

Wellness in the Construction Industry: How the PRO Act and Infrastructure Bill will Impact Workers

PAYCHEX
Business
Series

Coronavirus



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Full transcript

Gene Marks:

Hey everybody. This is Gene Marks and welcome to The Paychex Business Series Podcast. Today, I'm speaking with Michael Bellaman. Michael is the President and CEO of the Associated Builders and Contractors Association. He represents tens of thousands of small businesses, contractors, construction people that are building homes, buildings, offices, churches, all around the country. We're going to talk a little bit about the Infrastructure Bill that's working its way through Congress. We're going to talk about the PRO Act and how it affects you if you're in the construction industry. We're going to talk about as well, safety and OSHA concerns that you need to be aware of among a few other things. So hearing Mike's insights on all these things that affect you, if you are in the construction industry or even if you're not, I think you'll find the conversation very valuable. So, Michael, thank you very much for joining me.

Michael Bellaman:

My pleasure. Thank you for having me.

Gene Marks:

Yeah, I'm glad that you are on. So you are the president and CEO of the Associated Builders and Contractors. Tell us, first of all, a little bit about the organization.

Michael Bellaman:

It's a trade association that is basically chartered in 1950 to lead and transform the construction industry with the focus on safety, workforce development, careers, advocacy for the merit shop or a meritocracy. It's a construction company. We have 21,000 members. We've got 69 chapters. I've been CEO now for 10 years this past February, was a volunteer for 18 years. I spent 23 years in the industry with a company called Lend Lease. I started out with McDevitt & Street. It was acquired by Bovis, then acquired by Lend Lease. So I had a wonderful career. Architectural engineering grad out of Penn State, came to Washington, DC, went out in the field, learnt how to build buildings, then learnt how to build teams and then learn how to build companies. And probably the greatest thing that I have to do is help people achieve their career dreams and help companies win and deliver work safely, ethically, and profitably.

Gene Marks:

That is, that is a great speech. And you've answered, I was going to ask a little bit about yourself and your background. My son is actually a mechanical engineer. He works for a big engineering firm in New York and I'm a Pennsylvania resident. And one of my biggest regrets was not having him go to Penn State. He went to a great college, GWU, but my other son went to Pitt, got a great education there. Penn State's a great school and a great engineering program. So I'm glad that you got you cut your teeth there.

Michael Bellaman:

That's the reason why I went there. At the time I went, it was number one in a degree called Architectural Engineering. That the primary reason why I went there.

Gene Marks:

Yep. And that's evolved, and architectural engineering is still a very critical specialty now. We'll talk about labor, but it'd be nice to get a lot more of those skilled people out in the workforce. I know there's a lot of open jobs in the construction industry, but we're going to get to that in a minute. So you represent and you work with people that are in the construction industry and the industry itself had a pretty good year during COVID, right?

Michael Bellaman:

Record year it's been, as a matter of fact. We've been on a pretty good trajectory ever since the great recession bottomed out in 2009, 2010. We are on track to hit about 1.4 plus trillion, which will be a record for this year. And we had about 1.38 or 3.9 trillion last year. We were very fortunate. Luckily we're an industry that is very familiar with safety protocols, safety rules, safety regulations. And once we understood the proper guidelines around CDC and the proper protocols, we were able to design pre-task plans, job safety plans, reopening plans. And we were able to do that in such a way that the governors of the states were very confident that we knew what we were doing. So by June 13th of last year, every state was open for construction.

Michael Bellaman:

So it was great. Some states never shut down. A lot of our members though, basically what they did was they took a pause, a voluntary pause before they understood the actual protocols and safety protocols. Because we're very, very safety conscious. Our members are, I call them maniacs about safety. We're committed to world-class safety, but once we got that underneath us, we were able to continue to go. So good shape.

Gene Marks:

Let's talk a little bit about safety. Obviously, the industry is very safety conscious, but there is a lot of budget dollars being proposed and a lot of attention being paid on workplace safety overall, not just COVID-related, but just overall. I know there's a refocus with OSHA with some even more guidelines coming out. And again, I know that President Biden's budget is proposing some significant increases for OSHA. So I'm kind of curious how you see that playing out in the construction industry? Are your members bracing for a lot more regulations? What are they preparing for when it comes to safety?

