THE BUSINESS CASE FOR
DIVERSITY &
INCLUSION
IN THE CONSTRUCTION INDUSTRY

AGC DIVERSITY & INCLUSION COUNCIL
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AGC DIVERSITY STATEMENT

As the nation’s leading construction industry trade association, AGC is committed to helping our member companies achieve their business goals. AGC provides the broadest menu of educational programs, member benefits and advocacy efforts to ensure that our member firms can successfully compete and that their employees have the opportunity to advance in their careers.

People of diverse backgrounds, opinions, perspectives, experiences, and ideas bring creativity and vitality that maximizes member engagement at all levels of the association. Fostering an environment that is welcoming and inclusive to all is essential to achieving our mission and better positions our members to contribute to the industry’s current and future success.

As a construction industry leader, AGC fully embraces and spotlights diversity within its membership by providing leadership development and career advancement opportunities to all individuals who work in the construction industry, and business development and growth opportunities for all construction companies through education and networking.

DIVERSITY & INCLUSION COUNCIL

The Diversity and Inclusion Council’s (D&I) purpose is to provide a platform for members to engage and assist with developing and driving AGC’s diversity and inclusion initiatives. The D&I Council is governed by a Steering Committee made up of AGC members and staff.

The Steering Committee serves as a resource for the association and meets regularly to discuss diversity and inclusion initiatives related to member recruitment and retention; workforce; barriers to entry; education; external outreach; marketing, branding and communication; and networking. In order to ensure the Steering Committee has both fresh ideas and continuity, members serve for four year, staggered terms.
EXECUTIVE SUMMARY

The arguments presented for a company including diversity and inclusion as a key business strategy go beyond the moral imperative of “doing the right thing” and focus on the measurable and tangible financial results that can be achieved with effective implementation. As the population of the U.S. becomes more diverse, construction companies will need to reflect the changing demographics in order to find workers and retain a competitive edge.

An intentional and practical culture shift towards diversity and inclusion can positively impact company profitability by improving employee productivity, recruiting and retaining top talent, increasing innovation, and creating a safer workplace. Furthermore, collaborative partnerships with diverse entities provide opportunities to expand market share.

Diversity & Inclusion: Driving Success
A McKinsey study found that companies in the top quartile for gender diversity are 21 percent more likely to have financial returns above national industry means and companies in the top quartile for racial and ethnic diversity are 33 percent more likely to have financial returns above national industry medians. This is a significant return on investment.

Inclusion Drives a Positive Safety Culture
It is estimated that the total cost of fatal and nonfatal injuries to the construction industry is $13 billion annually. Documentation supports that workers who have not been integrated into a workplace culture, or who perceive themselves as “outsiders,” are more likely to have accidents because of the increased psychological and emotional stress of being excluded.

Safety is the top priority for the construction industry. Leveraging the construction industry’s already strong safety culture to build an equally strong culture of inclusion will help to ensure the safest possible job site.

Supplier Diversity Programs Increase Market Share
Minority businesses are more likely to create jobs and employ workers in minority communities. With the right partnerships, construction companies can better serve these untapped markets.

Exclusion Affects Employee Productivity, Resulting in a Loss of Revenue
Empowerment is key. Simply having a diverse workforce will not increase results if every member of the team is not given the opportunity to contribute their ideas. Excluding employees from contributing to decision-making can bring a loss in profits. An employee’s productivity decreases significantly when they are excluded from contributing to the company’s mission in a meaningful way and/or are subject to a hostile work environment.

Inclusion Mitigates Employee Turnover
Is employee retention important? Sixty-five percent of employees who experience exclusive behaviors said that they would leave, or seriously consider leaving if they found a different job. In an industry with an employee turnover rate of almost 25 percent and a skilled labor shortage, worker retention is key. Companies can gain a competitive edge in hiring and mitigate the impact of employee turnover through an authentic culture of inclusion.

Diversity & Inclusion Drives Innovation
Innovation derives specific strengths from diverse team inputs. Homogeneous teams may unknowingly develop products, technology or services that are designed to benefit one type of user, limiting their customer base. In contrast, when employees think their company is committed to diversity and they feel included, there’s an 83 percent increase in their ability to innovate. Innovation leads to better results. And results drive company performance and profit.

