

Rise of the relatable organization

CONSTRUCTION INDUSTRY INSIGHTS

A Global Talent Trends companion report



OUTLOOK FOR THE CONSTRUCTION INDUSTRY IN 2022

Cautious optimism for continued recovery and growth, with investments in people and culture essential for success

Despite a sector-wide contraction in the past two years driven by the COVID-19 pandemic, global construction output is slated to grow by 4.4% between 2020 and 2025.¹

Several challenges are already apparent: The 2021 COP26 Conference in Glasgow highlighted heightened sustainability concerns in an industry that remains one of the biggest global emitters of greenhouse gases. As governments seek to regulate embodied carbon and raw material extraction, issues concerning environmental, social and governance (ESG) and sustainability will stay front of mind for investors, customers and employees.

Although short-term volatility will undoubtedly remain, most experts are cautiously optimistic. In response to the pandemic, infrastructure stimulus totaling more than US\$3 billion was announced by G20 governments in the period from February 2020 to August 2021. This is one of many reasons to anticipate a significant increase in demand in the construction sector in years to come.

To truly capitalize on this wave of demand across the globe, construction companies will have to invest more in people, processes and culture initiatives. Doing so will ensure that firms have the ability to acquire, retain, develop and motivate the talent they need — people with the skill sets and experience that will allow them to adapt to new ways of working and move into the future with confidence.

About the authors



Kelly Outram, Managing Director, Head of Global Contractor Development, Marsh Specialty
kelly.outram@marsh.com



Deena Harvanek, Partner, US Change and Communications Solutions Leader
deena.harvanek@mercer.com



Blair Chalmers, Managing Director, Marsh McLennan Advantage
blair.chalmers@mmc.com



Rachel Juay, Research Analyst, Marsh McLennan Advantage
rachel.juay@oliverwyman.com

¹ Marsh. "Global Construction Outlook," available at www.marsh.com/bw/industries/construction/insights/global-construction-outlook.html.

C-suite's top concerns in the construction industry



ESG/sustainability goals



Business resilience given another COVID-19-related lockdown



Cyber risk and data security

Key construction industry stats

70%

63%
all-industry
average

70% of employees are thriving at work in construction versus 63% all-industry average

71%

50%
all-industry
average

71% of C-suite executives plan to spend on AI-based productivity tools, much higher than the 50% all-industry average



The rise of the relatable organization

As companies seek better ways to engage and retain talent, employees are scrutinizing the value they create through their work. Both acknowledge that 2022 will be a year of doing things differently — figuring out how to work, learn and laugh together. In an era of increased accountability and responsibility ushered in by the accelerated digitalization and disruption of 2021, making this transition is critical. Mercer's Global Talent Trends research brings commentary from more than 10,910 executives, HR professionals and employees on the talent challenges companies face and how they plan to make progress on their people agendas.

Last year, winning companies *led with empathy*. This year, our research shows that relatable companies are leading the way. They are constantly *resetting for relevance*, seeking to *work in partnership* with talent, working hard to *deliver on total well-being* and *building for employability* to harness the *collective energy* of their people. This report focuses on the challenges and opportunities in the construction industry. To learn more about the five global talent trends, refer to the full 2022 report.

