faster or smarter? In this, we leave it to the individual worker's self-pride to carry our business model. What a weak excuse for a winning strategy.

As such, what is the cost to our competitive position? The greater question here is not just the under-performance of a small sub-set of workers, but the impact on performance and productivity expectations for the other 60-80% of our union craft workers.

### **The Problem: No Engagement**

The construction worksite culture has very little information available to it to utilize motivation of individuals. Contractors do a poor job of providing workers with even the basic measures of performance, time, cost and production. Most union construction workers do not even have a fundamental understanding of the business of the industry they are in. Is it a great mystery then that they are ambivalent about their roles if they cannot see where they fit?

Generally union contractors perceive their workers as very well compensated. As a result, they expect high rates of production; far superior to non union competition. But is this realistic? Do people in fact work harder for a good pay scale?

Overall, money is an important motivator but it does not tap into the core reasons people want to work harder, faster and smarter. Some union contractors and associations that I have worked with have some really interesting examples;

- Information = Empowerment

One contractor that I work with has 350 field employees. To work for his firm all field employees need to know his workers compensation mod rate and accident frequency rate. All these employees need to be able to read a basic CPM (Critical Path) because their foremen are taking the crew through it every week and sometimes daily. Believe it or not, many of these people are not native English speakers. He is making an effort to create informed, engaged workers who have an idea of what they are doing and more importantly "why".

- Competition = Awareness

A large number of contractors have, at my suggestion begun to post all their bid results in an area where the field guys congregate. Most field craft workers have no idea of the non union competition that the industry faces. Most have no idea how many jobs must be bid to get one. Most don't really even understand the bidding process. When market share in

an area is not strong, showing the workers the level of competition helps them understand their role in promoting the company through superior productivity.

- Creating a Culture

Neither the union through their newsletters or website, nor the contractor through his mandatory safety meetings or occasional foremen meetings generally does anything to shape the culture of the field. Some of the International Unions have done DVDs or other media to try, but it must be much more. More consistency, more frequency and greater relevancy. Labor and management across north America need to spent some time deciding the following;

1. What messages are the field hands going to hear from labor and management consistently and without confusion?
2. What are the multiple forums that can be used to deliver this message on both the contractor and labor sides?
3. What information needs to be shared with every worker, down to the last new apprentice?
4. What are the opportunities to discuss these critical issues with the workers and un turn for them to discuss them with each other.

### **The Problem: Just No Good Reason**

Most industries depend on individual + team effort to generate market share and net profit. To encourage this they have incentive based programs built in to their compensation structure. By doing this they achieve several key considerations:

1. They tie performance to compensation.
2. They provide additional motivation where otherwise none exists.
3. They create group norms, expectations and tie them to rewards.

In the union construction industry these key factors are missing. It is my view that this is a huge mistake that sets union construction aside as a dinosaur in HR & compensation best practices.

This is not to say that we should return to a time where piece-work under compensated employees and caused quality, safety and other compromises. No, just the opposite. Wage and fringe packages that are generally very rewarding are not perceived by union craft workers as a primary motivator. They just “are what they are”.

In union construction performance is not tied to compensation. In fact, as union wage scale within craft classifications generally has little variation, there is a visible and daily reminder to each and every employee that your individual effort has nothing to do with your earnings. Essentially the best and worst worker at every union construction site are compensated identically.

The driving reasons for this have more to do with the traditional staunch trade union view that no man should have a greater worth than another. Social and historical considerations aside, this is simply and totally irrelevant in today's business world. In every workplace around the country skills, values, work ethic, production, attitude; all of these are a greater measure of an employee's worth than the uniformity of a union card. Perhaps the only other environment that is similar is working for the government; an environment of low expectations and low performance.

No man needs be judged better as a person, but that should not encourage a culture of marginality or complacency to be sustained. This one issue alone has built more entitlement mentality into the union construction industry culture than any other consideration. I ask again, how much money is left on the table for both labor and management in the acceptance of this status quo?

### **On the Jobsite: Harder, Faster, Smarter**

So today, in a union construction environment such as this, production is a function of expectations set by a supervisor and the collective agreement among the workers as to the expected output. The bottom line is; why work any harder, faster or smarter?