Resources
AGC of America is developing effective tools and strategies to help companies adopt diversity and inclusion initiatives. AGC is invested in its members’ success. These tools will facilitate leveraging existing assets and building capabilities to design, grow and build a strong foundation for your firm, and for our industry. To stay up-to-date on AGC’s diversity and inclusion efforts, please contact Brynn Huneke, AGC of America’s director of diversity & inclusion, at brynn.huneke@agc.org.
INTRODUCTION

The conventional understanding of diversity has evolved over time. What started as a focus on compliance of Equal Employment Opportunity and Affirmative Action requirements has moved into a critical and necessary part of doing business as a way to achieve greater financial success. Common definitions of diversity take into account "inherent" diversity traits—such as ability, age, ethnicity/race, gender, nationality, religious background, sexual orientation and socio-economic status. However, broader definitions are multi-dimensional and advance diversity as anything that makes us different from each other. These definitions also include "acquired" diversity traits—such as cultural, generational and gender smarts; cross-functional business knowledge; a global mindset; military experience and language skills.1

As the population of the U.S. becomes more diverse, construction companies will need to reflect the changing demographics in order to find workers and remain competitive. The arguments for a company including diversity and inclusion as a key business strategy go beyond the moral imperative of “doing the right thing” and focus on the measurable financial results that can be achieved.

Diversity and inclusion are strategically valuable in generating corporate/industry innovation, increasing profitability, and ensuring a positive and sustaining legacy of progress. Multi-dimensional diversity and inclusion programs encompass a wide range of activities that are designed to foster innovation and build workplace culture.

THE TREND

Between 2010 and 2030, approximately 15 million people who self-identify as white—the predominate workforce of the construction industry—are expected to leave the U.S. labor force. By 2023, people identified as white will comprise less than half of the U.S. population under 30.2 Currently, 63 percent of the construction industry is white.3

Furthermore, 55 percent of the U.S. population and 47 percent all workers are female, and are poised to universally disrupt the traditional equity bases. Women made up 2.7 percent of the workers in construction trades4 and only 9.1 percent of the workers in the entire U.S. construction industry in 2017.5

The construction industry is lagging in reflecting these surging demographic changes. By 2020, it is projected that more than 50 percent of businesses entering the construction industry will be minority-owned or female-owned.6 As the demographics of the U.S. become more diverse, construction firms will need to see their workforce mirror the communities in which they work. By doing so, companies stand to gain a deeper understanding of their market and more effectively reach consumers.

Growing corporate vitality and strength demands adaptability and innovation. Innovative companies are constantly looking to gain a competitive advantage. One of the ways that employers can do so is by appealing to a more diverse demographic through an intentional culture shift and authentic commitment to diversity and inclusion.

AGC MEMBER TESTIMONIAL:

“At Mortenson, we believe inclusion and diversity is worth so much more than our bottom line. Inclusion and diversity is essential for our growth as a company and individual team member growth. Inclusive teams allow everyone a greater opportunity to contribute their ideas, which propels innovation, learning and creativity in our work.”

—Mortenson Construction
DIVERSITY & INCLUSION: DRIVING SUCCESS

The Massachusetts Institute of Technology [MIT] found that gender diverse companies report about 41 percent in increased revenue over a fiscal year than companies with less gender diversity. A McKinsey study found that companies in the top quartile for gender diversity are 21 percent more likely to have financial returns above national industry means and companies in the top quartile for racial and ethnic diversity are 33 percent more likely to have financial returns above national industry medians. And, a 2015 Deloitte study showed that diverse companies had 2.3 times higher cash flow per employee over a three-year period than non-diverse companies did.

These studies show that companies that embrace diversity and inclusion practices are more likely to recruit and retain top talent—mitigating the impact of the current labor shortage—reduce turnover by increasing employee satisfaction; increase employee productivity and innovation; grow market share; be more innovative; and reach new customer bases.

A Deloitte study showed that diverse companies had **2.3 times higher cash flow** per employee over a three-year period than non-diverse companies did.

This analogy applies to all types of diversity. Teams that are diverse are shown to be more creative, harder working and higher performing. This is because heterogeneous teams expect to hear new information and differing viewpoints and, therefore, team members are better prepared for discussion and consensus building.

A study by the Hackett Group found that companies with a strategic focus on supplier diversity have administrative costs comparable to those without supplier diversity programs, yet generate 133 percent greater return on the cost of procurement operations. That drives an additional $3.6 million to their company’s bottom line for every $1 million in procurement operations costs. Additionally, companies with supplier diversity programs spend an average of 20 percent less on buying operations and employ less than half of the number of procurement staff than companies that do not have supplier diversity programs, dispelling the myth that diversity & inclusion programs are a significant financial burden for companies.

