



Construction Careers versus Construction Jobs:

*A Case Study of Two Construction
Sectors in the Twin Cities Region*

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Introduction

Minnesota's construction industry employs over 120,000 people and accounts for millions of dollars in the state's economy. Investments in roads, bridges, houses, buildings, and other infrastructure all tend to increase the quality of life in Minnesota— supporting communities, improving business competitiveness, and growing the economy. Because Minnesota's population is expected to increase by about one million people by 2030 (Barrella & Beck, 2009), finding the right workers to enter construction *careers* who can skillfully construct infrastructure improvements will be crucial to Minnesota's long-term economic success.

Currently, workers in the “highway, street, and bridge construction” sector in the Twin Cities area treat their craft as a *career*. Workers in “residential building construction” on the other hand, are more likely to treat their occupation as a short-term, seasonal *job*. The difference is that highway, street, and bridge construction positions are more likely to pay higher wages, provide better fringe benefits packages, be unionized, and offer apprenticeship training. These positive benefits reduce turnover rates, creating long-term careers for skilled, productive workers and lowering costs for employers.

This Midwest Economic Policy Institute (MEPI) Economic Commentary uses turnover data from the second quarter (Q2) of each year since 2006 to compare and contrast these two construction sectors in the Twin Cities region. The second quarter— April, May, and June— is the best time of year to accurately research turnover rates in the construction industry because turnover in these months is largely due to factors *other* than cold weather.

Job Turnover Rates

High turnover rates are costly to businesses and industries of all kinds. The “turnover rate” is defined as the percentage of employees in a workforce that leave during a certain period of time. These workers were either fired or quit. Other employees are hired to replace those that left the position. Typically, a high turnover rate is a result of poor selection of trained workers, an unhealthy work environment, or other employers offering better pay and benefits.

Though a modest amount of turnover is desired by employers in order to replace underperforming workers, excessive turnover can become extremely costly. Research has found that companies typically pay about one-fifth of an employee's salary just to replace a worker (Boushey & Glynn, 2012). In addition, replacement and search periods impose costs on the productivity and efficiency of a workplace for as long as a job opening goes unfilled.

The construction sector tends to have higher turnover rates and job separation rates than other sectors. Construction workers are generally only able to work eight or nine months out of the year in the Midwest due to snowy winters. Instead of the average employee working 2,080 hours a year, many construction workers typically work around 1,600 hours a year. As a result, workers are often laid off in the winter months and rehired in the spring, summer, and fall months (during the second, third, and fourth quarters of the year).

Turnover Rates in Minnesota

Turnover rates in the Twin Cities construction industry are compared and contrasted for six counties in the metropolitan region. Data is collected using the Quarterly Workforce Indicators (QWI) from the U.S. Census Bureau for the six counties plus the entire State of Minnesota. Turnover rates in

highway, street, and bridge construction– a sector that is largely supported by taxpayer dollars– are compared to residential building construction, which is predominantly a private sector. Information is not reported by the U.S. Census Bureau in some highway, street, and bridge construction sectors because there was not enough data.

Highway, street, and bridge construction (Figure 1) has lower turnover rates than residential building construction (Figure 2) across all counties. From 2006 to 2014 in Minnesota, the average turnover rate of construction workers in highway, street, and bridge construction was 3.7 percent in the second quarter (April, May, and June). By contrast, the job turnover rate in residential building construction was an average of 9.3 percent during the same period. The 5.6 percentage-point difference illustrates how employment in publicly-funded construction sectors is more stable than employment in private sectors. Residential construction is relatively unstable and short term.

Figure 1: Turnover Rate in Highway, Street, & Bridge Construction by County, 2006-2014, Q2

Year	Minnesota	Anoka County	Carver County	Chisago County	Dakota County	Hennepin County	Washington County
2006	5.4%	4.5%		3.1%	5.3%	6.2%	4.8%
2007	3.2%	3.9%	0.9%		3.9%	3.3%	3.3%
2008	5.2%	38.6%	4.1%		4.6%	4.6%	1.9%
2009	3.3%	2.7%			3.6%	2.7%	4.1%
2010	3.6%	4.3%		0.0%	4.7%	2.5%	2.5%
2011	3.5%	5.1%		2.9%	4.7%	2.7%	2.5%
2012	2.7%	4.8%		0.8%	3.4%	2.7%	2.4%
2013	3.0%	4.9%			2.6%	3.7%	2.4%
2014	3.5%	4.9%			6.3%	4.1%	3.2%
AVERAGE	3.7%	8.2%	2.5%	1.7%	4.3%	3.6%	3.0%
AVERAGE (W/OUT 2008)		4.4%					

Source: U.S. Census Bureau – LED Extraction Tool – Quarterly Workforce Indicators (QWI), available at <http://ledextract.ces.census.gov/>.

Figure 2: Turnover Rate in Residential Building Construction by County, 2006-2014, Q2

Year	Minnesota	Anoka County	Carver County	Chisago County	Dakota County	Hennepin County	Washington County
2006	11.9%	13.5%	12.5%	13.0%	10.9%	12.4%	13.4%
2007	9.1%	10.4%	5.8%	11.4%	8.9%	9.4%	9.5%
2008	9.0%	9.1%	6.3%	10.0%	10.0%	8.3%	6.9%
2009	8.3%	8.7%	6.0%	10.5%	11.6%	7.1%	7.1%
2010	9.2%	8.3%	8.6%	12.0%	13.6%	10.3%	7.8%
2011	8.6%	12.1%	7.8%	3.0%	9.0%	6.9%	13.6%
2012	8.7%	9.2%	7.3%	11.4%	7.9%	8.2%	13.8%
2013	9.0%	8.5%	9.0%		8.1%	7.9%	10.4%
2014	9.8%	9.3%	12.1%	17.7%	8.5%	9.7%	10.0%
AVERAGE	9.3%	9.9%	8.4%	11.1%	9.8%	8.9%	10.3%

Source: U.S. Census Bureau – LED Extraction Tool – Quarterly Workforce Indicators (QWI), available at <http://ledextract.ces.census.gov/>.

