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PAS CONTRACTOR COMPENSATION QUARTERLY

THE MARCUM EDITION

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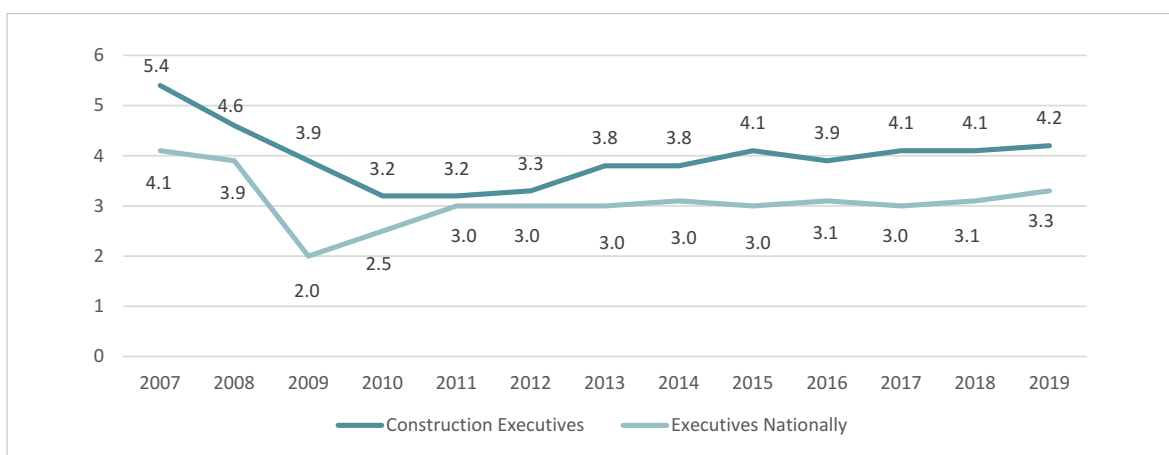
The **Contractor Compensation Quarterly (CCQ)** is especially designed for the busy construction executive who needs to keep abreast of competitive compensation and benefit levels within the industry.

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2019 ACTUAL AND 2020 EXECUTIVE PAY FORECAST

Pay increases continue to hover above the 4% mark. The 2019 Executive actual increase came in at 4.2%. The projected 2020 executive increase is 3.9%. Historically predictions are usually about .5% low, but this may not be

the case in 2020. We will know late in the second quarter if executive increases continue the “over 4%” trend. For comparison, WorldatWork is projecting a 3.3% average increase for all executives in 2020.



2015-2019 REGIONAL SALARY INCREASES VERSUS ANTICIPATED 2020

The following figures reflect the anticipated 2020 salary increases and the actual 2015, 2016, 2017, 2018 and 2019 salary increases by region. Again, only those

survey responses greater than 0% were used in the calculations. Company responses were included in each region in which the firm works.

Region	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Anticipated
1: CT, MA, ME, NH, RI, VT	4.0%	3.8%	3.5%	3.9%	4.6%	3.8%
2: NJ, NY	3.9%	4.3%	4.0%	3.8%	4.8%	3.9%
3: DE, MD, PA, VA, WV, DC	3.9%	3.6%	3.9%	3.7%	4.0%	3.9%
4: AL, FL, GA, KY, MS, NC, SC, TN	4.1%	3.8%	4.2%	4.3%	4.7%	4.3%
5: IL, IN, MI, MN, OH, WI	3.8%	3.9%	3.7%	4.2%	4.0%	3.8%
6: AR, LA, NM, OK, TX	4.1%	4.0%	3.9%	4.3%	4.5%	4.1%
7: IA, KS, MO, NE	3.8%	3.8%	3.9%	4.3%	4.4%	4.0%
8: CO, MT, ND, SD, UT, WY	3.9%	3.8%	3.9%	4.3%	4.3%	4.0%
9: AZ, CA, HI, NV	4.1%	3.7%	4.3%	4.4%	4.1%	4.0%
10: AK, ID, OR, WA	4.1%	3.9%	3.9%	4.6%	4.5%	4.0%

