

catalyst

SURETY PARTNERS



CONSTRUCTION JOURNAL

2022





Dear Valued Client,

Like any other year, 2022 has had its unique set of challenges that a contractor has had to manage through. While some type of headwinds will undoubtedly emerge no matter the economic climate, most are not as daunting and dissipate quicker than the prevailing headwinds that contractors have more recently had to endure. Our hats are off to you for navigating your company through these challenges.

As we get ready to turn the calendar to 2023, material price volatility, which was perhaps the most pressing risk many contractors have more recently had to face, has thankfully eased. However, scheduling your individual projects and overall backlog likely remains difficult as some key materials continue to carry long lead times. Adding quality labor to your team is still almost impossible. The good news is that these two primary headwinds may very well ease in 2023. The bad news is that significant improvements for these issues would most likely be driven by an economic slowdown. What the ensuing year has in store for us is anybody's guess, but many economists anticipate tougher sledding ahead for the construction industry.

In planning each year's Catalyst Construction Journal, our main goal is to provide you with information which could help you position your company to best face the current market. On the following pages you will find nine White Papers written for this publication by subject matter experts in their space of the construction arena. It's our hope that you find at least one piece of useful information within this resource that brings value to your business. However, we would recommend that you consult with either the author of any White Paper of interest or with your existing professional in that space prior to enacting any changes. Every individual business is different - what might be prudent for one business may not be the best choice for another.

Lastly, thank you for placing your trust in our agency. It's a responsibility that we do not take lightly. We're honored for the opportunity to play a small part in your company's continued success.







TOPICS

OUTLOOK

Page 6 2023 Construction Economic Outlook

LEGAL

Page 10 Taming a Wild Supply Chain: Mitigating Risks of Material Delivery Delays & Price Volatility

Page 14 Navigating Inflation in Construction Contracts

Page 16 Maximizing Recovery of Your Attorneys' Fees in Carolina Construction Cases

FINANCIAL

Page 20 PTET Election: An Opportunity to Reduce Your Tax Bill

Page 22 How to Get the Most Out of Your Accounting System

Page 24 Is Your Construction Company Prepared for the New Lease Accounting Standard?

WORKFORCE

Page 26 Sustainable Labor Practices: Retaining an Invaluable Resource

HUMAN RESOURCES

Page 28 Controlling Health Insurance & Benefit Costs

Sustainable Labor Practices: Retaining an Invaluable Resource

A company's employees truly are its most invaluable resource and without human labor, most businesses can't exist. If you aren't focused on using sustainable labor practices, you're missing a critical component of preserving your most valuable resource.

Broadly, sustainable labor practices are operating procedures designed to meet the consumer's needs while preserving an organization or industry. Often, when companies develop sustainability programs, focus is on social or environmental measures, while the human element is overlooked. Failing to perform an in-depth analysis of the human component is a mistake. Companies can benefit greatly from growing human sustainability - which is the development of skills and human capacity focused on the unique functions of a company.

This lack of focus on human capital has been noted for the last couple of decades. The 2002 MIT Sloan Management Review reported: "There is a surplus of capital chasing a scarcity of talented people and the knowledge they possess. In today's economy, that is the constraining—and therefore strategic—resource."¹ And in 2006 Geoff Colvin, senior editor of Fortune magazine, remarked: "After 500 years or so the scarcest, most valuable resource in business is no longer financial capital. It's talent."²

So, how can a business preserve its human capital? Many organizations have attempted to focus on broad systemic or social changes - themes like nutrition, health, education, housing, and access to services for employees. But attempting to tackle systemic or social changes is a challenge. A company may struggle to implement such broad themes. Progress can feel out of reach for an organization and it can be challenging to demonstrate a true return on investment. Instead, consider focusing on specific themes that are more tangible and directly work-related. For example, by focusing a strategic effort around conserving and reviving the energy expenditure of individual workers (both cognitive and physical), a company will be working in a measurable and direct way to protect its employees' health, which in turn promotes the broader well-being of our society.

Quantifying What a Business Truly Needs

The amount of planning time and effort a company uses to buy and then operate a piece of heavy equipment can be remarkable. Supervisors can quickly report the lifting capacity of a forklift, a minimum boom length, or hours until a skid steer will need serious maintenance. And while we all know you can only turn an excavator left sixteen times until it unscrews³, not many of us know the step distances and heights employees need to climb into the machine. Fewer of us know human capacities for step distances and heights; even less know the capacity of our own individual associates.

For employees stepping in and out of this machinery every day, it's absolutely critical and they can feel the difference when a 28-inch step up is reduced to 12-inches. Quantifying the essential demands of a job is the lowest hanging fruit when trying to preserve your labor resource. The first step is understanding operational goals and production requirements in an objective way, where goals are measurable over time. When reviewing the job demands, consider where the employee interacts with the part or product measurements - such as total weight lifted, how high a step, or how far a reach. For a business, knowing the actual job demands affords the ability to know exactly how to fulfill the desires of the customer and where modifications can be made to ensure customer satisfaction. Using lean principles, client satisfaction is the driving force in eliminating or minimizing activities that do not add value to the process, while refining the activities that do add value. Typically, there is a focus on tangible waste, consumption, materials, and time spent - but no focus on human energy use. This is a wasted opportunity to introduce efficiency. Consider that over an 8-hour work shift, an average, healthy and



Leslie Aldrich
Director of Operations
Health Services Division
Paragon Safety Group

Raleigh, NC

(919) 329-0006

leslie.aldrich@jobreadyservices.com

Author Bio

Leslie Aldrich is the Director of Operations for the Health Services Division of Paragon Safety Group. Leslie leads a team at Paragon Safety Group dedicated to keeping employees safe, healthy, and productive by providing physical testing of job candidates, strength and conditioning programs, and staffing of nurses and physical therapists on jobsites and in industrial facilities.

