

# INNOVATIVE COMPENSATION STRATEGIES TO ATTRACT AND RETAIN TOP TALENT

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# Abstract

Explore innovative, tax-efficient benefits and compensation trends, and learn how to design performance-based pay structures that drive productivity, retention, and profitability. You will see how real-time time-tracking technologies (e.g., Exact Time, AboutTime, WorkMax) improve payroll accuracy, compliance, and labor cost insights. Leave with a road map for compensation plans that attract and retain top talent, optimize project profitability, and leverage technology for greater efficiency.

# Objectives

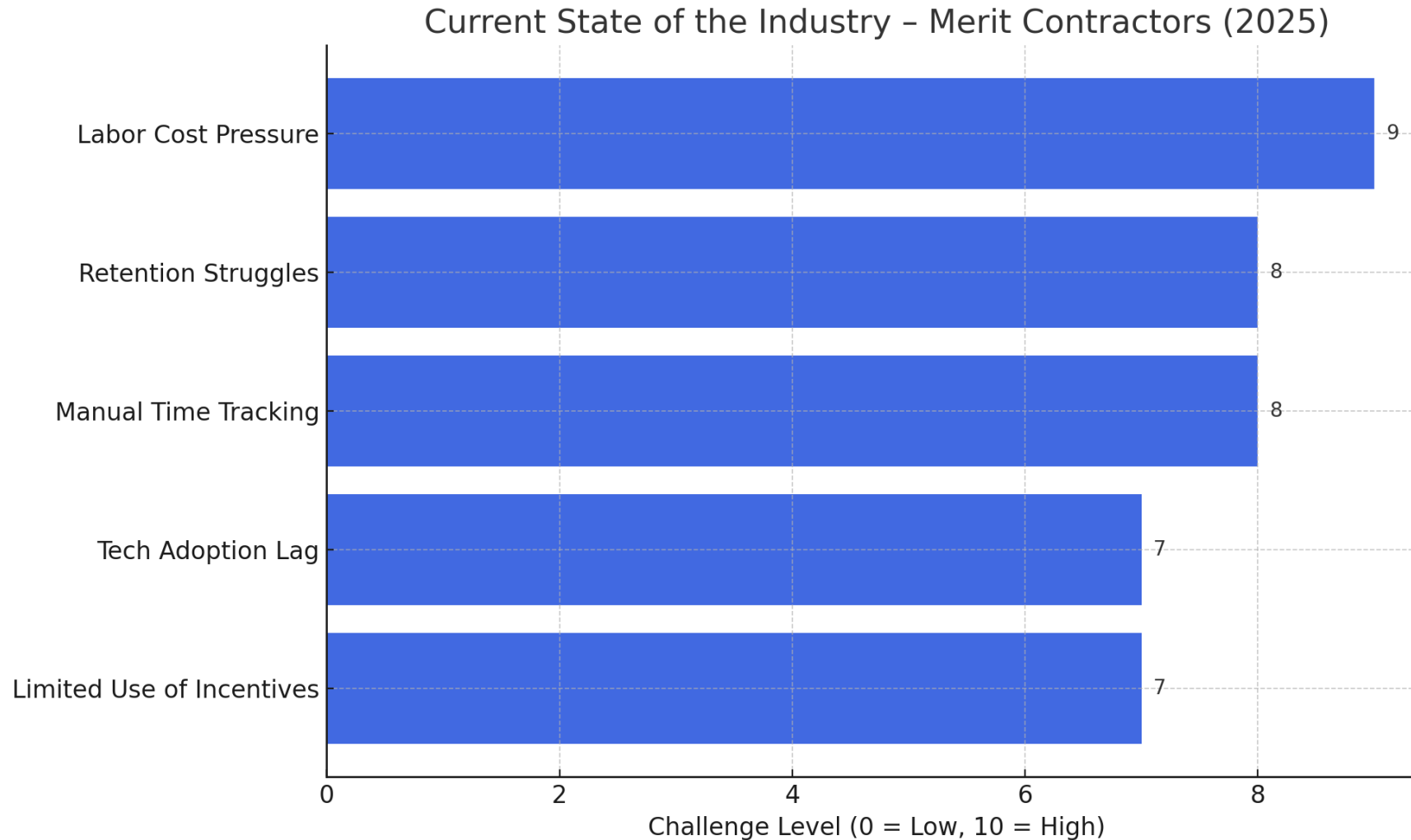
- Identify innovative and tax-efficient benefits tailored for merit contractors.
- Learn to design performance-based pay structures that drive productivity and profitability.
- Explore how real-time time-tracking tools optimize labor costs and compliance.
- Walk away with a road map to attract, retain, and reward top talent.

