

## You Kept Your Employees During the Great Recession: Now You Owe Them?

**By Jeremy Brown and Sal DiFonzo, FMI**

“Employees are our most important asset.” Companies often recite this cliché, often without supporting action. That is, until their most important asset becomes their competitor’s most important asset.

During the worst economic recession since World War II, many construction firms scraped together any available resources possible to provide pay and benefits to valued employees. Although some were forced to reduce pay, decrease benefits and cut back on learning and development, most firm owners took substantial hits to their equity as a trade-off to keep talented employees from suffering loss of jobs and benefits as well as the security and esteem of holding a steady position. Owners making these difficult decisions justified the cost with the need to have qualified staff when the markets picked back up.

Fast-forward to the current economic recovery, and many construction firm owners and senior leaders are now frustrated to find that returns on their significant investments to keep employees during the recession are dwindling. The market once again favors the supply side of construction labor in many parts of the country, and cornerstone employees whom employers kept during the recession are now jumping ship. The investments made during the recession turn into hard feelings when those key employees walk out the door to sign on with a competitor.

Post-recession, labor supply-demand dynamics and the associated psychology of employees differ drastically from the previous two to six years. Despite the scarce times and meager pay increases during that time, employees in the construction industry were grateful to simply have jobs, as nearly 5 million construction-related workers were laid off from 2007-2011, and the industry suffered a net loss of 2 million jobs. Employees who were aware of the overall economic situation appreciated the sacrifices that owners made to keep the lights on and payroll checks cut.

Reading about financial distress in the news, seeing foreclosure signs go up and talking to one’s neighbor about his or her job loss, the average construction employee knew the economy was bad. What most employees could not quantify, however, was how much worse the situation was getting. Sure, the construction employees hearing the news knew that their pay was stagnant, but they did not see the other side and realize that executive and senior manager pay decreased 20% on average between 2008 and 2012.<sup>1</sup> They often did not realize the amount of equity evaporating from their company’s balance sheet.

In the couple of years following the recession, FMI consultants have traveled around the country working with contractors on compensation and rewards plans and have heard one very consistent message: Qualified field and project managers are the most challenging positions to recruit and retain. One of the main reasons for this is because when the markets pick up and more opportunities emerge, it is nearly impossible for high-potential employees in these positions to recall anything but their personal experiences. This is especially true, considering their average base pay increased less than inflation did during and after the recession. Specifically, project manager,

(Continued on Page 4)

### INSIDE THIS ISSUE:

<i>Innovative Solutions</i>	
<i>Mechanical Member Article</i>	2
<i>March Birthdays</i>	2
<i>Safety Tip</i>	3
<i>Welcome New Members</i>	3
<i>Birth Announcement</i>	3
<i>Anniversaries</i>	3
<i>Upcoming Events</i>	3
<i>Page 1 Article Continued</i>	4
<i>Page 1 Article continued</i>	5
<i>Called Open Business Mtg.</i>	5
<i>Statewide Meeting</i>	
<i>Registration Form</i>	6
<i>RepSouth</i>	
<i>Associate Member Article</i>	7
<i>Area Meeting Calendar</i>	7
<i>Vision/Mission Statement</i>	8



## 10th ANNUAL MCASC STATEWIDE MEETING

THE PHILLIPS  
MARKET CENTER  
STATE FARMER’S  
MARKET  
WEST COLUMBIA

MARCH 12, 2014  
REGISTRATION  
FORM  
SEE PAGE 6



## **Mechanical Member: INNOVATIVE SOLUTIONS**

In 1997, Russell Ivanko and a partner founded an HVAC and refrigeration company known as R&S Mechanical Services, with a combined 60 years of experience in the industry between them. In 2004, Russell Ivanko took over ownership of R&S and evolved the company into what it is today: Innovative Solutions.