Michael Bellaman:

Well, our members, like I said, are committed to world-class safety and we take a look at, in order to get to world-class safety results, you have to have a leadership's commitment to world-class safety. Then you have to have a culture that embraces a belief that all incidents are preventable. Then you can put in world-class safety systems and processes. And we produce on an annual basis, a safety performance report that's based upon over a billion work hours that is captured data from our members participating in our STEP world-class safety management system process. We do this on an annual basis. As a matter of fact, those members that participate in STEP or over twice as safe as the industry average. The leading companies, our diamond members are 655% safer than the industry average. This safety performance report that we produce on an annual basis is actually a resource on OSHA's website and leading indicators.

Michael Bellaman:

So we correlate a lot of cause and effect where if you have a world-class onboarding process, new hire safety orientation process, what kind of effect does that have on safety performance? If you have a world-class substance abuse program, what impact does that have on safety performance? So we have that ability, and our members utilize that to help benchmark, help identify areas where they can improve it, and get the biggest leverage point to improve safety. So we're all in. OSHA's got a tough job. They have to solve for the entire business community and they solve at a minimum level of performance, whereas we believe that leadership and culture are key in addition to following those minimum requirements and implementing best practices.

Gene Marks:

So people that are in the construction and contracting industry, they know that safety is a concern out there. Some people feel like all that responsibilities on their shoulders. But from what I hear you saying is that if you participate in the Associated Builders and Contractors Association, if you get involved in their safety programs that you guys offer, that in itself will almost guarantee that you are insured to be within OSHA compliance because you are going to be taught what you need to do to make sure that you're in compliance. Is that a fair statement?

Michael Bellaman:

Yeah, that is a fair statement. And I just want to reinforce, OSHA has a set of standards, they're a set of minimum standards. These are not world-class best practices. Our STEP world-class safety management system represents what is world-class. We have a national safety committee made up of leading experts from our world-class companies, large, small, geographically diverse, trade diverse. And what they do on an annual basis is they're out there looking at what are the best practices. And obviously with COVID, it's really introduced a new concept. And that is a focus on total human health. Traditionally in safety, we're always worried about the physical safety, but there's four dimensions to a human. You got the physical element, you've got the mental element, you've got the social element, and you have the spiritual element. And we're understanding now how much COVID has effected the mental anxiety, right? The social.

Michael Bellaman:

So we're doing a lot of focus and a lot of work on this particular concept. As a matter of fact, in our industry, unfortunately we have a mental health issue because of opioids and substance abuse and stuff like that. So we actually have a problem with regards to death by suicide in our industry. And we've created, we've been part of a coalition with regards to suicide prevention in our industry, and we're doing a lot of work on it. As a matter of fact, Greg Sizemore, who's our Vice President of Health Safety and Workforce, is the chair of that coalition this year.

Gene Marks:

Have you seen the emphasis and the awareness on mental health as one of the biggest differentiators in the industry over the past five years or so?

Michael Bellaman:

I think it has been, and it's quickly emerging. People are actually becoming more and more comfortable about talking about it, knowing it's a real big issue. And when you really sit back and think about it, it's just common sense. When you're at the job and you have other things on your mind, you have high-level anxiety, we're already in a physically at-risk environment, where we do a lot to do that. But imagine if you've got some anxiety coming or your thinking, or mind's not on, just when you're driving, if you're mind's not on the road, you're distracted. And that brings in some additional risks, but also some opportunities. So we've always said we want to send our people home safer or healthier. Now we want to focus on happier, wellness, health. Absolutely critical and something our industry's committed to.

Gene Marks:

Okay, let's switch gears a little bit as you and I are speaking right now, we're in the middle of July and the Senate is actually having hearings on the PRO Act. The PRO Act, for those of you guys listening and watching, is a bill that passed the house a few months ago. It really affects the construction industry, I'm sure Mike, you would agree, particularly in two big ways. In short, it makes it a lot easier for employees to organize as unions. So that is one potential thing that employers have to deal with. And number two, it would change the definition of independent contractors for many construction companies that use them.

Gene Marks:

And I think the fundamental change is, the test, the takeaway is that if you're employing somebody in your business and you're billing them out to your customer, they're generating revenue for your business. There is a strong chance that you would have to classify that independent contractor as an employee of your business and therefore be subject to payroll taxes and potential health benefits or other employee benefits for them. So hopefully I'm describing that okay, Mike. And I wanted to get your thoughts on the PRO Act, what you think the impact will be on the construction industry and where do you think it's going to go?

