Is there a silver bullet employee incentive/bonus program that every wall and ceiling contractor can implement to guarantee maximum productivity from each and every worker?

The question answers itself. If there ever was such a one-size-fits-all solution, it certainly would have been discovered by now. And there wouldn’t be, as there is now, industry-wide complaints about the difficulty of finding and keeping good workers.

But just because there is not one perfect incentive/bonus program doesn’t mean there can’t be a number of different less-than-perfect programs, sometimes even contradictory to each other, that, depending on how they are implemented, still can work pretty well. Here are the experiences of eight contractors from around the country who have grappled with this issue. They share what is working for them now and has worked in the past and, just as important, what hasn’t worked.

**Give em an Inch . . .**

One of the main underlying problems, points out Gary Jost, owner/chairman of AROK, Inc., Phoenix, Ariz., is that “The work force attitude has changed so much over the past few years. There’s not the same pride in production as before. I’m afraid that’s becoming the case in every industry.”

This makes the need for good bonus/incentive programs even more pressing. But, as says Jost, “We have tried various things over the years but have had a hard time finding anything that worked really well. It’s funny how bonuses, after you pay them out once, come to be expected.”

Other problems Jost mentions is that his field workers, like those of many contractors, are union members, with sizable wages already set. Setting productivity goals can also appear as an invitation to cut corners. And, says Jost, “The biggest factor is that there are no two jobs alike. In trying to have a foreman meet or beat the budget, there are so many things beyond his control. And every individual is different.”

That said, Jost still does give bonuses. But rather than through a set program, they are given on an individual basis, given to those, he says, “who really go
doesn’t Work?“ The problem without having a set program is the perception of fairness. However, Jost, “We try very hard to be fair.”

One change he’s made that’s been effective is giving bonuses on a quarterly basis rather than the one big one at the end of the year. “We’ve found people are more motivated when they can see one coming in the next quarter, rather than the end of the year,” Jost says. He adds that the same people tend to get the bonuses, which are about $500 a quarter, and that if somebody slips up, he doesn’t the bonus for that quarter. But after a little discussion as to why he didn’t quite make it that time, he usually gets back on track. With 350 people on the payroll, about 70 get bonuses, which is a pretty good percentage of people being motivated to go that extra mile. Even apprentices can get a bonus of a $100 or so, to keep them motivated to move up.

One clear-cut and easy incentive to administer is the 10 cents an hour (amounting to about $50) that goes to every employee who makes it through a quarter without getting injured. “This definitely has made a difference,” Jost says, “especially when you consider that workman’s comp is our third biggest expense.”

Robert Miller, president of D&R Paquette Drywall, Inc., Sunnyvale, Calif, is another contractor who has trouble with structured programs. “There are four partners, and we’ve talked a lot about incentive programs but we haven’t figured out how to do it yet, and to make it really fair.”

On the other hand, he’s not really convinced incentives are necessary. D&R is a union shop that follows all the guidelines and always pays on time, which Miller feels counts for something, especially when he hears from his employees that other companies are not that conscientious.

What he does do is give year-end bonuses. The three or four main foremen might get $2,000, the lead workers $1,000, and the others a few to several hundred, based primarily on the length of time they have been employed by the company.

“We have a nice picnic in the summer, a group party at Christmas, and make a certain number of spontaneous gestures for work especially well done, such as buying a workbench for an employee, or tires for a guy’s pickup. We just sent a lead guy to Hawaii for the weekend,” Miller says. “It let’s them know we appreciate them, and, as a result, they seem to appreciate us.”

Peter Costello, vice president at Keenan, Hopkins, Schmidt & Stowell Contractors, Inc., Orlando Beach, Fla., also gives annual bonuses, based not on longevity but on performance. And the bonuses are not strictly related to particular jobs. “Our judgment is predicated on how management and our customers feel about him,” Costello says. “On the other hand, we want him to feel good about us. We’re not a union shop that can just pick up the phone and get two more journeymen. We have to nurture our employees and try to make them happy to come to work every day.”

The annual bonuses aren’t based on the job, Costello says, “because we realize some jobs are more difficult than others because of a tight bid or the general contractors. We don’t want some poor guy to suffer, who works very hard, just
because he had a bad job. And bigger jobs tend to make the money, but just because the smaller jobs can get the hiccups doesn’t mean the people didn’t work hard. If we went just for profitability, everybody would want to work only the big jobs.”

**Based on Profit**

Another contractors who doesn’t like to bonus out of the job is Philip Ruffin, president of Pontiac Ceiling & Partition Company, LLC in Pontiac, Mich. But his reason is different.

“With the foremen, we used to bonus out on a case-by-case basis, but without tying into the job’s profitability It didn’t work out so well because we never let them see the costs on a daily basis.

“Now, however, we tie them into the labor on the project. We track our labor, and if the foreman brings the labor under budget, we bonuses him, both on a case-by-case and annual basis. I think this works very well [considering] we’re dealing with union personnel. But this gives [the worker] more of a feeling of being a company person as well, and he is intent on maintaining a better balance between his company and union obligations.” A foreman bringing a job in under budget can earn anywhere from $1,000 to $5,000 in bonuses and sometimes an additional 10 percent.