Today Innovative Solutions focuses on the ever changing needs of the HVAC and refrigeration industry. We actively strive to *Redefine Expert Service*. We accomplish this by encompassing best practices, cutting edge technology, training, and team building in our everyday life which creates an environment of productivity and innovative thinking. We constantly train our staff on efficient office standards, teamwork and the latest innovations in the HVAC and refrigeration industry to enable them to provide a level of service that is superior to our competitors. We also utilize cutting edge technology in every aspect of our business, from providing our Service Specialists with the best and up to date technology available and insuring that our office systems are equipped with the latest in computer software & technology innovation. This year we are proud to announce our "GROW YOUR OWN" approach. Grow your own is an approach we decided to take in hiring new upcoming HVAC & Refrigeration professionals that are just starting out in life. We are in high hopes that with training, knowledge and character building that we can help the younger generation succeed in this industry.

Innovative Solutions has been working in the retail market since conception in 1997. In 2008 Innovative Solutions moved in a new direction, training our employees in more specialized fields that, we are happy to report now in 2014, has been a success. We have a large customer base that ranges from national accounts, restaurants, hotels, manufacturing facilities, data centers, city, county & government facilities, health care, malls and commercial retail chains.

Innovative Solutions provides service and maintenance specializing in low temp refrigeration, large data center conditioning and manufacturing to include industrial facilities.

Our customers enjoy the benefits from the combined knowledge and experience of the finest highly trained employees in the country and still enjoy the personal attention and service of a locally owned SOUTHERN HVAC company.

Visit our innovative website at [www.innovativehvacr.com](http://www.innovativehvacr.com) or call us at 877-939-4730!

***Innovative Solutions  
P.O. Box 3387  
431 Mission Court  
Irmo, SC 29063***

***Phone: (803) 939-4730 Fax: (803) 939-4731***

### ***MARCH BIRTHDAYS***

Montez Self	3/1	Honorary Life Member	Wife of Bill
Michelle Duncan	3/3	Trane Comfort Solutions	
Martha Goff	3/5	SIFCO Mechanical	Wife of Allen
Harvey Coleman	3/7	Honorary Life Member	
Charles Hipp, III	3/7	Hipp Properties	
Robbie Stephens	3/7	Temporary Services, Inc.	
Tami Jacques	3/9	Hajoca Corporation	Wife of Bob Jacques
Andrew Anderson	3/14	Victaulic	
Robert Goff	3/16	SIFCO Mechanical	
Judy Haynes	3/17	Faulkner, Haynes & Associates	Wife of Jim
Bob White	3/22	Walker White, Inc.	
Kenny Bolin	3/23	Trane Comfort Solutions	
Wink Major	3/23	Honorary Life Member	
Russell Lamb	3/30	Honorary Life Member	
Julie Clark	3/31	RepSouth	Wife of Mitch
Harold Gillespie	3/31	Honorary Life Member	

*Happy Birthday Members!*

*We Would Like To Announce Yours. If you would like to be listed,  
please call the Birthday Hotline at 803-772-7834 or Email to [mflowers@mcasc.com](mailto:mflowers@mcasc.com)*

## “Tool Box Talks” - Safety Tip

### HOW TO READ MATERIAL SAFETY DATA SHEETS

#### SECTION 1 – Material Identification

The name of the product and name, address, and emergency telephone number of manufacturer are provided.

#### SECTION 2 – Hazardous Ingredients/Identity Information

This section contains a list of all the hazardous ingredients which make up more than 1% of the mixture (or .1% for cancer-causing substances). They also list the Permissible Exposure Limit (PEL) for each hazardous ingredient and Threshold Limit Values (TLVs) recommended by the American Conference of Governmental Industrial Hygienists (ACGIH) and National Institute for Occupational Safety and Health (NIOSH).

#### SECTION 3 – Physical/Chemical Characteristics

Physical and chemical characteristics include the chemical's appearance and odor, along with physical properties that indicate how easily a chemical will evaporate and release potentially harmful vapors into the air.

#### SECTION 4 – Fire and Explosion Hazard Data

This section will provide information on the fire hazards of a product & special precautions necessary to extinguish a fire. FLASH POINT= if a material has a flash point less than 100° it is flammable; if it's flash point is between 100-200° it is considered to be combustible and they both have special handling and storage precautions.

#### SECTION 5 – Reactivity Data

This describes the reaction of chemicals when they are mixed together with other chemicals, or when stored or handled improperly.