Joe's View

The world has changed dramatically since our last quarterly report. As essential workers, most contractors worked through COVID-19-mandated shutdowns, but they have had to incorporate safety protocols, including staggered work schedules, the use of personal protective equipment (PPE), and increased sanitation practices. Now is the time to find ways to retain employees by rewarding great performance, being flexible, and providing flexibility. Watch for our upcoming Marcum National Construction Survey report, which reveals that the lack of skilled labor is ranked the greatest business threat and a top priority among survey respondents. To address this issue, more than one-half of respondents report they are increasing compensation, followed closely by employee recognition and appreciation programs. Contractors can view the full survey results in late July by visiting our website.

Joseph Natarelli, CPA

National Construction Industry Group Leader,
Marcum LLP

Jeff's View

Though this situation is different, in the worst years of the Great Recession, when an employer said they froze pay, what they really meant was they froze pay for some, but not all. There are many stories that some who received pay increases during the Great Recession were those who whined and not necessarily those who were the most deserving. So, in today's crisis, if you need to compensate someone, be selective and reward your best employees whether it's through variable pay or a bump in base pay.

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.

Jeff Robinson

President, PAS, Inc.

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	\$320,250	\$395,700	\$455,339	\$539,000
President	\$226,500	\$294,950	\$309,648	\$360,025
Executive Vice President	\$188,800	\$236,500	\$245,069	\$295,000
Senior Vice President	\$173,672	\$210,000	\$213,416	\$244,370
Vice President of Operations	\$145,000	\$172,306	\$178,346	\$202,053
Vice President of Estimating	\$149,546	\$165,000	\$170,187	\$185,500
VP of Business Development	\$145,850	\$161,750	\$170,540	\$185,500
VP of Preconstruction	\$151,000	\$170,000	\$170,939	\$184,000
VP /Chief Financial Officer	\$147,800	\$180,694	\$196,717	\$227,346
VP of Human Resources	\$124,600	\$145,950	\$156,417	\$187,100
General Counsel	\$169,194	\$226,300	\$228,982	\$282,500
Operations Manager	\$120,389	\$146,450	\$145,049	\$170,575
IT / MIS Director	\$107,007	\$134,450	\$136,953	\$156,427
Divisional Manager	\$120,311	\$140,198	\$144,628	\$171,945
Controller	\$100,050	\$120,003	\$120,845	\$136,000

Focusing on the Presidents 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 2019 averaged \$2,931,942.

Revenue Size	Average Total Compensation
Up to 5 Million	\$160,095
5 Million to 25 Million	\$296,295
25 Million to 100 Million	\$468,138
100 Million to 250 Million	\$514,815
Over 250 Million	\$940,854

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Demographic	25 th Percentile	Median	Average	75 th Percentile
All Contractors				
Incentive Amount	\$91,500	\$200,000	\$279,210	\$338,170
Percent of Base	35.0%	68.5%	87.5%	104.0%
General Contractor				
Incentive Amount	\$95,000	\$200,000	\$263,958	\$341,000
Percent of Base	36.8%	67.6%	86.4%	103.0%
Electrical Contractor				
Incentive Amount	\$125,024	\$203,403	\$291,181	\$330,375
Percent of Base	50.6%	83.4%	87.0%	103.0%
Developer				
Incentive Amount	\$160,350	\$225,000	\$255,713	\$315,000
Percent of Base	55.7%	71.4%	73.1%	96.2%
Construction Manager				
Incentive Amount	\$199,000	\$316,000	\$440,055	\$602,500
Percent of Base	53.4%	100.0%	99.7%	120.0%
Mechanical Contractor				
Incentive Amount	\$100,000	\$192,500	\$223,971	\$334,500
Percent of Base	40.5%	69.3%	78.1%	102.0%
Design-Build Contractor				
Incentive Amount	\$198,200	\$300,000	\$379,386	\$550,000
Percent of Base	56.1%	93.6%	98.3%	121.0%

