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Presents the...

PAS CONTRACTOR COMPENSATION QUARTERLY

THE MARCUM EDITION

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The **Contractor Compensation Quarterly (CCQ)** is especially designed for the busy construction executive that needs to keep abreast of competitive compensation and benefit levels within the industry.

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Joe's View

It is such a great pleasure to be able to share with you this important data from PAS. At Marcum, we always say our most important asset goes home every night and I imagine it's the same for you. The acquisition and retention of skilled and qualified personnel, at all levels, is undeniably one of managements' greatest challenges right now. Making it even more difficult, it certainly appears that the demand for talented people is greater than the available supply. What can a business leader do? We feel that good data may be the key to winning the right hire and conquering that challenge. By setting the correct, research-based salary levels you may just gain the competitive edge you need. Of course, there is more to hiring and retaining talent than just dollars and cents (e.g., advancement opportunities, training, corporate culture) but you do first need to get them in the door. To that end, I hope that you find this **PAS Contractor Compensation Quarterly** helpful, and we always welcome your feedback.

Joseph Natarelli, CPA

National Construction Industry Group Leader, Marcum LLP

Jeff's View

In order to recruit and retain employees, contractors must be base pay competitive. Almost no one leaves their current position for less base pay than they are currently making, and they expect to receive more with their new employer. To attract new employees and keep your current staff you have to be in the ballpark of what the "going rate" is for particular positions. Your next best tool is your bonus or incentive program, which also needs to be competitive. The past few years have seen both rising base and variable pay. Times have been good and most contractors have stayed market competitive.

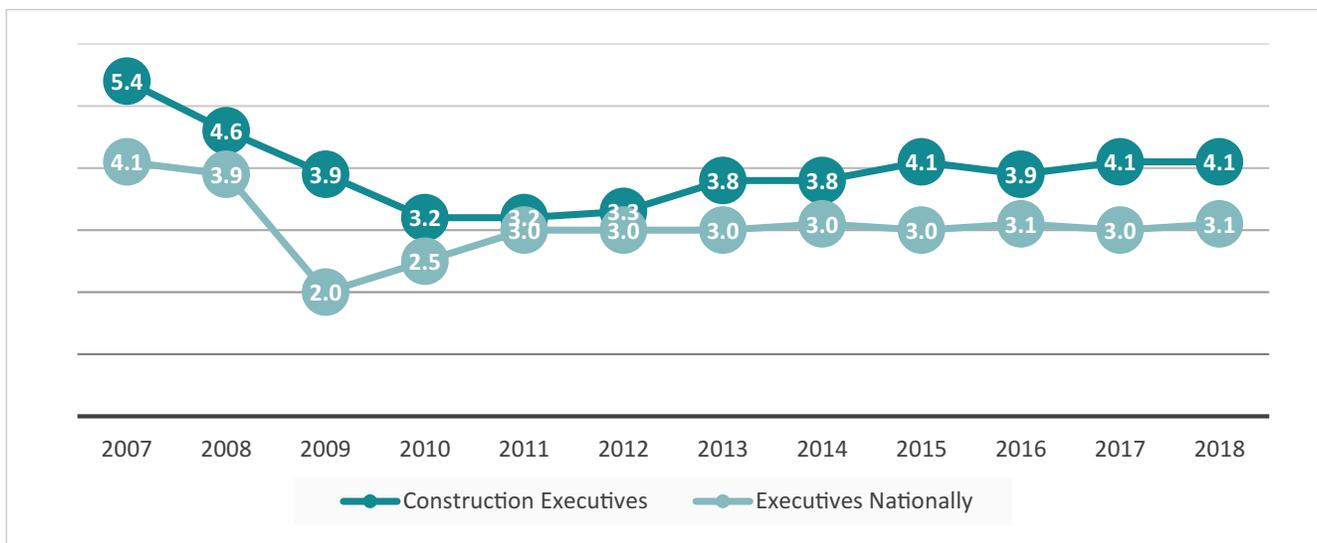
Well designed pay programs center on the big three objectives of attracting, retaining, and motivating employees while ensuring competitive pay, establishing fairness in practice, helping to control payroll costs, complying with laws and regulations, and so on. Rarely have we consulted with a successful contractor that their people aren't being fairly paid at least 90% of the time. Unfortunately, all your compensation good work could be damaged when the economy turns and heads south.

So, before business starts to slack off, ensure your pay practices are already in a competitive place. Now is a good time to take it to the next level and add some structure and procedure to your pay program to support your company's compensation decisions. You'll find this helpful both in the current good times and when the downturn eventually hits.

Jeff Robinson

President, PAS, Inc.

2018 ACTUAL AND 2019 EXECUTIVE PAY FORECAST



Pay increases continue to hover around the 4% mark. The 2018 Executive actual increase came in at 4.1%. The projected 2019 executive increase is 3.8%, however, historically predictions are usually about .5% low, so year-end 2019 will most likely come in around

4.3% to 4.5%. For comparison, WorldatWork is projecting a 3.7% for construction executives and a 3.2% average increase for all executives in 2019.