Further, a 2016 Hackett Group study found that 76 percent of diverse suppliers meet expectations and an additional 23 percent of diverse suppliers exceed expectations, dispelling the myth that quality or overall performance suffers under a supplier diversity program.

**AGC MEMBER TESTIMONIAL:**

“We have more than tripled the Diversity and Inclusion contract dollars since the start of our program in 2005. We listen to diverse voices, which has created a well-rounded view of our company’s respect toward others. This respect helps us to be approachable, identify alignment, and build relationships with diverse businesses. These relationships provide a more competitive bid process, which helps generate a more profitable bottom line.”

—W.M. Jordan Company
According to the Occupational Safety & Health Administration, a worker is injured on a job site every 18 seconds.13 It is estimated that the total cost of fatal and nonfatal injuries to the construction industry is $13 billion annually.14

Safety is the top priority for the construction industry. Creating an inclusive workplace is a documented way to ensure a safer work environment, driving a positive safety culture.

Research defines safety culture as “the attitudes, beliefs, perceptions and values that employees share in relation to safety.”15 Safety culture relates to both organizations and individuals since policies and procedures are established at the organizational level but are executed at the individual, or subculture, level. Subcultures serve a useful purpose by facilitating input from various groups i.e. gender, ethnic origin, age, professional roles, etc. to provide a diversity of perspectives and interpretations of emerging safety issues.

Workers who have not been integrated into an existing workplace culture are more likely to have accidents partially attributable to the increased psychological and emotional stress of being excluded.16 Cultural factors that may affect safety at work include: an employee’s understanding of work and their relationship to their coworkers and employers; how they perceive dangers at work; how they adapt to those dangers; and how these understandings are similar and different from other groups of workers and the existing company culture.17 Integrating workers into an existing culture can be a daunting endeavor but, successful integration can be achieved if an employer understands these cultural differences and how they influence a worker’s behavior on the job site, and utilizes them to change that behavior thus creating a safer work environment.

Cultural differences are magnified when integrating immigrants into a workplace culture. Language barriers are one of the most frequently cited challenges between employers and immigrant workers18 and, while important, understanding the other cultural barriers that exist for a particular immigrant population is vital to effective integration. For example, employers may group all Hispanic immigrants into one community and fail to consider the significant diversity that exists within the Hispanic population—such as country of origin, primary language, time spent living in the U.S., job- or non-job-related stress, education level, and construction experience.19

According to a fatality study commissioned by the Associated General Contractors of America, Hispanic workers accounted for 25 percent of all construction fatalities from 2010–2012, which is nearly equivalent to their employment proportion (24 percent) in the construction industry.20 Cultural differences determine how a worker responds to job site dangers, directly impacting the health and safety of these workers. An inclusive environment allows employers to learn about these cultural differences and develop effective strategies to integrate these workers into the existing company culture, thereby improving the overall safety culture of the organization.

Sometimes the existing culture itself needs to change to be more inclusive. Construction is a prime example of an industry that can benefit from a culture change where a tradition of overt or exaggerated male toughness—commonly referred to as “macho culture”—can lead to flawed decision making when it comes to safety on a job site.21 A participant in a University of Washington study stated, “...the macho thing that you get in construction. Fatigue’s a good example...I’ve been up for 47 hours and hey uh, I’m tired as hell...where you’re really...you’re basically drunk at that point. You’re inefficient, you’re unsafe, but there’s this need to push through.”22

This “macho culture” is detrimental to the health and safety of all workers and potentially the job site. Why is it particularly troublesome for a diverse workforce that includes women and older workers? The same University of Washington study found that women scored significantly higher than men on the perceived stress scale. Thus, the women in the study were significantly more likely to be injured at work in the past year.23 Additionally, this culture of male toughness can put unnecessary strain on a worker’s body, especially as the worker ages. Older workers are at risk for more severe injuries and incur longer recovery times, including a greater risk of death according to the AGC fatality study.24

The dominance of male culture is evident in many aspects of the industry, particularly when looking at the availability and proper fit of personal protective equipment (PPE). Historically, PPE has been designed based on measurements taken from male military recruits between 1950 and 1970.25 Consequently, the majority of safety clothing and equipment is not designed for a modern workforce that includes women, short-statured men and individuals with unique body shapes. The University of Washington study revealed that although men and women had similar rates of PPE use, women were more likely to report their PPE not fitting properly, directly affecting safety.26

Case in point: a study by the National Institute for Occupational Safety and Health evaluated the fall protection harness system on 26 women and found that their harness did not pass fit-performance criteria in either the standing or suspended position on 40 percent of the women.27 Also troublesome, women appear less likely to report ill-fitting PPE with management, with one third of those women citing “fear of being labeled by a complainer by coworkers” and another 20 percent citing “fear of layoff” as their reasons for not speaking up.28

With falls cited as the leading cause of death in the construction industry in 2016,29 it is paramount that all workers on a construction site have access to properly fitting PPE. Further, a job site culture that allows workers to feel comfortable speaking up without fear of harassment or retaliation if proper-fitting PPE is not immediately available, is vital to safety. Cultivating a cultural shift that values universal collaboration where employees are encouraged to speak up intentionally creates a safer workplace.