Michael Bellaman:

Well, first of all, the PRO Act is entitled the "Protect the Right to Organize." Currently in the United States of America, every worker has a right to choose to join a union or not join a union. They have the right to pick what company they want to work for. They have a right to determine whether they want to work for a company as an employee, or they want to work independently as an independent entrepreneur and contractor. If the ProAct is passed, all those go away, those choices go away. People essentially will be forced to join a union. And from our perspective, we love the fact that workers got choices. And we think that workers should have those choices. So therefore we're not fond of the Protect the Right to Organize Act from that perspective. The other thing it does is it takes away a lot of employer rights with regards to talking to their employees and maintaining attorney-client privilege during a union organizing activity.

Michael Bellaman:

It also could make our employees' private information, make our employers hand over the employees' private information to the unions without their consent. So there's a lot of issues here. This is essentially trying to go back to 1947 when Taft-Hartley was enacted in a response to the national labor relations act to put in place unfair labor practices. This would go back to that and just basically erase all of those. So we think it's a step back. We are for worker choice, we're for employer and employee rights. This will fundamentally overturn 27 states that chose to enact right-to-work laws in those 27 states. It's a problem for us.

Gene Marks:

How about on the independent contracting side, do you see that also a problem for construction people?

Michael Bellaman:

You know Independent contracting is a really good worker choice item. The problem is, there's some fraud that goes along with this because if a worker isn't paying their taxes—so in independent contracting, I contract with you to do this. You pay me X dollars. I'm supposed to pay all my FICA food, I'm supposed to pay all my taxes based on that. If I don't, that's obviously fraud. And there's a little bit of fraud that goes on in this world. So we need to enforce these rules and these laws to make sure that independent contracting is done legally. So legal independent contracting is a great choice. Illegal independent contracting, no bueno, no good. So we need to hunker down on that, get that taken care of, and make sure we're doing it properly.

Gene Marks:

You've listed, I know in the past, your organization has talked about other issues that impact your members. There are a few of them that I just wanted to just get your thoughts on, or at least just an update on the issue. For years, you guys have discussed and have had conversations with the government about PLAs, Government-Mandated Project Labor Agreements. Can you explain to me what that means and what concerns the construction industry has around those types of agreements?

Michael Bellaman:

So we're for fair and open competition. We believe everybody should be welcomed to the table. Once again, going back to workers choice, 87% of workers choose not to be part of a union, so therefore they work with companies that do not use union labor. A project labor agreement is essentially a collective bargaining agreement for a project. We're fine with those. If a company wants to choose to have a project labor agreement that's specific to that project, it makes sense, it makes them more competitive. God bless them, that's great. What we're against is the government mandating all contractors sign up to those project labor agreements, which essentially means depending on the flavoring, and these things are called different names. They're very creative with names, but essentially what it means is that I can't use my own labor as an employer, unless I join sign onto this, they have to join a union, I have to pay retirement benefits into that union pension fund, as well as pay my normal retirement benefits, because unless that employee joins a union and stays employed with them for a vesting period, it's just complex.

Michael Bellaman:

So what happens is the companies that choose not to use union labor will refuse to sign onto the project labor agreement, that limits competition, because essentially 87% of the workforce is non-union. So you're essentially saying 87 out of a hundred companies, or 8.7 out of 10, aren't going to compete. So it eliminates competition, drives up costs.

Gene Marks:

Do these project labor agreements really only, are they only really connected to government-related jobs or are they all jobs?

Michael Bellaman:

No. They could be related any jobs. So as a company, if I think that that's going to give me an edge on a private project or whatever, I might go with a project labor agreement and compete against other people that don't have project labor agreements. We're fine with anybody that wants to bring a project labor agreement to the table or any other value proposition, go for it. Let's just not impose, let's not have those imposed on people that choose not to bring that value proposition to the table. We're against the mandating of project labor groups. That's where we have the problem. Project labor agreements, fine. No problem.

Gene Marks:

Got it. Infrastructure. Obviously, a lot of conversation going on in Washington about this. I'm thinking, if I'm in the construction industry, I'm a big supporter of an Infrastructure Bill. Am I wrong? How do you feel about the Infrastructure Bill? How do you feel about the cost of the bill and what do you think the industry is thinking as far as how the money will be spent under the bill?