EXECUTIVE PAY

The following represents base salary national numbers regardless of company size, type of contractor, type of construction performed – all factors in determining a

competitive market value. We would expect your pay to be either above or below these numbers based on your company's demographic scheme.

Survey Position	25 th Percentile	Median	Average	75 th Percentile
Board Chairman	\$305,000	\$377,500	\$426,486	\$482,000
President	\$212,029	\$272,985	\$295,374	\$341,000
Executive Vice President	\$175,890	\$229,550	\$242,885	\$295,500
Senior Vice President	\$174,640	\$218,973	\$222,311	\$257,500
Vice President of Operations	\$149,500	\$170,000	\$183,529	\$210,800
Vice President of Estimating	\$145,150	\$161,700	\$169,156	\$190,275
VP of Business Development	\$137,950	\$154,600	\$162,223	\$170,888
VP of Preconstruction	\$150,000	\$165,000	\$169,234	\$178,332
VP /Chief Financial Officer	\$152,550	\$183,352	\$195,078	\$225,217
VP of Human Resources	\$123,927	\$153,958	\$160,692	\$194,060
General Counsel	\$171,658	\$233,210	\$233,132	\$272,950
Operations Manager	\$120,857	\$142,852	\$144,175	\$161,559
IT / MIS Director	\$100,529	\$129,400	\$131,258	\$151,500
Divisional Manager	\$124,120	\$142,966	\$145,724	\$160,894
Controller	\$94,000	\$117,200	\$117,884	\$134,568

Focusing on the President's total direct compensation (base pay plus bonus) the differences between revenue sizes offers a good look at how company volume impacts compensation practices. In general terms, the larger the contractor, the higher the

compensation. Making more than the following numbers? That's ok. The combination of base salary and bonus of the top 3 highest paying companies in 2018 averaged \$2,268,690.

Revenue Size	Average Total Compensation
Up to 5 Million	\$139,892
5 Million to 25 Million	\$296,271
25 Million to 100 Million	\$458,975
100 Million to 250 Million	\$554,142
Over 250 Million	\$921,811

Company size is important, but there are notable differences between other demographics. The following tables reflect variable pay practices for the Executive

Vice President position. The percentages reflect the bonus paid as a percent of base salary, which we think is the best way to interpret market practices.

Demographic	25 th Percentile	Median	Average	75 th Percentile
All Contractors				
Incentive Amount	\$80,512	\$142,450	\$214,800	\$285,700
Percent of Base	43.50%	65.40%	93.80%	94.90%
General Contractor				
Incentive Amount	\$79,477	\$140,000	\$205,531	\$285,000
Percent of Base	36.70%	62.40%	90.00%	85.30%
Electrical Contractor				
Incentive Amount	\$94,250	\$244,200	\$202,770	\$312,322
Percent of Base	44.80%	81.20%	75.20%	126.00%
Developer				
Incentive Amount	***	***	\$266,000	***
Percent of Base	***	***	82.90%	***
Construction Manager				
Incentive Amount	\$139,000	\$253,500	\$255,297	\$390,000
Percent of Base	51.70%	79.60%	87.60%	112.00%
Mechanical Contractor				
Incentive Amount	\$140,088	\$206,435	\$264,839	\$312,322
Percent of Base	72.70%	85.90%	120.00%	124.00%
Design-Build Contractor				
Incentive Amount	\$186,450	\$286,190	\$337,445	\$532,500
Percent of Base	68.70%	97.40%	124.00%	140.00%
Building				
Incentive Amount	\$87,792	\$153,588	\$228,440	\$291,747
Percent of Base	46.30%	65.30%	102.00%	101.00%
Highway				
Incentive Amount	\$89,000	\$146,450	\$214,317	\$312,322
Percent of Base	41.50%	73.40%	94.10%	92.30%
Heavy				
Incentive Amount	\$127,500	\$246,000	\$250,657	\$357,500
Percent of Base	62.40%	77.10%	101.00%	112.00%
Industrial				
Incentive Amount	\$118,000	\$199,950	\$246,294	\$312,322
Percent of Base	51.10%	75.20%	97.90%	115.00%
Municipal				
Incentive Amount	\$118,000	\$184,985	\$236,551	\$312,322
Percent of Base	46.90%	75.30%	106.00%	104.00%