Demographic	25 th Percentile	Median	Average	75 th Percentile
Building				
Incentive Amount	\$100,000	\$200,000	\$275,003	\$349,375
Percent of Base	38.9%	71.5%	91.8%	106.0%
Highway				
Incentive Amount	\$80,000	\$175,000	\$246,085	\$282,500
Percent of Base	33.7%	59.4%	77.1%	86.7%
Heavy				
Incentive Amount	\$80,000	\$200,000	\$280,006	\$435,000
Percent of Base	32.9%	60.5%	81.2%	103.0%
Industrial				
Incentive Amount	\$100,000	\$199,000	\$308,896	\$342,000
Percent of Base	34.2%	65.9%	87.4%	107.0%
Municipal				
Incentive Amount	\$102,500	\$203,403	\$267,869	\$305,000
Percent of Base	34.5%	84.6%	89.1%	106.0%
Up to 5 Million				
Incentive Amount	***	***	\$64,790	***
Percent of Base	***	***	49.5%	***
5 to 25 Million				
Incentive Amount	\$55,480	\$99,790	\$123,664	\$198,200
Percent of Base	29.6%	46.7%	57.6%	88.7%
25 to 100 Million				
Incentive Amount	\$87,750	\$200,000	\$247,640	\$300,000
Percent of Base	26.8%	71.4%	98.2%	100.0%
100 to 250 Million				
Incentive Amount	\$125,016	\$232,000	\$281,627	\$378,500
Percent of Base	37.9%	68.8%	89.3%	122.0%
250 to 500 Million				
Incentive Amount	\$179,231	\$264,040	\$422,159	\$522,500
Percent of Base	50.8%	92.0%	110.0%	123.0%
Over 500 Million				
Incentive Amount	\$231,359	\$430,000	\$612,892	\$663,750
Percent of Base	52.1%	82.9%	98.5%	109.0%

The table below represents the average salary, bonus and compensation for Presidents by contractor type and by region.

	AVERAGE BASE SALARY	AVERAGE BONUS AMOUNT	AVERAGE TOTAL COMPENSATION
BY CONTRACTOR TYPE			
GENERAL	310,468	187,145	497,613
ELECTRICAL	279,091	206,644	485,735
DEVELOPER	328,409	185,973	514,382
CONSTR. MANAGER.	391,370	290,751	682,121
MECHANICAL	277,197	157,385	434,582
DESIGN-BUILD	388,862	269,948	658,810
OTHER	315,319	196,310	511,629
BY REGION			
1: CT, MA, ME, NH, RI, VT	361,256	220,971	582,227
2: NJ, NY	411,478	255,833	667,311
3: DE, MD, PA, VA, WV, DC	359,422	248,858	608,280
4: AL, FL, GA, KY, MS, NC, SC, TN	350,090	243,451	593,541
5: IL, IN, MI, MN, OH, WI	298,793	201,657	500,451
6: AR, LA, NM, OK, TX	412,933	348,121	761,053
7: IA, KS, MO, NE	315,761	223,311	539,072
8: CO, MT, ND, SD, UT, WY	372,872	307,706	680,577
9: AZ, CA, HI, NV	382,979	316,574	699,553
10: AK, ID, OR, WA	389,496	377,960	767,456

The table below represents the average profit sharing amount contributed by the responding companies for the last 12 months for Presidents. It also provides the annual amount of pension, premium health insurance costs, premium life insurance costs, and premium disability insurance costs contributed by the responding companies for Presidents.