Anoka County has the highest turnover rate in highway, street, and bridge construction at 8.2 percent from 2006 to 2014 (Figure 1). Anoka County was hit severely by the recession in 2008, resulting in a road construction turnover rate of a 38.6 percent in that year. If data from 2008 is excluded for Anoka County, highway, street, and bridge construction turnover rate over the nine-year span average to 4.4 percent– still 0.1 percentage-points higher than Dakota County and 0.7 percentage-points higher

than Minnesota's average. Carver County, Chisago County, Hennepin County, and Washington County all had lower turnover rates in highway, street, and bridge construction than Minnesota's average. On the other hand, Chisago County has the highest average turnover rate in residential building construction, at 11.1 percent from 2006 to 2014 (Figure 2). The turnover rate in Chisago County is 1.8 percentage-points higher than the average for all of Minnesota. Anoka County, Chisago County, Dakota County, and Washington County had higher turnover rates than Minnesota's average in residential building construction. Residential building construction is significantly more unstable than highway, street, and bridge construction in the Twin Cities region.

Workers in highway, street, and bridge construction also earn significantly higher salaries than workers in residential building construction (Figure 3). Employees earn an average of \$5,082 per month in road construction compared to \$3,449 in residential infrastructure. This \$1,633 monthly difference in earnings is partially responsible for lower turnover rates in highway, street, and bridge construction. Higher earnings encourage workers in highway, street, and bridge construction to treat their craft as a long-term career. On the other hand, workers in residential building construction may treat the industry as a short-term job, jumping around from contractor to contractor and project to project. Residential building construction workers may also leave the construction industry entirely for careers in other sectors, such as manufacturing, transportation, and utilities.

Figure 3: Average Monthly Earnings of Minnesota Construction Workers, 2006-2014, Q2

Industry	Average Monthly Earnings
Highway, Street, and Bridge Construction	\$5,082
Residential Building Construction	\$3,449
Difference	\$1,633

Source: U.S. Census Bureau – LED Extraction Tool – Quarterly Workforce Indicators (QWI), available at <http://ledextract.ces.census.gov/>.

Careers in Construction

Employment in highway, street, and bridge construction is more stable than residential building construction for many reasons. Workers in highway, street, and bridge construction earn higher wages and benefits, are more likely to be unionized, and are better trained through apprenticeship programs than workers in residential building construction.

Earnings are often higher for highway, street, and bridge construction workers because of Minnesota's prevailing wage policy. A prevailing wage law specifies wage and benefit standards for construction projects paid for using public funds. The policy requires that workers employed on public construction projects receive compensation that is representative of the hourly earnings normally paid to workers on similar projects in an area. In essence, a prevailing wage acts as a minimum wage for public construction. Contractors can, and often do, pay more than the prevailing wage and benefits package.

An attractive compensation package is one of the primary drivers of employee retention and recruitment. When construction workers are paid a good, middle-class wage, they are more likely to stay in the industry and treat their craft as a *career*, not just a seasonal job. If wages were increased—or were covered under prevailing wage—in residential construction, it is likely that more workers would continue to stay in the industry and turnover rates would be lower.

Highway, street, and bridge construction is also highly unionized in comparison to residential building construction. Unions help members find work in the construction industry, increasing the chances that a unionized construction worker is employed on a project. Unions also increase wages for lower- and middle-income workers, helping to reduce inequality (Schmitt, 2008). Membership dues enhance the chances that a worker has health insurance coverage, reduce the chances that he or she relies on government assistance, and give the employee a voice at work. For every dollar contributed in dues to a trade union, a unionized construction worker in Minnesota gets back \$5.59 in after-tax income (Manzo et al., 2016). Unions support long-term careers with good pay and benefits for blue-collar workers.

Worker training and skills development are higher in highway, street, and bridge construction because workers are more likely to be unionized. Joint labor-management apprenticeship programs train workers to become skilled craftsmen and craftswomen. Once trained in a three- to five-year registered apprenticeship program, apprentice completers become attractive applicants for potential employers seeking productive workers. On the other hand, those who have less training are often fired, or replaced by more-skilled workers. Thus, high turnover rates are more common in residential building construction because the workers have lower levels of training and skill.

To support long-term *careers* in the Twin Cities construction industry, policies that support good wages and good benefits, high levels of unionization, and registered apprenticeship programs must be preserved and strengthened.

Conclusion

In effect, this Economic Commentary is about careers versus jobs. Highway, street, and bridge construction employment in the Twin Cities area is largely a career while residential building construction is more of a short-term, seasonal job. Highway, street, and bridge construction positions are more likely to pay higher wages, provide better fringe benefits packages, be unionized, and offer apprenticeship training. These positive benefits reduce turnover rates, creating long-term careers for skilled, productive workers and lowering costs for employers.

Sources

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Cover Photo

U.S. Army Corps of Engineers. (2011). "Construction Workers Prepare to Place Concrete." Flickr. Available at <https://www.flickr.com/photos/30539067@N04/5861249610>.