# Poll – Show of Hands/Open Discussion

What are the primary drivers behind your organization considering changing to performance-based pay?

1. Pay for Performance Culture
2. Greater Variable Pay Options
3. Employee Accountability
4. Competitive Differentiator
5. Other

# Current State of the Industry



# Current State of Compensation & Benefits in the Merit Sector



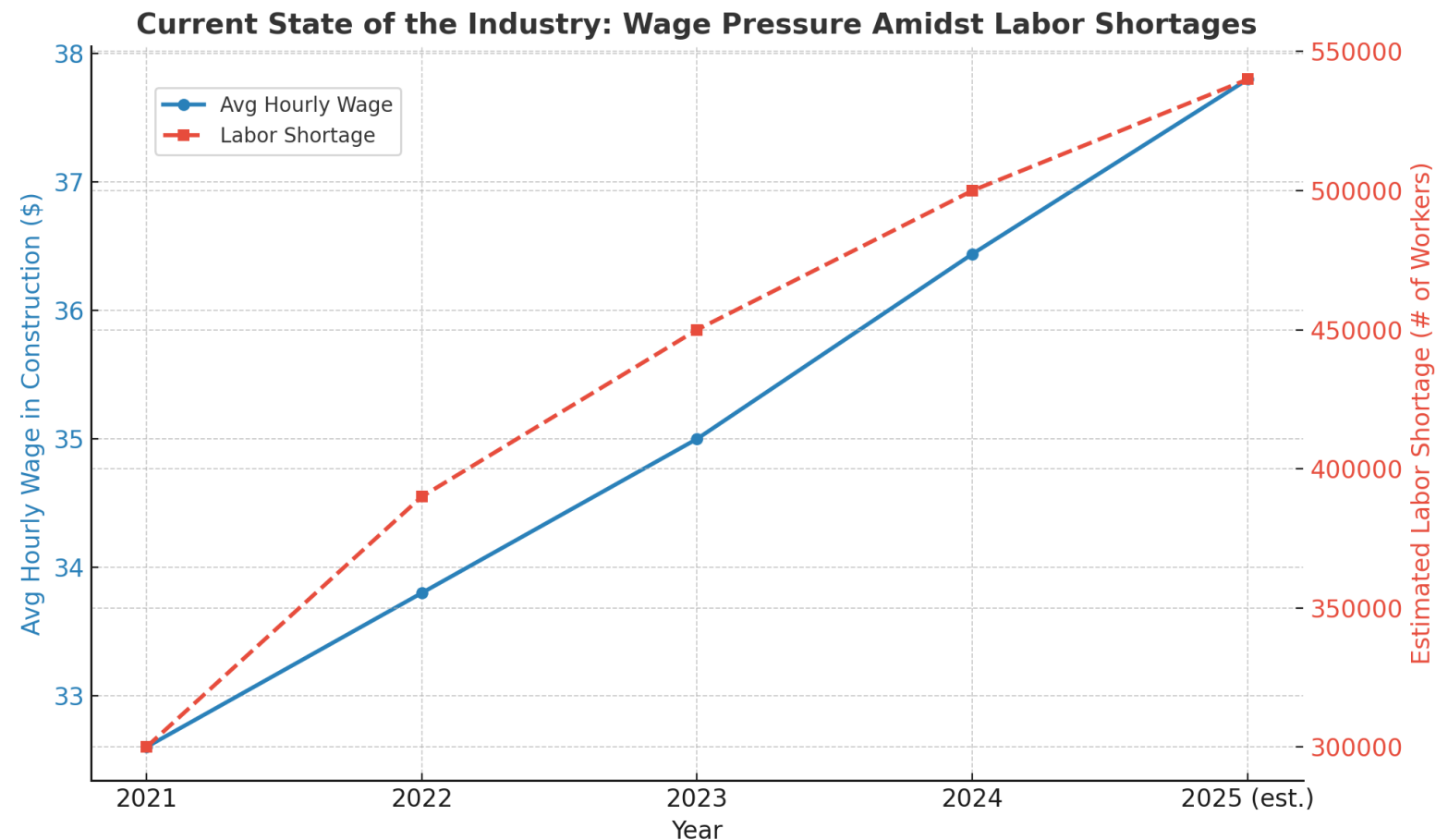
Labor  
Shortage  
Pressures

- 88% of contractors report labor shortages as their top concern (ABC 2024 Workforce Development Survey).
- The construction industry will need to attract an estimated 501,000 additional workers on top of normal hiring in 2024 to meet demand (ABC 2024).
- FMI Talent Report indicates that over 50% of construction leaders are increasing base pay, but fewer than 30% offer structured incentive pay.