	Average Profit Sharing	Average Pension	Average Health	Average Life	Average Disability
OVERALL					
	15,413	8,760	12,551	1,895	1,054
BY CONTRACTOR TYPE					
GENERAL	19,321	10,512	12,897	1,976	1,130
ELECTRICAL	999	3,284	12,059	948	941
DEVELOPER	12,170	13,356	10,851	1,926	1,604
CONSTR. MANAGER.	25,386	11,732	13,316	3,456	1,536
MECHANICAL	7,717	5,369	11,905	735	673
DESIGN-BUILD	20,117	8,778	13,914	3,979	1,574
OTHER	7,959	9,137	11,306	2,133	1,043
BY TOTAL REVENUE					
UP TO 5 MILLION	6,873	8,059	8,850	913	747
5 TO 25 MILLION	5,106	11,186	9,104	1,133	467
25 TO 100 MILLION	11,231	7,919	13,498	1,482	925
100 TO 250 MILLION	25,330	7,995	13,893	2,252	1,393
OVER 250 MILLION	28,064	8,304	14,511	3,555	1,769
BY REGION					
1: CT, MA, ME, NH, RI, VT	7,122	15,124	14,435	4,161	2,439
2: NJ, NY	13,539	11,713	14,035	4,315	2,003
3: DE, MD, PA, VA, WV, DC	9,218	8,984	12,413	3,184	1,205
4: AL, FL, GA, KY, MS, NC, SC, TN	10,851	4,956	13,664	3,185	1,070
5: IL, IN, MI, MN, OH, WI	8,822	8,932	12,157	1,693	917
6: AR, LA, NM, OK, TX	9,558	5,050	13,304	2,871	1,267
7: IA, KS, MO, NE	17,075	10,420	13,082	1,102	1,081
8: CO, MT, ND, SD, UT, WY	29,418	9,499	12,816	1,897	1,689
9: AZ, CA, HI, NV	21,371	7,964	13,499	2,306	1,207
10: AK, ID, OR, WA	52,747	9,979	13,128	2,642	1,604

The table below represents the percentage of responding firm's that provided the following benefits for Presidents:

- (1) indicated they provided a company car
- (2) paid for professional dues/registrations and/or club memberships
- (3) granted Presidents the options to buy stock
- (4) company paid for legal and/or financial aid for the President's personal benefit
- (5) company provided interest free loans an/do other forms of compensation that deferred over one year

	Company Car	Professional Dues	Club Membership	Stock Option	Legal/ Financial Aid	Interest Free Loan	Additional Deferred Comp
OVERALL							
	81.40%	74.00%	38.70%	16.40%	14.10%	10.40%	16.40%
TYPE OF CONTRACTOR							
GENERAL	84.10%	76.70%	43.40%	19.00%	13.80%	11.60%	15.90%
ELECTRICAL	67.70%	74.20%	38.70%	9.70%	19.40%	12.90%	29.00%
DEVELOPER	81.80%	63.60%	27.30%	9.10%	9.10%	9.10%	18.20%
CONSTR. MANAGER.	67.90%	75.00%	51.80%	14.30%	17.90%	12.50%	26.80%
MECHANICAL	75.70%	62.20%	32.40%	13.50%	18.90%	8.10%	10.80%
DESIGN-BUILD	76.90%	78.80%	53.80%	25.00%	19.20%	11.50%	25.00%
OTHER	91.70%	79.20%	27.10%	10.40%	16.70%	6.30%	6.30%
BY TOTAL REVENUE							
UP TO 5 MILLION	100.00%	54.50%	36.40%	18.20%	9.10%	9.10%	0.00%
5 TO 25 MILLION	95.20%	74.20%	32.30%	12.90%	14.50%	8.10%	12.90%
25 TO 100 MILLION	77.90%	69.50%	31.60%	11.60%	17.90%	15.80%	11.60%
100 TO 250 MILLION	72.20%	77.80%	51.90%	13.00%	13.00%	5.60%	13.00%
OVER 250 MILLION	76.60%	83.00%	46.80%	34.00%	8.50%	8.50%	38.30%
BY REGION							
1: CT, MA, ME, NH, RI, VT	95.50%	54.50%	18.20%	18.20%	27.30%	22.70%	36.40%
2: NJ, NY	73.50%	64.70%	29.40%	17.60%	29.40%	8.80%	23.50%
3: DE, MD, PA, VA, WV, DC	76.50%	73.50%	32.40%	16.20%	19.10%	11.80%	14.70%
4: AL, FL, GA, KY, MS, NC, SC, TN	76.40%	83.30%	48.60%	20.80%	18.10%	13.90%	26.40%
5: IL, IN, MI, MN, OH, WI	80.80%	75.80%	45.80%	18.30%	15.80%	8.30%	17.50%
6: AR, LA, NM, OK, TX	75.40%	86.00%	42.10%	22.80%	15.80%	8.80%	33.30%
7: IA, KS, MO, NE	78.00%	90.00%	48.00%	20.00%	16.00%	6.00%	24.00%
8: CO, MT, ND, SD, UT, WY	81.30%	81.30%	47.90%	27.10%	14.60%	12.50%	27.10%
9: AZ, CA, HI, NV	81.10%	79.20%	43.40%	20.80%	20.80%	11.30%	30.20%
10: AK, ID, OR, WA	80.60%	87.10%	45.20%	25.80%	16.10%	12.90%	25.80%

