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Decline in employee loyalty affecting local construction companies

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Workforce loyalty should be a top concern for all small construction company (2-499 employees) owners and managers. Since the economic downturn, small business employee loyalty has declined, falling from 62 percent to 44 percent in the last three years (Page 6)*. Employers seem largely unaware of this declining loyalty. Their perception I believe is that workers are just as loyal as they were three years ago. This is more than a snapshot of employee discontent; it is clearly a small business trend.

Small construction companies can least afford the loss of key employees. These employees usually wear many different hats and perform a variety of indispensable functions. Right Management, a talent and career management and consulting firm, estimates the cost of replacing a key employee is approximately 300 percent (Page 6)*. There is also the potential cost of customer dissatisfaction and inconvenience. Small construction company owners can ill-afford to lose experienced and effective talent.

According to MetLife's ninth Annual Study of Employee Benefit Trends, (2011), despite the confidence of employers in the loyalty of their staff, employees appear to be more inclined to search out new job prospects. It is no secret that the

overall economy in Texas is improving more rapidly than the rest of the nation. There is also new explosive growth in the oil and gas industry as well as the tech sector's mini boom. These industries are pulling from the same talent and labor pool that traditionally was wide open for our local construction companies.

Of course, the reason for this decline in key employee loyalty I feel varies from company to company. Part of the problem comes from employees growing increasingly impatient with necessary spending constraints put in place during the downturn. Also, employee layoffs and hiring freezes have increased the workloads for seasoned employees. I have found that many, if not most, employers have reduced or eliminated benefit pro-

grams, pay raises and bonuses.

Better times are anticipated and these key employees want to be sure they don't miss out. According to MetLife's research (fourth quarter 2010), there is a strong correlation between benefits satisfaction and job satisfaction. Employees who are satisfied with their benefits feel a stronger sense of loyalty and are less likely to leave their employer. Small construction company owners have an advantage when designing their benefit program. With fewer employees it is easier for the owner to identify the benefits that will bring the most value to their employees. MetLife's research also indicates a significant number of employees feel that employer-provided life, disability and dental insurance are important, even if the employee has to contribute toward the cost.

FINANCIAL CONCERNS PREOCCUPY AND DISTRACT EMPLOYEES

These concerns should not be underestimated. Employees of small businesses report a high level of concern with financial and health matters. Retirement angst is even higher among the most seasoned and skilled employees. Nearly two-thirds, 62 percent of the Baby Boomer employees say they are very concerned about outliving their savings in retirement. When asked, 75 percent of these employees said they would be interested in advice and guidance through their employer (Page 12)*.

Broad-based financial and retirement education programs that familiarize employees with life and disability insurance

and retirement savings vehicles I believe can have a huge impact on addressing the financial concerns of these employees.

Workplace savings programs like Simple IRAs, 401(K) and Profit Sharing plans, if properly communicated, will go a long way in promoting employee loyalty. I have seen firsthand that most employees do not save for retirement except through an employer sponsored program. Also, in most cases, employees' savings through their workplace becomes their biggest single retirement asset.

To summarize, solutions that help contribute to saving for retirement, protect families from prematurely tapping into savings, and promote physical and financial wellness can have a profound and long-term impact at all life stages. These solutions are even more urgent in the small construction company market where most employees are responsible for their family's financial wellbeing.

The opinions above are of Douglas C. Radcliffe, CFP®, CLU and not of New England Securities or its affiliates.

Douglas C. Radcliffe is a graduate of the College for Financial Planning, Denver, CO, and a registered representative of New England Financial since 1990, having been named to its Inner Circle program which recognizes a select number of professionals for excellence in the areas of client services and investment sales. He received the designation of Certified Financial Planner in 1998 and that of Chartered Life Underwriter in 2001.

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