Sustainable Labor Practices: Retaining an Invaluable Resource

motivated manual laborer may sustain an output of around 75 watts of power⁴ (or, 1/10 of a horsepower). When an individual worker has around 1/10 of a horsepower to expend towards the organization’s needs on any given workday, any practice that depletes that energy is wasteful.

What you pay an employee is unchanged as the job is completed, so why should a driver need to generate 120ft-lbs to push a clutch because of a poor truck design if the other cabs hauling the same load require 40ft-lbs or less?⁵ Objective measures of the physical requirements to perform the job allow for modifications, improvement, and waste reduction. Since energy is finite and soft tissue wears with use, reducing the physical energy necessary to complete the same task preserves the worker.

Documenting Best Practices

For leaders, active observation of the same tasks performed by different individuals is one of the simplest and perhaps most impactful strategies in sustaining a high-quality labor force. Coupling this with granting an associate freedom to fine tune the performance of their task can lead to new best practices. Taking time to review practices with associates often reveals a less strenuous option. In positions with heavy demands, physical hardship or inability is too often the driving force for change. Identification and documentation of best practices which conserve physical energy is a clear-cut method to sustain labor over time. For example, hole-watching could have value if it highlights an associate-identified best practice for shoring installation. It is a missed opportunity if these best practices are shared from the top-down or are only broadly implemented. Allowing associates to collaborate at a peer level amplifies buy-in, offers opportunity for learning, and boosts human interaction.

By fostering peer-to-peer and collaborative work to improve job task efficiency, not only are the tasks improved, but employees benefit via a revitalization of cognitive energy. Spreitzer et al. defined the components of a thriving employee as vitality and learning. In researching ways to enhance thriving, it was found that employees who help others are able to better regulate their energy output, and employees who volunteer to train others gain a new sense of vitality as they learn to apply skills in a new context.⁶ Geoff Colvin expanded his 2006 article to the book “Humans are Underrated” concluding that the unique skill sets humans will always bring to the table, even as technology advances in the future, are human interaction, empathy, and collaboration.⁷ Fostering interaction and collaboration for process improvement at the peer-to-peer level could help energize associates, build skill sets, and grow the most essential human skills. Refining processes can become a deliberate practice and provide a path to mastering technical specifications, thereby increasing customer value. This approach is meant to remain continuous and collaborative with ongoing improvement.

Conservation, Sustainability, and Expansion

In periods of talent scarcity like we’re in now, respect for skilled work becomes palpable and labor shortage is one of the greatest barriers to a company’s growth. In the construction industry, only 6.2% of the labor force are women, with 80% of those holding office positions. The easiest path to resolving the labor shortage is the expansion and advertising of job openings among all genders, ethnicities, and ages - even those that might not be the “typical” construction worker. By quantifying the essential demands of jobs in construction, we’ll find an entire segment of willing workers that was previously overlooked. By documenting best practices and a focus on peer-to-peer development, barriers to physical discrepancies are removed. Reflect on your organization’s equity, diversity, and inclusion to identify demographic groups which are not currently represented in your company’s workforce. That is the exciting part of implementing these upgrades to your standard operating practice: the opportunity to expand your organization’s human capital.

Summary

- For tasks essential for client fulfillment, measure weights, forces, distances and heights associates encounter to complete the work.
- Observe task performance across your workforce, then identify and document:
 - Strenuous tasks that can be eliminated or reduced.
 - Acceptable task performance with the least amount of stress (reducing reaches, heights, distances, and forces when possible).
- Develop and implement training with associate collaborations, focusing on peer-peer training.
- Identify opportunities to expand into untapped or underutilized labor demographics.

1. Bartlett CA, Ghoshal S. Building competitive advantage through people. MIT Sloan Management Review. 2002; 43(2):34-41
 2. Colvin G. Catch a rising star. Fortune. Feb 24, 2006
 3. Just joking.
 4. Eugene A. Avallone et al., (ed), Marks’ Standard Handbook for Mechanical Engineers 11th Edition, Mc-Graw Hill, New York 2007 ISBN 0-07-142867-4 page 9-4
 5. This is a measurement was physically obtained by the author to verify the measure taken by another evaluator during job analysis. The organization called the truck cab manufacturer to see if the equipment was damaged and discovered this physical demand was inherent to the design of the cab. That name-brand truck cab was dead-yarded to conserve the human operators.
 6. Spreitzer G, Porath CL, Gibson CB. Toward human sustainability: How to enable more thriving at work. Organizational Dynamics. 2012; 41, 155–162
 7. Neumayer E. Human Development and Sustainability. Journal of Human Development and Capabilities. June 2010; 13:4, 561-579

A large tower crane is the central focus of the image, set against a dark, overcast sky. The crane's lattice structure is clearly visible, extending from the bottom towards the top. A long jib extends to the left, and a concrete slab is being hoisted by cables from the top of the crane. The overall tone is industrial and professional.

**WE EXIST TO HELP
CONTRACTORS
SUCCEED**