Michael Bellaman:

Well, there's always three things with an infrastructure bill. One, who picks the projects? How are they paid for? And then what are the rules and regulations around competition? Okay, so we've mentioned the PRO Act, we've mentioned Government-Mandated Project Labor Agreements. So obviously we're for fair and open competition. If it's taxpayer money, everybody should be welcomed to the table to compete. Those are qualified obviously, if you're not qualified for a certain project, you've never built big bridges before, you may not be qualified to do that, but if you're qualified, you should be able to come to the table. So that's one thing. And we believe that that's going to be a big debate in this particular infrastructure bill. How are you going to pay for it? So is it tax increases? Is it user fees? Is it public-private partnerships?

Michael Bellaman:

There's a lot of great rules on the books that allow public-private partnerships, allow enhanced use leasing, clever ideas that allow a project to essentially be self-funding. There's some archaic rules right now in the government that make it cost prohibitive, or just inefficient. So let's clean up some of that stuff. And with regards to the scope, is it pet projects, based upon elected officials or are they real value added projects to the taxpayer and to this country? So those are always the three issues. So if we can agree on those, we'll get an infrastructure bill.

Gene Marks:

It's funny with the Infrastructure Bill itself only because there's a lot of debate going on between how it's going to be spent for green-related projects, environmentally-related projects versus just core building and rebuilding and repairing of roads and transportation systems and airports, utilities, rural broadband. Do you feel that it will be better for the industry, do you think there's more opportunities for the industry if more money is spent on those environmentally friendly things or the technologies of the future to make the world a more environmentally friendly place? Or do you feel that there's more opportunities for your members if the money is spent on the core things that this country needs to focus on, like roads and transportation systems and utilities?

Michael Bellaman:

Listen, the industry's done a really good job around green construction. Call it whatever you want to call it, I call it "smart construction." Construction costs, I want to separate into two buckets: initial costs and lifecycle costs. When you start calculating in lifecycle costs and our member companies do this kind of analysis all the time. You're assessing energy costs, operating costs, net operating incomes, revenues, and all that kind of stuff. So we've been building green buildings, quote unquote for 20, 25 years—hundreds of thousands of projects, waterless urinals, more efficient HVAC systems, better glass lighting and filming and everything to take away the heat load of sun, orienting for proper trade winds or whatever it might be. So we've been doing that for a long time.

Michael Bellaman:

So I don't buy the fact that we're saying, "Oh, we're just focusing on green construction," because I think our industry does a lot of that already. We've been recycling forever. You talk to a concrete company for more contractor and every like that, they make money based upon reuse of their forms. They're not throwing stuff away and everything. So that's a lot of rhetoric in my opinion, but we do system analysis, taking a look at life of systems, you do cost-benefit in terms of the amount of initial cost for a system versus the energy savings. This is standard practice in our industry. Now, you may have some people that are shortsighted developer-wise and stuff. So you're going to have some people that may not focus on that, but our industry generally is focused on that kind of stuff.

Michael Bellaman:

But there are certain things that just aren't ready. There are certain things that you got to be smart. I always say a sustainable building environmentally, has to first be a sustainable building economically. So it's economically sustainable first, it's going to be green, it's going to be socially sustainable, but you've got to focus on that economically sustainable, otherwise it will fail and then it will be a waste because it won't be used.

Gene Marks:

All right, in the few minutes that we have left, let's talk a little bit about labor. Now, I know that your members are completely fine. They have no unfilled jobs. They're able to find all sorts of skilled and unskilled employees. It's all good. Obviously, just kidding around. So what are your members doing right now to find good people? And what do you think are some of the longer term solutions to fix this labor shortage problem beyond the unemployment benefits running out after labor day, we're talking longer term, what are your thoughts on that?

Michael Bellaman:

Well, we've had a pretty chronic workforce shortage since the Great Recession. Typically, we're late to hire and late to fire. So when the market goes down, we try to hold onto our people as long as possible. When the market goes back up, we're trying to make sure we don't over-hire because we don't like to let people leave the industry. We estimate 430,000 we need this year. We estimate that over the next couple of years beyond that, we might need another million. Yeah, our companies need people. This all comes down to the employee value proposition. The companies that offer a great employee value proposition, world-class safety, great benefits, great pay, career dream opportunities, they're the ones that are going to be attracting the top talent. The other thing is, we have been working as an industry and going into typically underserved communities.