#### SECTION 6 – Health Hazard Data

This section describes the health effects of the product, including signs and symptoms of exposure and medical conditions made worse by exposure. Acute (short-term) and chronic (long-term) effects of the exposure as well as routes of entry (inhalation, skin contact, swallowing) are also included.

#### SECTION 7 – Precautions for Safe Handling and Use (Spill or Leak Procedures)

This section contains information on proper equipment to use and what precaution to follow if a spill or leak occurs. It also describes safe waste disposal methods and precautions to be taken in handling and storing.

#### SECTION 8 – Control Measures

Lists control measures that can reduce or eliminate the hazard, including ventilation and other engineering controls, safe work practices, and personal protective equipment. Also contains information on the appropriate filter cartridge for respirators and the correct type of glove to be used if necessary.

**PinPoint Safety, LLC - Mel Rosas, formerly, RSS Safety, LLC**

**12216 Pinegate Court, Pineville, NC 28134-9139**

**Telephone (704) 277-5673 Fax (704) 900-8241**

#### Upcoming Events!!!

##### 10th Annual MCASC Statewide Meeting

Wednesday, March 12, 2014

The Phillips Market Center, State Farmers Market  
W. Columbia, SC

##### 5th Annual Midlands Area Nine at Night

Thursday, April 3, 2014

Charwood Country Club, W. Columbia, SC

##### 8th Annual Piedmont Area Clays for College

Friday, April 25, 2014

Harris Springs Sportsman's Preserve, Waterloo, SC

##### The Charleston Slam

##### 6th Annual Inshore Fishing Tournament

Captain's Meeting - May 16, 2014

Tournament - May 17, 2014

##### 166th Annual MCASC Summer Convention

August 7-10, 2014

Sawgrass Marriott Golf Resort & Spa  
Ponte Vedra Beach, FL

#### Welcome New Members

**Piedmont Area: Bob Miller**

Miller HVAC Service, Greer

**Midlands Area:**

**Pee Dee Area: William Jackson**

Bray Controls, Darlington

**Coastal Area: Joe Myers**

EECO - Electrical Equipment Co., N. Charleston

#### Birth Announcement

**William Bradford Anderson**

Born February 19, 2014, 7.81 lbs., 21 inches

Proud parents: Andrew & Monica Anderson

Victaulic, Simpsonville

#### Happy Anniversary

Mr. & Mrs. Wells Whaley - 3/1

Mr. & Mrs. Jim Hendricks - 3/3

Mr. & Mrs. Gerald Edwards - 3/8

Mr. & Mrs. Billy Zimmerman - 3/21

Mr. & Mrs. Ray Merritt - 3/25

*(Continued from page 1)*

superintendent and foremen pay increased annually at 1.4%, 1.3% and 1.0% from 2008 to 2012.<sup>2</sup> Although average raises improved in 2012 to 2.9% for professional employees and are expected to be 3.0% in 2013, this will probably not be enough of a motivator by itself for those who passively or actively are searching for other opportunities.<sup>3</sup> This could explain why FMI's 2012 Annual Salary Increase survey showed one-third of the industry's workforce is pursuing other employment, while one-half is looking or considering other employment passively. We think of the latter group as the "shadow inventory" of the labor market; once the market slowly turns in its favor, it will be marketing itself and shifting employers rapidly. That means that either actively or passively, more than 80 percent of the workforce will be contemplating a shift in employers.

Memories of a terrible recession and gratitude for the employer for employment while the company was trying to make ends meet have now faded, and employees are unforgiving for stagnant merit increases over the past four to five years. Instead of asking themselves, "Will I have a job tomorrow?" as they did four years ago, they are now asking, "After working hard and helping keep the company afloat over the past four years, how could my boss give me such dismal raises?" It is not taking much time for your employees quickly to go from passively thinking about a job change to actively looking or being placed on a project for a competitor.

Shocked by losses of key employees, as a company owner or senior manager, you look at the situation differently and ask, "After I was loyal to some of our employees and gave them stable employment during the recession, how could they betray me like this? They know we are about to win a large project where we had meaningful roles for them."

The discrepancy of employer and employee expectations post-recession has taken a toll on maintaining workforces and is creating large shifts in the construction job market. The positive news is that many key employee losses are avoidable with reasonable investment in retention and motivation strategies.