# Current State of the Industry

## Wage Pressure amid Labor Shortages

- Average hourly wage in construction has steadily increased from \$32.60 in 2021 to an estimated \$37.80 in 2025.
- Over the same period, the labor gap has widened dramatically—from 300,000 unfilled roles in 2021 to a projected 540,000 in 2025.
- This trend highlights the urgent need for strategic compensation planning, as simply raising wages is not sustainable long term.



# Current State of Compensation & Benefits in the Merit Sector



Outdated  
Compensation  
Models

- Construction Financial Management Association (CFMA) data shows only 22% of merit contractors have formalized performance-based pay structures.
- 65% of contractors surveyed by PlanHub in 2023 still use manual processes for tracking time and payroll.
- IRS and industry best practices encourage use of tax-advantaged offerings, but utilization remains low outside of healthcare and 401(k).

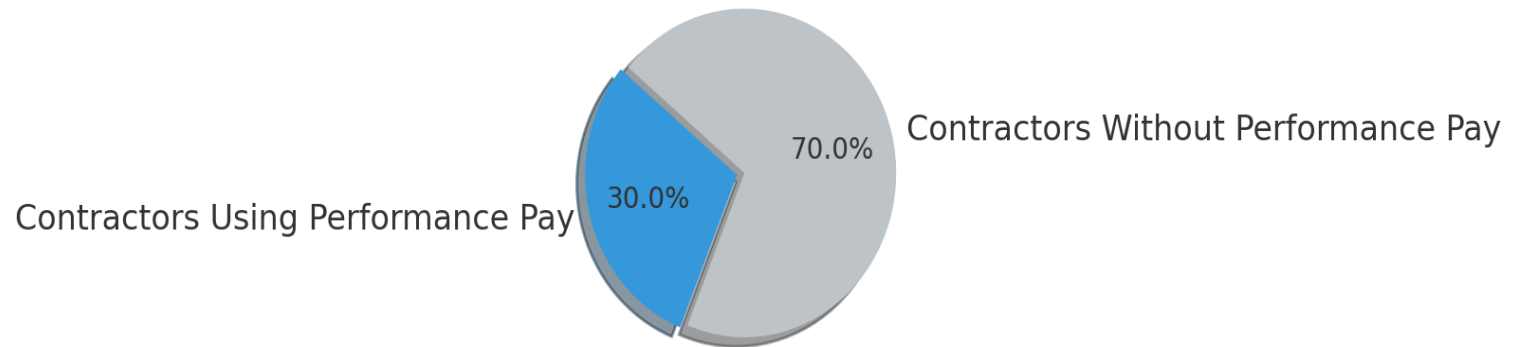


# Current State of the Industry

## Underutilization of Performance-Based Incentives

- Only 30% of contractors are actively using performance-based pay structures.
- A significant 70% are still relying on traditional pay models (hourly, overtime, etc.).