Top five HR priorities for 2022 in the construction industry

1

Redesigning work to improve agility

2

Improving total rewards packages

3

Putting ESG and sustainability at the heart of the transformation agenda

4

Investing in workforce upskilling/reskilling

5

Redesigning HR operations



INSIGHTS

Upskilling the workforce in readiness for the adoption of new technology

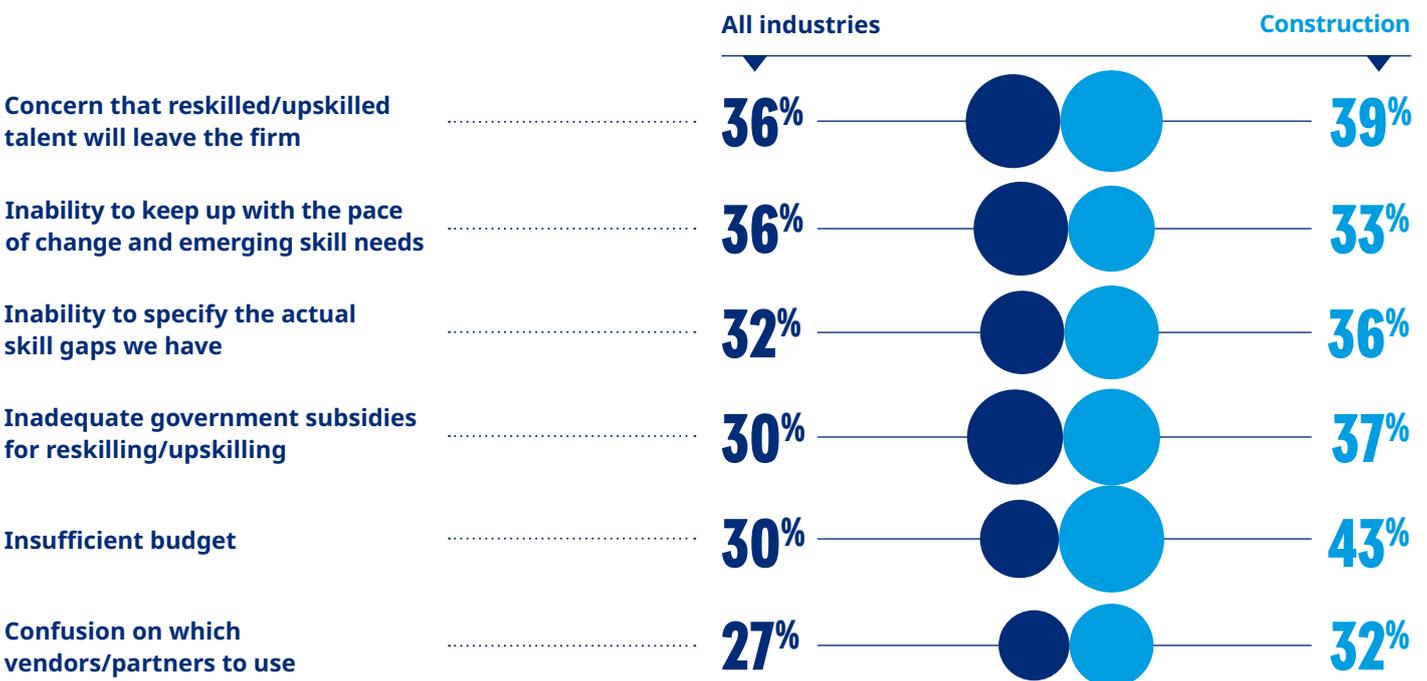
The construction industry is embracing the use of new technologies to deal with a shortage of talent, navigate the pandemic’s impact on on-site working practices, and realize time and cost savings more broadly. This shift requires a range of new skills to be developed across the workforce, which executives recognize. Forty percent of C-suite respondents in the industry say the biggest challenge to driving internal transformation in 2022 will be a lack of workforce capability and skills.

Employees are fully aware that change is coming. Forty-seven percent believe technology is the future of work, particularly the fusion of human creativity with the predictive power of AI and the efficiencies of automation. However, not all employees see the shift as a positive one, with 59% saying they expect their jobs to be replaced due to the adoption of AI or automation within the next three years. This expectation may be linked to the finding that more construction firms have communicated internal plans for the introduction of AI or automation than in industries generally. Indeed, 71% of C-suite respondents have communicated plans to invest in AI-based productivity tools in 2022 — a cross-industry high.

