

## A Periodic Construction Update from FRESC

### AGC's Craft Worker Compensation Report

April 23, 2008

AGC Economist Ken Simonson recently reported on the AGC's *Craft Worker Compensation Report*, prepared by the consulting firm FMI. The full report, released in January of 2008, was intended to determine whether inadequate compensation or working conditions were possible causes of worker shortages. The report focused on the *non-residential* construction industry and made a detailed examination of **working conditions and wage rates for construction crafts**, compared to occupations requiring similar skills in the natural resources and mining, manufacturing, and distribution sectors. FMI also analyzed union/nonunion and regional differences.

#### Link to the full study

<http://www.agc.org/galleries/laborhr/AGC%20Craft%20Worker%20Compensation%20Research%20Report%20-%20Final%201-4-08.pdf>

Non-union Construction wage rates for Region 8 (which includes Colorado) - See page 45

Comparison of union vs. non-union wages by craft and region (Region 8 includes CO) - See pages 48 - 71

#### Executive Summary Conclusion

FMI concludes that compensation is a major factor in the labor shortage. While the construction industry does compensate workers at a higher rate than the other industries, the gap between wage rates as a percentage of total wages is decreasing. Without enough effort to reduce the risk (safety, work/life, job security, etc.) and provide alternative rewards (career pathing, training, perks, etc.), the overall attractiveness of the construction industry is diminishing. In addition to the industry's image issues, construction wages have historically failed to keep pace with inflation. Relative low compensation rates are deterring potential candidates from entering the industry, and the upcoming generation is encouraged to opt for a lower-risk track either in a different industry or through a college education. Based on the results from this report, compensation is a factor of the labor shortage and along with efforts to make the industry more attractive, an industry-wide wage increase would help solve labor shortage issues.

#### Executive Summary Key Findings

- While hourly wage rates in the construction industry, historically and currently, exceed other industries drawing from similar labor pools, construction is also the "riskiest" industry to enter from safety, job security and work/life balance perspectives.

- The construction industry has failed to adjust wage rates adequately over the past 30 years to match the rate of inflation.
- The wage gap between the construction industry and other industries has been declining steadily since its largest point (as a percentage of construction wages) in 1971-1973.
- Construction union wage and benefit rates vary considerably by region and, for the most part, far exceed open shop levels. Compared to other industries, the construction industry has a significantly larger gap between union and non-union wages.
- Several contacted leading industry human resource executives believe compensation is an important factor leading to the shortages, but cite factors such as industry image, inadequate craft training, hurricanes and a robust economy as contributing factors.