COVID-19 – THE IMPACT ON PAY PROGRAMS

Leading up to the last two weeks of this first quarter, there were many online job postings, usually with “immediate need” suggested in the wording. There were multiple headlines touting the lack of skilled and experienced workers. And then there were talent managers working overtime to fill vacancies. Since then, the number of job postings for executive, middle management and professional positions has significantly slowed down and the headlines are now all about COVID-19. What a difference two weeks makes. But, as you know, the need for key and experienced employees didn’t really go away, it just got sidetracked by a virus.

Our associations are kicking into overdrive to keep up with the impact on construction. Ken Simonson of AGC reported in Data Digest that a Mid-March survey of 909 contractors indicated that 28% of the survey participants replied yes to the question “Has any owner, government agency or official directed you to halt or delay work on any projects that are either active or expected to start within the next 30 days?” AGC is continuing to update their survey on a regular basis. So much happening so quickly.

And what does this mean for pay?

Without a doubt, some companies will respond to the virus crisis with pay freezes or postpone annual increases for a period of time. It’s just an immediate response to the unknown. However, many contractors are already in catch-up mode in order to stay market competitive. Remember that many of your peer’s granted a 4.2% pay increase in 2019. On top of that, many companies already bumped their executive and staff compensation for 2020, pushing market values even higher. In addition, the Employment Cost Index -Construction (ECI) reflected a 2019 third quarter 12 month increase of 3.7% and a fourth quarter increase of 3.8%. Typically pay increases run a percent or more above the ECI. As a result, many contractors will still have to modify their pay programs just to remain competitive in 2020.

We just finished up the 2020 Construction / Construction Management Staff Salary Survey. The results indicated a 3.9% increase for middle managers and professionals in 2019 (The 2nd quarter CCQ will highlight this survey). The forecast for 2020 is 3.6%. Will that materialize? We will be asking the same participant group to update their 2020 forecast in June to get a better handle on how the rest of the year will play out.

Bottom line – even in uncertain times, pay will continue to grow and compensation programs need to be adjusted to stay competitive.



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Joseph Natarelli is the national leader of Marcum's Construction Industry Practice and the office managing partner in New Haven, CT. He has more than 30 years of experience with international accounting firms providing auditing and consulting services. For nearly 20 years, Joe has served as a technical reviewer for the AICPA Audit and Accounting Guide – Construction Contractors and the AICPA's Audit Risk Alert for Construction Contractors. Joe frequently speaks on construction accounting and auditing matters and has chaired the annual AICPA National Construction Industry Conference. He regularly publishes articles in construction journals and has been interviewed by a number of media outlets.

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PAS, Inc.

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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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