**Utilization of Performance-Based Incentives in Construction (2025)**



# Current State of Compensation & Benefits in the Merit Sector



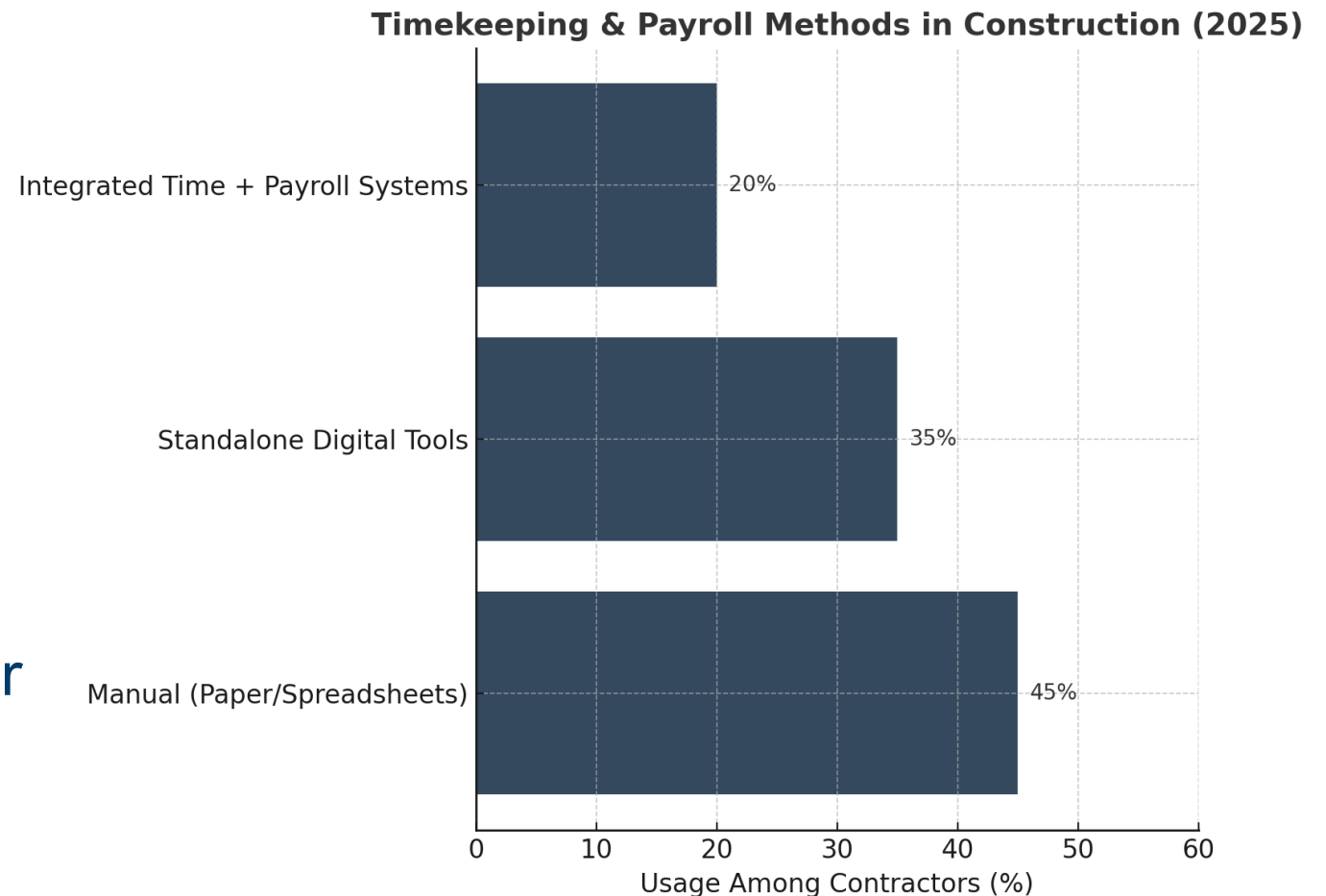
Administrative  
and  
Compliance  
Risk

- In 2023, the U.S. Department of Labor recovered \$37 million in back wages for construction workers due to misclassification and recordkeeping violations (DOL Wage and Hour Division Report).
- Paper-based timekeeping systems increase the risk of payroll errors, leading to inflated labor costs and compliance violations.
- Real-time job costing and payroll visibility are lagging, especially in firms with under 200 employees.

# Current State of the Industry

## Manual Payroll and Timekeeping Still Common

- 45% still rely on manual systems (paper or spreadsheets).
- 35% use standalone digital tools, often not connected to payroll or project costing.
- Only 20% have adopted integrated time + payroll systems, limiting their ability to leverage real-time labor insights.



# Top 3 Challenges Impacting Merit Contractors

## Workforce Retention & Engagement

The ability to keep skilled workers motivated, satisfied, and committed to long-term employment with your company.

## Payroll Accuracy & Labor Cost Control

Ensuring that hours worked are recorded accurately and that labor costs are aligned with project budgets in real time.

## Compliance & Risk Exposure

The ability to maintain adherence to labor laws and wage regulations, and reduce legal and financial liabilities.