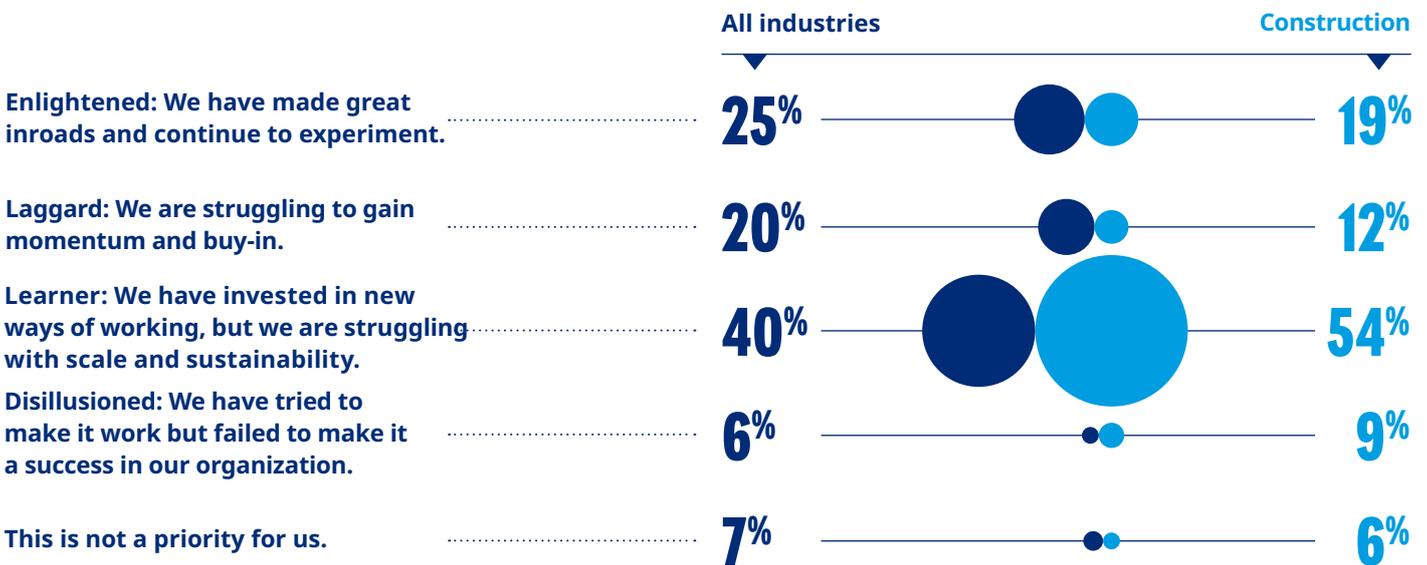
Concerns about job security might be why one-third of construction employees say they are willing to work in areas outside their technical or functional backgrounds — significantly higher than the all-industry average of only 25%. Fortunately, employees feel supported in their careers and believe they know what skills they need to develop in preparation for the coming change. They also believe their managers are aware of their skill sets (and any gaps) and say they have access to the appropriate learning platforms through which to develop new skills.

These findings on access to learning opportunities align with HR views that the construction industry spends an above-average amount per employee on training and learning opportunities. However, HR leaders do foresee a number of challenges that may limit future reskilling and upskilling. These include budgetary constraints, concerns that trained talent will leave their firms and inadequate government subsidies.

What are the barriers to reskilling current employees?



Choose the statement that best describes your organization in terms of ESG and sustainability initiatives.



Industry focus on ESG still needs to deliver a greater impact

ESG and sustainability goals have become a particular focal point for C-suite executives in the construction industry. This shift has been driven mostly by customer demands, employee expectations and investor pressure.

Although the construction C-suite seems to be the most committed out of all industries to meeting ESG and sustainability goals, there is still room for improvement. Sixty-nine percent of C-suite respondents are either moderately or very concerned about their organizations' ability to embed sustainability goals into their transformation plans effectively. C-suite respondents further acknowledge that achieving lasting large-scale impact with such initiatives is challenging.

Despite these challenges, there is good news for the industry — significantly more construction employees than employees across all industries (37% compared to 28%) want to be engaged as important contributors to achieving sustainability goals. In line with these expectations, HR leaders have plans to transform their ESG and sustainability agendas in 2022, with construction leading the all-industry average in most areas. More specifically, these leaders seek to tie ESG goals to firms' broader purposes and clarify the board's role in setting sustainability agendas. Half of HR leaders plan to ensure all executives have obligations for ESG/sustainability metrics, and an above-average 37% of respondents plan to mandate ESG training for employees responsible for delivering on these standards.

Redefining the employee value proposition to meet changing demands

Pandemic-related working has greatly reshaped organizational structures and functions across all businesses, but the consensus remains that people are the most indispensable part of any organization. Forty percent of C-suite executives believe investing in new work standards (such as wages and worker protections) will deliver the biggest return on investment for businesses in the next two years. Strikingly, more than one-third of workers would give up a pay increase in 2022 in return for additional well-being benefits, higher-quality medical care and coverage, or the option of remote work. C-suite executives seem aware of and responsive to these preferences, as evidenced by the following actions taken:

- Increased work flexibility in 2021 (56% compared to the 45% all-industry average)
- Asked employees where and how they want to work (54% versus 44%)
- Adjusted talent structures to include freelance and nontraditional forms of work (47% versus 41%)
- Made plans to move toward a four-day workweek in 2022 (41% versus 34%)

Overall, the sector seems to be ahead of the curve when it comes to changing organizational structures to build a positive employee experience and in responding to the pandemic. Indeed, the good news is that 86% of employees agree or strongly agree that their organizations provide a safe working environment amid the ongoing pandemic.