Ruffin believes they have too many field workers to offer a bonus, and that union membership in its own right is a bonus. He offers office workers standard industry bonuses for services above and beyond the call of duty.

Ruffin ties his estimator/sales and project manager personnel into an opened-ended percentage of the profit, as opposed to a “tacked-on” basis. People work in teams and split the profits. Once they hit their goal, they can increase their percentages anywhere from 10 percent to 25 percent. On top of that there can be a discretionary bonus based on several factors, such as the sales brought in, actual closing dollars, and other tangibles. “We don’t try
to make the goal out of reach,” Ruffin says. “We want people to hit it. We’ve been doing this about 12 years and it’s been pretty successful.”

Jeffrey Graves, chief executive officer of Strahm, Inc., Ft. Wayne, Ind., also believes in tying incentives to profit. Pairs of sales personnel work together, each pair with its own goal. Each gets one-third of the bonus earned for achieving beyond the goal, and the remaining third goes into a pot that is split equally among each group.

Why? Graves explains that “each group is focused on a different part of the market, and each market does not always offer an equal opportunity.” The sales personnel work in different divisions, such as drywall, flooring and painting, which might offer different potentials. There are also plan/spec and negotiated bidders, who work with different parameters.

“We’ve been doing this for 20 years, and it works very well,” Graves says. “It encourages people to take responsibility for the group, and they are able to participate in the profits of the group.”

Field bonuses are all based on savings of labor. “Installed labor is compared to installed costs,” Graves says. “There is a budget for every project, and if a person beats that budget, he shares in the savings.”

In this program, however, the bonuses are broken down for everybody, from superintendent to foreman to the individual installer. Individuals can earn anywhere from $5 to up to $30,000 extra a year.

Safety bonuses are based on noninjuries on the jobsites and are awarded on a quarterly basis. All workers on a jobsite are eligible for drawings that result in usually five prizes ranging from $500 to color television sets. If one person is injured, no one on that site is eligible. This encourages people to look out for each other and to maintain an overall safe site.

One thing this system necessitates, Graves says, “is that you have to be careful about whom you hire. There are some people who are salary driven and will work only at an acceptable comfort level. Others are looking for more
opportunities. So, with a system like ours, you shouldn’t hire people who aren’t interested in bonuses.”

Another contractor who believes in tying bonuses to individual effort is Philip M. Ramey, president of Expert Drywall, Inc., Woodinville, Wash. “We offer incentive bonuses to foremen based on their meeting or coming in under their budgets,” Ramey says. “They get a percentage of the difference between the budget and the actual costs saved.”

The foremen and subforemen can make from a few hundred to a several thousand dollars per job. “I think our system works,” Ramey says. “There’s definitely an interest among the foremen in the system, and they appreciate the opportunity.”

Also in place is a system for project managers, which is based on a percentage of how far under budget they bring in a job. Using this method, a project manager can earn up to $30,000 or more in bonuses. Others in the company receive rewards based on performance, or, in cases where performance is not easily measured, they partake in profit sharing from the overall profitability of those jobs.

One danger in trying to beat budgets is the danger of cutting corners. Ramey is aware of this. “That’s something you have to be alert to. We stress that a job has to meet acceptable standards and be done in a quality manner.”

Only in a Good Year

David Bruggen, senior vice president of finance for Anson Industries Inc., Melrose Park, Ill., reports his company also rewards profitability with bonuses, but tends to regard each operating center as a profit center, and to reward everybody in that center in a consistent fashion. If the center has a good year, everybody benefits. If it’s a thin year, they don’t.

“There has to be an element of consistency in how the incentive program is
implemented,” Bruggen says. “One of the toughest things is when someone does a great job in a marginal environment, or perhaps is just doing the minimum on a very profitable job.”

Chris Urling, vice president of California Drywall Co., San Jose, Calif, says his company also tends to hand out bonus rewards for group effort as opposed to individual effort.

“Our bonuses are budgeted on a percentage of contract value as opposed to a percentage of the profit,” he says. “This keeps it consistent and fair. If you bonus on profitability, a foreman can do an outstanding job and not get a bonus if the job was bid badly. Or an estimator can do really well on a bid and not get a bonus if the foreman runs his job badly.”

Urling says this system gives consistency and makes everybody realize they’re “in the same boat, so that’s encouraged to work together.” This itself helps mitigate any one person falling down on the job, but Urling adds, “We know what the red flags are and keep a watch out for them.”

In terms of safety incentives, at quarterly meetings, people are recognized for safety and given awards such as jackets, cash or dinners. Yet these awards are given to the employees as individuals. “If one guy blows it,” he says, “we don’t want the entire crew to say, ‘Well, it’s been blown, why try?’”

In this company, productivity incentives are offered to the group, but safety incentives are offered to the individual. If you recall, it’s just the opposite at Strahm; their productivity incentives are individual and safety incentives are group.

Which just goes to show there is no one way that incentives work. Bather, depending on how well you implement them, they can be used to work in any one of a number of different ways. Strahm’s Graves probably best sums it up when he says, “Every company’s personality is different. In terms of incentives, we work with our personality.”