Workers are more likely to voice their concerns when witnessing unsafe behavior or feeling pressure to conform to culture norms if a company has established a culture where every member of the team feels valued and heard. Leveraging the construction industry’s already strong safety culture to build an equally strong culture of inclusion will help to ensure the safest possible job site.

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AGC MEMBER TESTIMONIAL:

“The work we do is dangerous. That being said, safety is paramount at Aristeo. Giving each and every employee “Stop Work Authority” on job sites is one way inclusion has increased our safety performance. When on a site, anyone working on behalf of Aristeo has the authority to stop the job if conditions are unsafe. This policy is embraced from Executive Management to those in every facet of the field.”

—Aristeo Construction
SUPPLIER DIVERSITY PROGRAMS INCREASE MARKET SHARE

The 2015 National Minority Supplier Development Council Economic Impact Report found that minority-owned and women-owned businesses produce more than $400 billion in annual revenue and employ more than 2.2 million individuals. The Hackett Group found that companies that allocate at least 20 percent of their annual spending to supplier diversity programs can directly attribute 10 to 15 percent of their annual sales to those programs. Conversely, companies that allocate less than 20 percent of their annual spending on supplier diversity attribute less than five percent of their sales to their supplier diversity program.

Community impact is key. Minority businesses are more likely to create jobs and employ workers in minority communities. These neighborhoods are ripe for development and, with the right partnerships with local minority-owned businesses and community groups, construction companies have the ability to serve these untapped markets through the construction of mixed-use development. According to a 2008 article in the Graziadio Business Review, thirty percent of inner city retail demand is unmet, equaling $25 billion in unrealized sales.

EXCLUSION AFFECTS EMPLOYEE PRODUCTIVITY, RESULTING IN A LOSS OF REVENUE

The University of Houston’s International Institute for Diversity and Cross Cultural Management found that 71 percent of employees reported being impacted by some type of exclusionary behavior an average of four times per year. Exclusionary behaviors are any behavior that make an employee or colleague feel like they are not part of the group. These behaviors include: broken dignity entitlements, micro-inequities, corporate bullying and acts of incivility. More details on exclusive behaviors can be found in Figure 1.

To explain how these behaviors contribute to a company’s loss of profit over a year’s time, review the following example based on the statistics reported above:

According to the University of Houston study, employees lose an average of 53 minutes per day for 2.5 days each week over a 7.8-week time period from being impacted by an exclusive behavior. This equates to approximately 172 hours of paid time lost per employee per incident. For a company of 100 employees, 71 percent say they are exposed to an exclusive behavior an average of four times per year (total of 284 incidents). Of those, 18 (25%) employees are impacted, resulting in lost time because of the incident. That’s a total loss of 4,885 hours of productivity due to exclusive behaviors.

According to the Bureau of Labor Statistics, the construction industry’s average annual salary is $58,816. Each employee’s compensation averages $225.46/day or $28.18/hour. So, a company’s total loss in compensation each year due to a loss in employee productivity would equal approximately $137,660.

Investment in a diverse workforce is simply the first step. Facilitating a collaborative workplace where every member of the team is given the opportunity to voice their ideas is fundamental to profitability.

FIGURE 1: Exclusive Behaviors

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<thead>
<tr>
<th>Broken Dignity Entitlements</th>
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<td>Dignity entitlements are not a part of an employee’s written contract, yet they are part of what employees expect and should receive in the workplace. Examples include: receiving negative feedback in a private manner, receiving recognition in proportion to their contribution, receiving a fair opportunity to compete for available jobs, being treated as unique individuals and not stereotypes.</td>
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<tr>
<th>Acts of Incivility</th>
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<td>A study by Brookings Institute identified behaviors that were evidenced as disrespectful and/or demeaning which undermined the dignity and self-esteem of employees and creating unnecessary suffering in the workplace. Examples include being blatantly rude, repeated unjustified criticism designed to demoralize, intentional disregard of a person’s presence.</td>
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<th>Corporate Bullying</th>
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<tr>
<td>Corporate bullying includes interpersonal behaviors in the workplace that can manifest in several ways and in several forms such as persistent and unjustified criticism or unfair allegations of incompetence.</td>
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INCLUSION MITIGATES EMPLOYEE TURNOVER

The previously referenced University of Houston study found that 65 percent of those who experienced exclusionary behaviors said that they would leave, or seriously consider leaving if they found a different job.