Improving employee retention by focusing on well-being and diversity, equity and inclusion (DEI)

Currently, the most common reasons for employee attrition are better pay/benefits elsewhere and worker burnout. Naturally, fostering employee well-being against the backdrop of the pandemic has been a challenge for HR. To this end, virtual tools are being employed to manage employee well-being, especially when it comes to supporting remote working. For instance, 37% of construction HR respondents cite the use of an app to improve the financial welfare of employees (11% above the all-industry average). The industry is also a leader in the use of virtual mental health advice bots (10% higher than the all-industry average). Indeed, 51% of HR respondents report that offering tools to support emotional well-being has been the most effective way to support remote work (12% higher than the all-industry average).

Initiatives focusing on DEI issues and employee well-being are top focal points for HR leaders across all industries, and the construction industry is no exception.

Although in general, employee retention statistics seem to be in line with cross-industry averages, some challenges remain unique to the construction industry. For example, **the highest levels of turnover are found among women (18% above average)** and young talent (9% above average). Since the industry already has a lower-than-average percentage of these employees, such higher levels of turnover could exacerbate inequality in the workplace.

Some key initiatives for HR leaders to retain talent in 2022 are in the areas of monitoring DEI metrics, using workforce planning technologies, adjusting pay equity and enabling upward mobility. Forty percent of HR leaders say a commitment to fair pay for all workers will be rolled out in the coming years. Forty-five percent of HR leaders also look forward to enhancing DEI by creating equitable opportunities and pathways for a multigenerational workforce.



RECOMMENDATIONS

The construction industry is changing rapidly. Overlaid with the need to automate and respond to external pressures such as COVID-19, construction companies are also grappling with other significant (and immediate) challenges:

- The drive to develop and deliver sustainable lower-carbon operations and supply chain activities is changing the business and people landscapes of the industry — shaking up long-established business models.
- Workforce shortages are forcing employers to adopt new approaches to delivering work. Change is also a constant in terms of the approaches taken to recruit and retain employees, with an increased focus on upskilling the current workforce.

- The increased application of technology across all aspects of the construction business presents significant opportunities for firms. However, increased connectivity also creates new touch points for cyberattacks, which must be addressed.

Companies realize their people are key to the current, fast-moving transformations taking place in the industry. Employees are fundamental to the process of change, and their new roles and expectations will shape the future of every organization.

Recommended actions for the construction industry in 2022

Embed sustainability and responsibility into your company, as ESG remains a significant driver for change and transformation across the industry. Discuss where ESG metrics could be added into incentive programs and key performance indicators with your executive leadership team. Understand how changes can drive purpose and commitment across your workforce. Specifically with regard to DEI, ensure your policies are relevant and up to date and invest in understanding the reality of your pay equity. Use data-driven approaches to ensure you are delivering on your DEI aspirations throughout all stages of attracting, hiring and retaining talent.

Focus on the employee experience to attract and retain talent, especially for segments where representation is low. The construction industry lags behind other industries in the inclusion of women and young professionals. Run regular employee-sensing surveys to understand employees' feelings, and revisit your employee value proposition to ensure it is fit for purpose when viewed through various lenses: the COVID-19 experience, the wider transformational agenda and diversity-related differences in the workforce.

Determine what a long-term, sustainable level of flexibility means for employees. Demand for more flexible working conditions is up, and although the data suggest progress has been made across the industry, scaling flexible working over the long term poses challenges. Consider the elasticity of your current flexible working strategy, accounting for the reality of the construction worksite

environment. Ensure you capture the unique needs of different demographics using regular pulse surveys, and benchmark what your competitors are doing in this space. Communicating the plan will be critical, particularly communications that come from your executive leadership teams.

Redesign work to optimize skills as automation ramps up. As the industry embraces new technologies, review how it will affect work today and in the future. Balance combining people with technology and the use of alternative talent with the impact on skill requirements and careers. Ensure you communicate plans, and partner with employees to manage this impact.

Prioritize and curate well-being initiatives (physical, mental, social and financial) for employees. Well-being benefits and higher-quality medical care and coverage are two things for which employees would give up a pay increase. Offer benefits that are inclusive and meaningful to your workforce through listening exercises and data insights. In particular, explore opportunities to roll out innovative well-being and benefits programs that support females and younger employees (for example, caregiving benefits, leave, etc.). Partner with occupational health and safety to deploy and enhance well-being, and use culture, communications and digital tools to nudge healthy behaviors for the whole person.

For more insights or recommendations, please see the full [2022 Global Talent Trends report](#).



6011797U-CR
© 2022 Marsh & McLennan Companies, Inc. All rights reserved.

Marsh GuyCarpenter Mercer OliverWyman