Michael Bellaman:

We've done a lot of work for instance, with convicted felons who have decided, "I want to turn my life around." We've got a lot of joint ventures and partnerships with prison systems where they can learn apprenticeship trades. We've got exiting programs and re-entry programs for those who choose. And when they go through these calm boot camps, for lack of better words, our members will hire them. Military people coming out of the military, great crosswalk over a lot of common leadership capabilities as well as hard skills, very, very attractive. The K through 12, the college typical, but what about those people that are dropouts? What about the people that traditionally don't graduate high school? We do a lot of partnerships with high schools. We actually have some chapters of ours and some members that actually take care of part of the curriculum in their environment to help these kids graduate from school, because a lot of people just learn math and science through their hands.

Michael Bellaman:

And you talk about construction. Look up in your dining room and you got a mitered corner at a 45, I'll tell you what, I challenge you to go cut that and set that up. The mathematics around that is not easy. But people just learn differently. So we have all of these different programs. We've got about 800 different programs across the country, trying to help people learn about the industry, get excited about the industry. One thing I would like to say though, that I think is a game changer that COVID actually gave us, we've been really focused on innovation and technology, and breakthrough thinking over the last decade, there's been a lot of great things that have been happening. This pandemic has caused us to do even more. I've got a great example.

Michael Bellaman:

We have a contractor that does a lot of site assessments. Before they'd send a two-person crew out to do those site assessments. Now they send out a drone and they send out their drones all over the place, not because they wanted to, but because they didn't have the people and they took a look at their leverage points, this was the easiest way to get it. So now you've got technology and we're creating jobs around drone pilots, robotics, additive manufacturing, 3D printing, all these things are entering in our industry. Unmanned vehicles, we mentioned the drones, but same thing with bulldozers, backhoes, it's all coming.

Gene Marks:

Autonomous carriers.

Michael Bellaman:

It's all coming, it's huge. So our industry is transforming. So as the older generation phased out, I think I read an article about baby boomers, there's 9 million baby boomers leaving the workforce or something like that. Well, we got that same situation in our industry. So let's welcome in the younger generation of people that embraces technology and we're going to transform. So that's where our industry is at. I will say 99% of construction companies employ less than 100 people. So we're very fragmented, we're small business, so it's a little bit of a challenge to push that easy button when it comes to construction technology and innovation. But we're trying to do our part in really being attracted to the public in that future worker and those students that are deep into it. My kids, they were raised on phones and computers.

Gene Marks:

Yeah, it's different generation. And so Mike, final words, the information is great, your insights are great. You seem bullish about the future for the construction industry. You're feeling pretty good. You look like a guy that has some job security for the next few years, at least. Why is that?

Michael Bellaman:

I think our industry is the best kept secret, quite honestly. The industry has been great for me. I've been blessed. I've always wanted to be in this industry. I've been wanting to be in this industry since eighth grade when I took shop class, and learned how to weld and learned how to bend steel and lay the wood and stuff. And that's one thing that I think we've done really a failure to our kids is taken out shop class, that needs to come back. Drafting class so people can get exposed to working with their hands again and learning what it's like to create something. We have a lot of opportunity. The beautiful thing is we have a need, we have a problem and a challenge that needs solutions. We've got a lot of solutions. I think I got the best job in the whole construction industry.

Michael Bellaman:

I love helping people achieve their career dreams. I've got so many stories. As a matter of fact, we create a book every year called "The Hands That Build America" that tell the stories, all these young people, senior people that come into our industry, they learn a craft, they learn another craft, the next thing you know, they're starting their own company. I've got one student that was a dropout robotics in college, went and learned how to be a welder. Now they're the top of quality control for welding for the third largest construction company in the country. There's so many awesome stories about our industry and that's why I love it. And that's why I'm bullish. We always need to have the build asset when you look around. We always have to have that, whether it's restoring, renovating, adaptive, reuse, whatever it might be, I can't predict the future, however, we always got to have a roof over our head, whether it's in worship, education, healthcare, or being entertained.

Gene Marks:

Agreed. Mike, thank you so much for joining us, great insights. Would love to have you back and talk just an update on the industry sometime in the future. So thank you so much.

Michael Bellaman:

Thank you very much for having me, appreciate it.

Gene Marks:

Michael Bellaman is the President and CEO of the Associated Builders and Contractors Association. Michael, I'm so glad you joined us. My name is Gene Marks. If you need more advice and tips and help in running your business, please visit us at paychex.com/worx, that's W-O-R-X. Again, my name is Gene Marks. Hope you enjoyed this episode of The Paychex Business Series Podcast, and we look forward to seeing you again soon, take care.

Speaker 3:

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