According to a study done by the Center for American Progress, turnover costs in the construction industry can be as low as 16 percent for laborers or as high as 231 percent for executives. For purposes of this report, we will use the Center’s average employee turnover cost, which is 21 percent of their salary.36

Referring back to the example on page 5. Sixty-five percent, or 11 of the 18 individuals impacted by an exclusionary behavior incident, would likely quit. At an average construction salary of $58,816, it costs an employer $12,351 (21 percent)37 for every employee who leaves. If those eleven individuals left, it would cost the company $135,861 in employee turnover costs. That, on top of the $137,660 lost in employee productivity, would cost the company a total of $273,521 that can be directly attributed to a lack of inclusion.

**It costs an employer 21 percent [of an employee’s salary] for every employee who leaves.**

In an industry with an employee turnover rate of almost 25 percent and a skilled labor shortage, worker retention is key. Eighty percent of firms report difficulty filling hourly craft worker positions and 56 percent of firms report difficulty filling salaried positions according to an AGC study.38 Glassdoor reports that 67 percent of job seekers rate diversity highly when evaluating companies and job offers.39

Companies can gain a competitive edge in hiring and mitigate the impact of employee turnover through an authentic culture of inclusion.

AGC MEMBER TESTIMONIAL:

“D&I has helped with both recruitment and retention of our workforce. Our turnover of employees is about 8 percent, while industry turnover averages closer to 15 percent.”

—Barton Malow Enterprises
Facilitating a diverse and inclusive work landscape is at the core for cultivating successful innovation. How? By stepping out of norms. Homogeneous teams may unknowingly develop products, technology or services that are designed to benefit one type of user, limiting their customer base. Investing the time and resources to develop diversity, the industry sparks invention outside the norm. It sparks true innovation.

Case in point: people who were wheelchair bound had an issue with the design of sidewalks throughout U.S. cities and towns prior to the 1970’s. Before 1972, sidewalks did not include “curb cuts” to allow people who were dependant on a wheelchair to easily maneuver down a sidewalk. However, after the first curb cut was installed in Berkeley, California in 1972, city planners began to see the benefits not just to the disabled community, but to all members of the community. Parents with strollers, travelers with luggage, and others reap immediate benefits from curb cuts. In fact, a study conducted at a mall in Sarasota, Florida found that “nine out of ten unencumbered pedestrians go out of their way to use a curb cut.”

The Harvard Business Review found that a team who has at least one member who shares a client’s ethnicity is 152 percent more likely to understand that client than a team without a member who shares the client’s ethnicity. Additionally, a Deloitte study found that when employees think their company is committed to diversity and they feel included, there’s an 83 percent increase in their ability to innovate.

Diversity—both acquired and inherent—among leaders is critical for driving innovation. According to a study by the Center for Talent Innovation, employees are 75 percent more likely to see their ideas make it to the marketplace if their company leaders possess these diversity traits.

Diverse teams are more equipped to foster innovation. Innovation leads to better results. And results drive company performance and profit.

AGC MEMBER TESTIMONIAL:

“We believe the key to innovation lies in bringing together a diverse group of individuals who each carry a different perspective into every interaction. It is by tapping into the skills and experience of all our talented team members that we find the pathway to innovation.”

—Mortenson Construction
CONCLUSION

Empirical evidence has proven the value of a diverse and inclusive work environment. Companies that want to cultivate or maintain a competitive advantage in the construction industry will recognize the merits of an authentic culture of diversity and inclusion.

An intentional and practical culture shift towards diversity and inclusion can positively impact company profitability by improving employee productivity, recruiting and retaining top talent, increasing innovation, and creating a safer workplace. Furthermore, collaborative partnerships with diverse entities provide opportunities to expand market share.

AGC of America is deeply invested in your success and is developing effective tools and strategies to help companies adopt diversity and inclusion initiatives. These tools will facilitate leveraging existing assets and building capabilities to design, grow and build a strong foundation for your firm, and for our industry.

To stay up-to-date on AGC’s diversity and inclusion efforts, please contact Brynn Huneke at brynn.huneke@agc.org.
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