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COMPENSATION

Contractor Execs Can Expect Better Pay Raises in 2005 (1/17/2005)

By Gary J. Tulacz

After three years of stagnant salary increases, contractor executives are beginning to see some movement on the compensation front. While it may not be time to reserve that new Mercedes, contractor executives are finding new reason for optimism.

Contractors are planning to award average salary increases of 4.05% to executive-level employees in 2005, according to a survey of 2,835 individuals in 18 executive level positions within 270 contracting firms. The study was performed by PAS Inc., a Saline, Mich.-based construction compensation consultant. "This shows that contractors are starting to pay more attention to compensation," says Jeffrey M. Robinson, president of PAS. He adds that 2005 should follow past years where actual year-end raises end up an average of about 0.5% higher than current contractor predictions.

Bonus levels, on the other hand, appear to be stable, says Robinson. But he notes that more contractors plan to give bonuses this year after an earlier contraction in bonuses during the downturn.

One factor putting pressure on salaries is management shortages caused by retirements among the 'baby boom' generation. "In the past, contractors were looking for a 35-year-old with potential. Now, we are placing 50-to-55-year-old seasoned managers, even people in their 60s, advertisement and nobody bats an eye," says Frank Bruckner, executive vice president of Kimmel & Associates, an Asheville, N.C.-based executive search firm.

"Retirements are creating a real demand for senior construction and project managers with international experience in the upstream oil and gas market," says **Edward Cloutier, President of American Executive Management Inc., a Salem, Mass.**, executive recruitment firm. "If you've got the experience and aren't just a wannabe, you can get \$200,000 to \$250,000 a year." He claims that engineer-constructors are being squeezed by their own clients, oil and chemical companies, which are luring away construction firms' top project managers.

Top contractor executives with operational experience across the board are high on the demand list. "There's still a shortage of senior project managers, chief superintendents and, especially, chief estimators," says Mike Ketner, President of Michael L. Ketner & Associates Inc., a Pittsburgh-based executive search firm. "Estimating is not a glamour job, so there's never enough good ones."

Key shortages and salary caps are pushing more contractors to offer new kinds of incentives to potential executive hires. "Contractors are increasingly paying signing bonuses to top people they bring in to make up for not exceeding the salary schedules," says Bruckner.

CONSTRUCTION EXECUTIVES MEDIAN TOTAL COMPENSATION		
Position	General Contractor	Construction Manager
President	\$200,000	\$230,000
Board Chairman	\$250,000	\$282,500
Executive Vice President	\$163,250	\$176,250
Senior Vice President	\$143,936	\$144,500
Vice President, Operations	\$123,725	\$130,000
Vice President, Estimating	\$132,000	\$120,000
Vice President, Business Development	\$122,500	\$126,900
Vice President, Preconstruction	\$125,000	\$130,458
Vice President, Administration	\$105,500	\$124,000
Divisional Vice President	\$124,258	\$122,000
Vice President/CFO	\$125,000	\$127,000
Vice President, Human Resources	\$93,250	\$101,500
Vice President, General Counsel	\$125,722	\$132,100
Operations Manager	\$110,500	\$112,958
IT/MIS Director	\$81,850	\$84,500
Division Manager	\$96,250	\$99,800
General Superintendent	\$95,000	\$94,830
Controller	\$80,000	\$85,000
SOURCE: PAS Inc.		

Prime candidates for top jobs increasingly are asking for, and receiving, equity in firms that are recruiting them. "This is an enormous change," says Ketner. He says that contractors hiring "heir-apparent" positions may be forced to offer shares in the company to attract the best people. "If you aren't willing to offer equity, you may have to settle for a second-tier executive."

Some are wary of demands for equity. "When candidates say they want equity, they usually mean a percentage of the profits. But they pause at sharing a percentage of the risk," says Paul Marchionna, vice president of construction at Specialty Consultants Inc., a Pittsburgh executive search firm. But bonding companies often demand a wider spread of ownership in a contractor when the firm's main shareholder is elderly, he says.

Not all the recruitment is to fill empty slots. "What a lot of contractors are doing is trying to replace C-level executives with A-level ones," says Marchionna. He terms this process of quietly searching for a higher quality executive to replace a lesser performer, "confidential replacement."

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