

January 2, 2019



Robinson's "On Line Newsletter" For Our Customers & Friends

Construction Industry Newsletter for January 2019

Have a Very Happy and Productive New
Year!

Six Field-Tested Tips to Retaining Valuable Employees

(The article is a bit long, but worth the time to read.)



Keeping talented workers happy saves time and money in the long run, says
BUILDER blogger Charles Petersheim.

By [Charles Petersheim](#)

This article originally appeared on the [BUILDER](#) website. While written for a builder audience, some of tips and takeaways related to labor retention can be applied more broadly as well.

If anything is a more important attribute for a small builder than the ability to identify, admit, and address personal shortcomings, I haven't found it.

Whether stemming from client feedback, or self-evaluation, the ability and willingness to improve based on best available information – personally hurtful as it may be – seems to be an important component of staying alive in the jungle of new home construction. I have found that this trait goes a long way in helping to retain valuable employees.

For me, the incalculable cost of employee turnover was clear long before I acted on the information that was readily available. My company, Catskill Farms, has had between five and 12 employees over the years, all cross-talented and hard to replace. Each time we lost one, I could count on spending five to nine months hiring the wrong person, often multiple times, training delays, general confusion, and a diversion of focus for me. In other words, going backwards.

The final club over the head (we small businesspeople have a well-earned reputation for hard-headedness) was losing employees during the height of the recession when there were no construction jobs and I was still having a hard time retaining help. That was a wakeup call I finally heard loud and clear.

What was I doing wrong that allowed us to build up our subcontractor network and relationships, while failing to do the same with my employees?

As a small home builder with a steep learning curve in a very finicky Catskill Mountains second home market for NYC metro area clients, I was used to administrative hard work and heavy lifting. To begin to retain help, I very simply had to lower my expectations, lower my bar of what day-to-day success looks like (without tainting quality), and at the same time, improve my compensation packages. The answer to my problem seemed perplexing – can you really lower expectations and improve overall performance?

I also realized I had to improve as a manager. The latter is just as hard to swallow as the

former.

The concept of accepting less and paying more was a difficult self-correction for a hard-charging small businessperson. But the notion of 'over-paying' doesn't consider the realpolitik of the situation. A more accurate reading of the formula for calculating today's value of labor includes assessing the cost and risk of investing in labor and then letting that investment over time increase in value until it catches up and eventually exceed its initial cost. I learned that eventually the value of the retained employee went up much faster, caught up to the cost, and exceeded it, paying ever-increasing dividends over time. The programs I instituted weren't cheap, but were laser focused on the needs of our workforce, which I understood well. We had steady year round work, and reliable paychecks, which still wasn't enough to stem the turnover. The solutions we found were as follows:

A 401k program is a must-have benefit for any small business since it serves a dual function of rewarding employees while sharing a lot of flexible benefits to the owner themselves. We designed this so an employee who quit couldn't touch the accrued savings and earnings for two years, reducing the maddening short-term employee reflex I'm always on guard against – in this case, quitting the job in order to gain access to the accumulated savings. This benefit is rare in small companies. We chose to institute a "safe harbor" 401(k), which allows companies to pass the IRS' non-discrimination test or avoid it altogether.

Offering paid holidays, vacation and flex time, even at the expense of productivity (getting less for more in the short run, but more in the long run).

I bought my three most productive employee's personal trucks, kept the title and ownership, took the accelerated depreciation, and used the 24/7 truck usage as a benefit few companies could match – a benefit that would be lost if the employee moved on from our employ.

While benefits are nice, they are only one part of the strategy. Another is the day-to-day quality of the workplace. Since our jobsites can be as much as two hours from home, little things like finding a way to keep the workers close to home on a Friday, paying for the Friday off before Labor Day and Memorial Day, turning those holidays into four-day much-appreciated summer bookend mini-vacations, and even keeping the jobsite very organized from an administrative, material, and phasing perspective so every day feels productive and valued. Showing you care is important, which isn't easy for a bunch of construction guys.

I also found the process of putting in writing the full value of each employee's compensation and reviewing it annually to be valuable. It's not easy doing the math to compute hourly wages, overtime wages, health benefits, 401k contributions, personal truck savings/cost, paid holidays, and other benefits. We break it down, piece by piece, and present the whole number, which, truth be told can easily exceed \$100k for the veterans and is shocking to everybody at the table, in a positive way.

Also, I had to find a better way to merge my competitive drive and market-driven instincts with the personalities of my employees, who didn't live, eat, and breathe Catskill Farms like I do. A small company can be very personal for all involved and if it's done wrong, it becomes a recipe for failure. If it's done right it can grow into the culture of family. If a feeling and connection of family is achieved, there is no greater competitive advantage and formula for survival and growth.

Even considering all the above is no guarantee of success. People move on and priorities change. Blowups and blowouts happen. Better offers materialize. But at Catskill Farms, we have stemmed the tide of turnover and created a home where employees see themselves residing for the near and far future. We provide a steady job that can help them navigate life's ups and downs, a job that they can leverage against the curve balls of life. We are always out there recruiting, but now it's as much for future growth and much less for plugging the hole in the dam.

What I learned, grudgingly, is that you don't have to be wrong, to not be right. And it pays to be nice as often as you can.

Thank You for Your Business. We Do Very Much Appreciate the Relationship.