# Challenges Impacting Merit Contractors

## Workforce Retention & Engagement

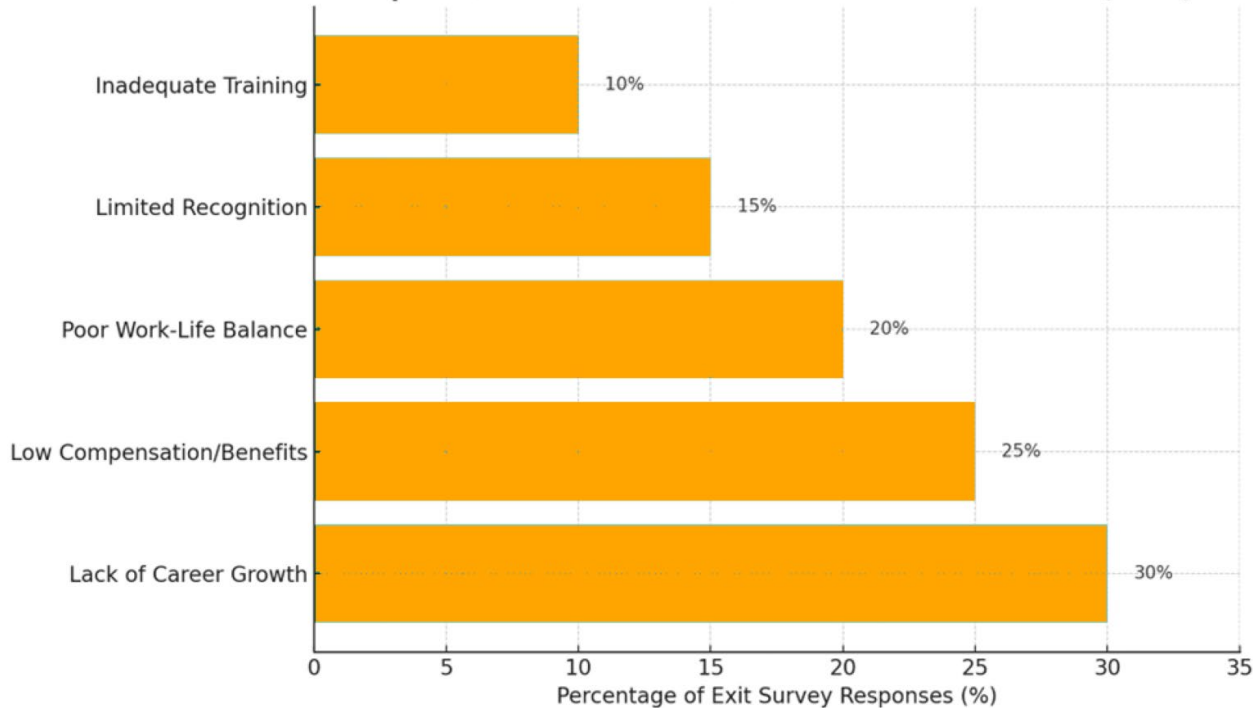
The ability to keep skilled workers motivated, satisfied, and committed to long-term employment with your company.

- Turnover rates in construction are consistently above the national average, nearing 56% in some trades (U.S. Bureau of Labor Statistics, 2023).
- Contractors report that younger workers are more likely to leave for marginal wage increases without incentive pay or career progression.
- Lack of transparent reward structures contributes to disengagement and reduced job satisfaction.

# Current State of the Industry

## Retention Remains a Top Workforce Challenge

Top Reasons for Workforce Turnover in Construction (2025)



- 30% leave due to lack of career growth opportunities.
- 25% cite low compensation or inadequate benefits.
- 20% are driven by poor work-life balance.
- 15% feel under-recognized or unappreciated.
- 10% lack access to proper training or development.

# Challenges Impacting Merit Contractors

## Payroll Accuracy & Labor Cost Control

Ensuring that hours worked are recorded accurately and that labor costs are aligned with project budgets in real time.

- According to CFMA, firms using manual timekeeping report 2–5% payroll inflation due to rounding, time theft, and human error.
- Contractors who implemented real-time time-tracking tech saw up to a 15% increase in payroll accuracy (FMI 2024 Tech in Trades Study).
- Labor cost overruns are often identified too late to take corrective action without digital labor insight tools.

# Challenges Impacting Merit Contractors

## Compliance & Risk Exposure

The ability to maintain adherence to labor laws and wage regulations, and reduce legal and financial liabilities.