What currently occurs in this environment are several things very detrimental to union construction as follows;

- the value of production and competitiveness is balanced against early completion of the project.
- An employee may be placed in the position of perceiving that they are working themselves out of a job. Since there is no financial counterbalance to their employment motivation, this can have a significant impact on the site. Recently I spoke to 1000 apprentices and when I asked them how many of them had been told by a journeyman to "slow it down" on the project, more than 600 raised their hands. This 60% is a regularly reported sample and message that is left over from a time where time had no value to union construction. It is still being taught and applied onsite.
- Apprentices spend four to five years in an environment where performance and compensation are not tied together. Bottom feeder journeymen make more money than them every day of that five years; often without any consequences. The message and cultural norm that is sent loud and clear is that they need not try so hard. Or as one apprentice put it, "why should I finish the job today when I have thirty years to finish it?" This impacts work ethic and our performance culture in a negative manner.

## **One Solution: Incentive Based Productivity**

Can labor and management work cooperatively to develop and implement incentive based productivity formulas and compensation programs to improve our competitive position? I have found contractors who employ IBEW, IUPAT, UBC, UA, LIUNA, IUOE and other members actively and successfully implementing these programs.

### **Why Labor-Management Strategies?**

Some readers will ask why involve the union here at all? It turns out that I have met dozens of contractors who are already doing this without the union's involvement. They ask me if the contractors meet their obligation under the CBA, then why complicate company relations with employees by involving the union? Well, here are a couple of compelling reasons;

The primary objective is to change the overall field culture from entitlement to performance. Not one company at a time, but thousands of companies who interrelate and often share employees. Though compensation is one method to successfully changing this, it is not the only one. If an employee sees that both the employer and union are on the same page, they will understand the unity of purpose and necessity for a high performance culture.

The second good reason is checks and balances. In any system where incentives are offered there exists the possibility of the few trying to take advantage. It could be to take advantage of the contractor, the foreman or the worker.

And finally the other idea is moving "targeting funds" to incentive programs. The redirection of tens of millions of dollars has both an operational and political impact. If this is to be accomplished and resources dedicated, then the union leadership will have to be directly involved.

### **Implementation: General Concept**

Many contractors are engaged in production based incentives. I illustrate some here for your review:

One idea would be to use the current system of measurement that labor and management have agreed on for targeting; man-hours.

A particular job is estimated to have X number of man hours that it will take to complete the project. The foremen and workers assigned to the project are made aware at the beginning and at set intervals (daily, weekly or other) of how they are progressing related to the man-hour schedule. This can be done by CPMs, bar charts or similar.

The basic concept is that if the crew beats its' man-hour estimate the members of the crew share in the cost savings on a percentage basis. Current labor-management

programs have the split anywhere from 25-35% for the crew and the remainder to the contractor.

Another program does a similar job, but breaks down each project into phases. In this way, if one phase falls behind it does not necessarily kill the production incentive on the whole project. Each early completion phase comes with a gift card, tool or similar. Not a direct payout due to the fact the job is not complete, but something to keep everyone interested.

### **Implementation: Industry Changes of Practice**

Here are some of the possible positive impacts of implementing incentive performance programs as described;

1. Foremen and employees come to a complete and sophisticated understanding of labor time cost impacts. This influences tardiness, breaks, absenteeism, poor planning, and similar.
2. Peer performance accountability becomes very important. Guys are going to hold each other accountable. Currently there is very little peer to peer pressure for hands to perform in a productive manner.
3. Mentoring; there is now a natural financial incentive for older journeymen to assist younger craft workers in becoming better at their jobs; rather than being protective of themselves or their senior employment status.
4. Pride in workmanship also is reflected in measured performance. On most construction jobs there is little measurement that can be pointed to during the project that the hands can relate to. Use of this information can be very motivational.
5. Overall it leads us closer to the culture we need to promote, High Performance – High Value.

### **Summary**

This report is meant to illustrate the acute need in our industry to engage our workforce in ways that change behavior. And not only individual behavior but group workplace norms. For far too long field workers have suffered under the burden of uniform compensation without performance differentiation and they are frustrated and pissed off as a result. Labor and management need to take more of an innovative look at what is possible in promoting both information engagement and production incentives as methods of changing field behavior and performance. It is clearly not the only answer, but additional tools in getting our business model to achieving; Faster, Harder & Smarter; and more competitive as well.

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