Construction Business Owner reported in its July 2012 issue that nearly one in five construction workers either retired or plan to retire from 2012 to 2014. Additionally, FMI's 2011 Talent Development Survey revealed that 76% of owners more than 50 years old plan to retire in the next 10 years. Compounded by less young talent coming into the construction workforce, these staggering statistics will intensify your challenges hiring and retaining key talent. Your most important asset's bargaining power in the coming years warrants sound and innovative strategies for recruiting, motivation and retention.

What do construction employers need to be thinking about when the demand and tight supply of the labor market is a disadvantage to them? Here are four proven strategies that can help you retain key talent during challenging times.

**Conduct annual base-salary benchmarking.** One of the most common excuses for leaving an employer, as given in exit interviews, is pay. Surprisingly, this employee claim is typically not complete or accurate. But what the departing employee does not want to tell you is that it was due to a real or perceived lack of mobility or career path, or often because of his or her manager. As an employer, you need objective ground to stand on when talking about compensation and when discussions about money arise. Going by what you have paid employees in the past, using unverified online resources or asking current or former employees what competition is paying will provide you an incomplete and often inaccurate picture of market pay. High pay does not guarantee low turnover, but determine if this is a contributing factor to employee flight. Additionally, while we do not advocate that money is the ultimate motivator, it is a large consideration when attracting talent and you will need to know your precise position in the market during the recruiting process.

**Design and implement short-term incentive plans tied to company and individual performance.** Construction employers pay, on average, 10% of their net income for bonuses to professional employees.<sup>4</sup> Many employers find that they do not incentivize the right performance, nor do they achieve an adequate return on this precious investment. Without fully understanding how to affect individual bonuses, employees do not change behavior to the extent that justifies this investment. FMI does not advocate increasing the dollar amount of bonuses; rather we would prefer to see bonuses distributed to those who drive your improved company performance. A structured incentive plan provides routine performance updates that drive performance. The incentive compensation plan should provide clearly defined measures with distinct bonus targets; arbitrary and discretionary plans are expensive and ineffective. Structured plans are also an effective recruiting tool. When one employer shows the candidate a structured incentive compensation plan versus another that says, "Trust us, we pay good bonuses" - the employee will choose the first option when all other factors are equal.

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(Continued from page 4)

**Develop an individual development plan for each employee.** Individual development plans that are unique show employees how to progress and develop professionally and are necessary to create individual accountability. They also place accountability on the organization to support the employee in areas that leadership deems important enough to put on the employee's individual development plan. When employees request training or professional development, make them a part of the process to justify the dollar investment necessary and provide a solid business case. An annual development budget will provide the organization an investment strategy to develop the workforce, just as an equipment maintenance budget tracks wear and tear on equipment. A workforce development budget will quantify your strategic investment to keep "your most important assets" up-to-date and effective. An organization can buy or grow its talent, but it is usually more advantageous to grow leadership strength from within.

**Conduct annual or semiannual performance evaluations.** Without providing an accountability structure for managers to give proactive employee feedback and provide educational opportunities, you leave a major component of employee development to the discretion of your middle management. Managers should have one-on-one meetings with their employees regularly, but at a minimum, a system of "forced interaction" is better than no system at all. Due to the inability to provide merit increases and bonuses during the downturn, we have seen several construction firms hold back or delay performance reviews altogether, a double punch to employees. While we realize that pay and bonus freezes are difficult and often necessary decisions, you and your leadership team have an obligation to discuss the business rationalization with your star talent in order to avoid concerns about company stability. Make them feel like they are part of the long-term solution as opposed to dead weight that deserves no feedback.

According to the National Bureau of Economic Research, the Great Recession ended in mid-2009, but the deficit of investment in employee motivation and development lingers through current times. It was a painful time for the construction industry, which entered the negative economic downturn later and is digging out slower than other industries. Unfortunately, for employers, competitive labor markets have become active again for many positions, without the commensurate return in revenue and profits to justify substantial increases in pay and benefits.