- In 2023, the DOL launched over 2,000 investigations in construction, with wage violations up 23% over the previous year.
- State-level scrutiny is increasing around classification, prevailing wage, and paid time off policies.
- Many merit shops lack the documentation and digital audit trails to respond quickly during audits or legal claims.



# Merit Contractor Opportunities

## **Tech-Enabled Labor Management**

The strategic use of digital tools to track time, allocate labor costs, and manage productivity in real time.

## **Performance- Based Pay Structures**

Compensation systems that reward employees for achieving specific metrics tied to productivity, safety, or job quality.

## **Tax-Efficient Fringe Benefits**

Supplemental compensation offerings that reduce tax burdens for both employer and employee while supporting employee needs.

# Top 2025 Merit Contractor Trends

## **Tax Efficient Compensation**

Implementing compensation strategies that reduce tax liabilities for both the employer and the employee, while increasing the overall value of the compensation package.

## **Performance-Based Pay Structures**

Align compensation with job-related performance metrics such as efficiency, safety, and profitability to incentivize high performance.

## **Real-Time Labor Tracking Technologies**

Use apps like Exact Time, AboutTime, WorkMax to improve payroll accuracy, job costing, and compliance.

# 2025 Merit Contractor Trends

## **Tax Efficient Compensation:**

Implementing compensation strategies that reduce tax liabilities for both the employer and the employee, while increasing the overall value of the compensation package.

- Shift focus from hourly wages to full-value compensation (benefits, stipends, reimbursements).
- Use pre-tax tools like Health Savings Accounts and dependent care accounts to lower tax exposure.
- Offer fringe benefits (tool stipends, cell phone credits) to boost value without increasing payroll tax.

# 2025 Merit Contractor Trends

## Performance-Based Pay Structures:

Align compensation with job-related performance metrics such as efficiency, safety, and profitability to incentivize high performance.

- Align bonuses with measurable goals like productivity, safety, and job completion.
- Mix individual and crew-based incentives to foster team accountability.
- Provide frequent, transparent updates on progress toward performance rewards.

# 2025 Merit Contractor Trends

## Performance-Based Pay Structures:

Tiered Model	Criteria	Bonus/Incentive
Base	Time on site, hours worked	Hourly wage only
Tier 1	Attendance + Safety	Weekly bonus (e.g., \$50)
Tier 2	Project milestone met	Crew-wide reward
Tier 3	Cross-training + tenure	Annual bonus, gear/tools

# 2025 Merit Contractor Trends

## Performance-Based Pay Structures:

Trend	Description	Value to Merit Contractors
Outcome-Based Pay	Tie pay to project milestones, safety, and attendance	Aligns incentives with profitability
Fringe Benefits Expansion	Per diems, wellness stipends, HSAs, housing	Tax-efficient, improves retention
Job Cost Transparency	Tech-driven insight into labor spend	Empowers project managers to act fast
Flexible Pay Tiers	Skill-based progression models	Encourages upskilling, loyalty
Digital Labor Management	Adoption of real-time time-tracking	Cuts payroll errors, ensures compliance

# 2025 Merit Contractor Trends

## Real-Time Labor Tracking Technologies:

Use apps like Exact Time, AboutTime, WorkMax to improve payroll accuracy, job costing, and compliance.

- Eliminate time card fraud and reduce manual errors with GPS and facial recognition apps.
- Access live job costing data to adjust crews, schedules, and budgets in real time.
- Simplify payroll and compliance reporting through automated exports and integrations.

Contractors report up to **30% reduction in payroll errors** and improved budget adherence. – SmartBarrel, 2024

# 2025 Merit Contractor Trends

## Real-Time Labor Tracking Technologies:

Tool	Features	Impact
WorkMax	Mobile time entry, project-based costing	Reduces admin load, increases job accuracy
Exact Time	GPS, fingerprint clock-in/out	Enhances fraud prevention, compliance
AboutTime	Jobsite reporting + asset tracking	Visibility into labor and equipment use



# Road Map: Move from Reactive to Strategic

1. **Assess:** Map current compensation/benefits by role
2. **Plan:** Choose performance metrics (safety, productivity, etc.)
3. **Select Tools:** Pick a time-tracking solution to automate data
4. **Pilot:** Run a 3-month trial with one team or jobsite
5. **Review:** Analyze ROI and worker satisfaction
6. **Scale:** Adjust and roll out company wide

# Questions

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