Demographic	25 th Percentile	Median	Average	75 th Percentile
Up to 5 Million				
Incentive Amount	***	***	\$24,000	***
Percent of Base	***	***	23.60%	***
5 to 25 Million				
Incentive Amount	\$59,815	\$77,720	\$80,679	\$131,950
Percent of Base	34.20%	46.30%	49.70%	77.60%
25 to 100 Million				
Incentive Amount	\$76,685	\$120,500	\$170,563	\$185,000
Percent of Base	34.50%	57.40%	90.30%	82.40%
100 to 250 Million				
Incentive Amount	\$148,000	\$289,247	\$330,464	\$597,500
Percent of Base	56.40%	91.70%	147.00%	299.00%
250 to 500 Million				
Incentive Amount	\$148,588	\$226,485	\$274,585	\$315,575
Percent of Base	48.90%	79.60%	102.00%	97.70%
Over 500 Million				
Incentive Amount	\$205,000	\$271,190	\$307,449	\$422,500
Percent of Base	60.70%	75.10%	82.30%	105.00%



THE FINAL WORD

We are closely watching changes in pay. Just a heads up that while contractors may grant an overall annual pay increase of say 4.1%, there are equity changes occurring behind the scenes to ensure key employees remain competitive in the market place. These changes are generally not included in the annual pay increase schedule and are only identified by monitoring one-on-one comparisons and trends.

And finally, this is our annual reminder that the most objective way to prove your company's compensation is within the "normal" parameters of the industry is to use industry surveys. These surveys help define the industry standards which is precisely why participation is so important. These standards are just one step in establishing a sound pay program with structure and guidelines on how your employees are compensated.

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Joseph Natarelli is national leader of Marcum's Construction Industry Practice and office managing partner in New Haven. For more than a decade, he has served as a technical reviewer for the AICPA's Audit Risk Alert for Construction Contractors and the AICPA Accounting Guide – Construction Contractors. Joe has also chaired the annual AICPA National Construction Industry Conference.

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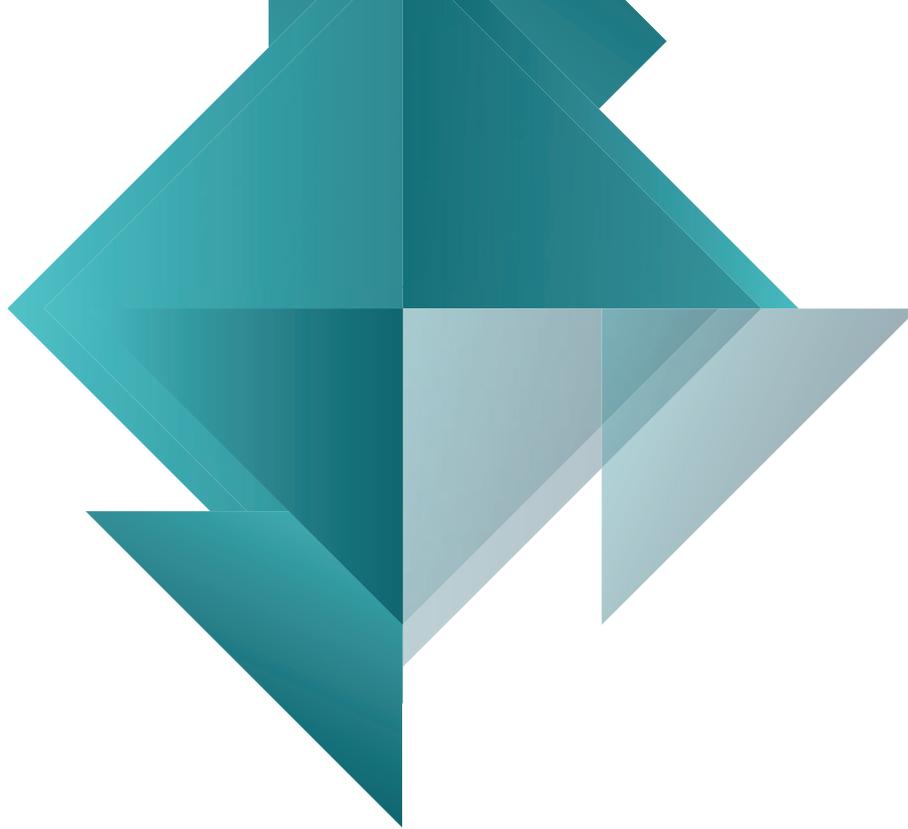
Since 1979, PAS has provided the most comprehensive pay data available in the construction industry. As a compensation consulting and research firm, PAS surveys cover more than 200 industry related positions from President to Superintendent to Estimator to CFO to BIM Specialist to Carpenter. PAS provides invaluable data for establishing and maintaining your own competitive wage and salary programs, or assistance in developing new pay programs.

For more information, visit www.pas1.com



Jeff Robinson is president of PAS, Inc., which specializes in compensation research and consulting for the construction industry in Saline, MI. Jeff has more than 40 years of experience in the construction industry. Prior to founding PAS, Inc. in 1979, he spent 10 years with a large Midwest contractor holding several project positions and corporate positions in accounting, human resources, and compensation administration. Jeff is a member of the AGC, the ABC, CFMA, SHRM, AICPA, and WorldatWork (formerly the American Compensation Association).

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