Construction employers are now competing against other industries more than ever. A net of 2 million construction employees left the industry when unemployment approached 20%, and most simply are not coming back. Employees forgot their gratitude for companies that kept them during periods of austerity, and their former loyalty toward employers is trumped by the need for long-term viability and work satisfaction. Millennials witnessed a labor market catastrophe in construction and now are reluctant to join the industry. If you are an owner or senior leader of your construction firm, your ability to build a legacy that lasts beyond your lifetime and through unforeseen economic cycles and industry disruption hinges on the talent that you attract, retain and develop. As safety, quality and customer satisfaction determine your company's place in the market, the four talent strategies outlined above may ultimately determine your company's long-term fate. Your window of opportunity to "wait and see" before committing to employee retention and development strategies may be slowly closing, as the storms of turbulence and uncertainty turn into showers of opportunity for your most important assets.

*Jeremy Brown is a consultant with FMI Corporation. He can be reached at 303.398.7205 or via email at [jbrown@fminet.com](mailto:jbrown@fminet.com). Sal DiFonzo is a managing director at FMI. He can be reached at 602.772.3427 or via email at [sdifonzo@fminet.com](mailto:sdifonzo@fminet.com).*

<sup>1</sup> FMI Executive Compensation Surveys, 2008-2012.

<sup>2</sup> Ibid.

<sup>3</sup> FMI's Annual Salary Increase Survey 2012.

<sup>4</sup> 2013 FMI Incentive Compensation Survey.

## NOTICE: CALLED OPEN BUSINESS MEETING



**As voted by the Board, the called open business meeting will take place at 5:00 PM on  
Wednesday, March 12, 2014 at the 10th Annual MCASC Statewide Meeting at  
The Phillips Market Center, at the State Farmers Market,  
Off 3483 Charleston Highway, West Columbia, SC.**

# MCASC 10<sup>th</sup> Annual Statewide Meeting

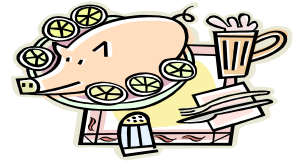
## Registration Form

March 12, 2014

The Phillips Market Center

Located At The State Farmers Market,

Off 3483 Charleston Highway, West Columbia 29172



### I. REGISTRATION FORM:

FAX OR MAIL TO THE MCASC STATE OFFICE – (803) 731-0390 or P.O. Box 384, Columbia, SC 29202

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_ Phone No.: ( ) \_\_\_\_\_

Number Attending Meeting/Dinner \_\_\_\_\_

### II. MEETING FEE:

MEMBERS: Same As Monthly Area Meeting \$25.00

### AGENDA

5:00 – 5:30 PM	MCASC Called Open Business Meeting
5:30 – 6:00 PM	Sign-In For Members & Guests
6:00 – 7:00 PM	Cocktail Reception
7:00 PM Until	Welcome, Dinner & Keynote Speaker: Otis Rawl, President & CEO of The South Carolina Chamber Of Commerce

### III. BILLING INFORMATION:

Member Companies Will Be Invoiced By Your Local Area Treasurer

### IV. DEADLINE TO REGISTER: MARCH 3, 2014

### Associate Member: **REPSOUTH, INC.**

RepSouth is a leading sales and marketing agency and has been in business over 50 years. During this time, we have developed our focus in serving three markets: commercial construction, water heating solutions and high end kitchen & bath.

Our mission statement asks each employee to make RepSouth a “company of excellence”. Our goal is to represent the #1 or #2 brand in each category and we have partnered with some of these fine companies our entire 50 years. We also believe people choose to do business with other people. This drives us to be involved in our industry as well as our community.

RepSouth has been a member of the Mechanical Contractors Association of SC since 1978, seldom missing an annual convention. We sell the contractors of South Carolina through the plumbing wholesale distributors. We work with, call on, and train the contractors of South Carolina regularly. We also work and train engineers, architects, and end users to promote the best products for the best applications.

RepSouth serves South and North Carolina, operating two sales office / warehouse locations: Charlotte and Raleigh, NC. We also have additional sales office locations in Mt Pleasant, SC and Wilmington, NC. Our sister company RepSource MidAtlantic has additional inventory you can pull from with warehouses in Ashland, VA; Frederick, MD; and Baltimore, MD. RepSouth employees over 50+ people committed to quoting it right, ordering it right, shipping it right, billing it right, and servicing the sale right.

RepSouth warehouses over 3250 products for same or next day shipments to serve the mechanical contractor, whether it is a Jay R. Smith drain for a next day pour, an AO Smith or State water heater part for an emergency need, an Elkay sink for a last minute change order, or a piece of terrazzo for a commercial project.

Our Charlotte, NC office is our main hub for the plumbing and mechanical contractors of South Carolina. We are located one mile from the state line at 220 Olympic Street, Charlotte, NC 28273. Our office is staffed Monday thru Friday from 6:30 am until 6 pm. We have weekend and evening contacts for water heater parts and other emergency items.

Visit us at [www.repsouth.com](http://www.repsouth.com) to learn more about our great lines or to find individual contact information for each of us. Commercial job quotes and list price sheets are also available for download.

We look forward to working with you to serve your plumbing needs.

**RepSouth**  
**220 Olympic Street, Charlotte, NC 28273-6207**  
**Phone: (704) 525-3043 Fax: (704) 525-8169**

**Congratulations to our next Associate & Mechanical Members who will be  
highlighted in the upcoming issue of “The Tool Box”:  
Insurance Office of America, Columbia - Associate Member  
Morelli Heating & Air Conditioning, Inc., Charleston - Mechanical Member**

### **MARCH 2014 MONTHLY AREA MEETINGS**

#### **MIDLANDS AREA**

Wednesday, March 12, 2014

Open Bus. Mtg. 5:00-5:30 PM, Social 6:00 PM, Dinner 7:00 PM

Location: The Phillip’s Market Center,  
The State Farmers Market, West Columbia

#### **Statewide Meeting**

**With Special Guests**

**Otis Rawl, President & CEO, SC Chamber of Commerce  
And Members Of The SC General Assembly**

#### **PIEDMONT AREA**

Wednesday, March 12, 2014

Open Bus. Mtg. 5:00-5:30 PM, Social 6:00 PM, Dinner 7:00 PM

Location: The Phillip’s Market Center,  
The State Farmers Market, West Columbia

#### **Statewide Meeting**

**With Special Guests**

**Otis Rawl, President & CEO, SC Chamber of Commerce  
And Members Of The SC General Assembly**

#### **PEE DEE AREA**

Wednesday, March 12, 2014

Open Bus. Mtg. 5:00-5:30 PM, Social 6:00 PM, Dinner 7:00 PM

Location: The Phillip’s Market Center,  
The State Farmers Market, West Columbia

#### **Statewide Meeting**

**With Special Guests**

**Otis Rawl, President & CEO, SC Chamber of Commerce  
And Members Of The SC General Assembly**

#### **COASTAL AREA**

Wednesday, March 12, 2014

Open Bus. Mtg. 5:00-5:30 PM, Social 6:00 PM, Dinner 7:00 PM

Location: The Phillip’s Market Center,  
The State Farmers Market, West Columbia

#### **Statewide Meeting**

**With Special Guests**

**Otis Rawl, President & CEO, SC Chamber of Commerce  
And Members Of The SC General Assembly**



P.O. Box 384, 29202  
1504 Morninghill Drive  
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*Serving mechanical contractors in  
South Carolina since 1912.*

**MCASC Executive Board & Staff**

Richard Miller, Jr., President  
Mike Kirkland, Vice-President  
Allen Goff, Treasurer  
Lee Richardson, Secretary  
Derek Eager, Associate President  
Mona Flowers, Managing Director

Mechanicals make it happen -  
Be part of the best!

**MCASC Vision Statement**

The Mechanical Contractors Association of South Carolina (MCASC) will be the leading construction association in South Carolina for specialty contractors and suppliers in the electrical, mechanical (HVAC), and plumbing fields by serving its membership, the industry, and the Community in a vibrant and harmonious fashion.

**MCASC Mission Statement**

The Mechanical Contractors Association of South Carolina (MCASC) will provide its membership with:

- current business/technical information and support
- a proactive political/legislative agenda
- a joint industry collaboration to improve relative business practices
- an ongoing effort to offer training opportunities for both professional and craft personnel
- educational scholarships for deserving students
- the development of industry related career opportunities

The Association's objective for this mission is to enhance the future of the Construction Industry in South Carolina.