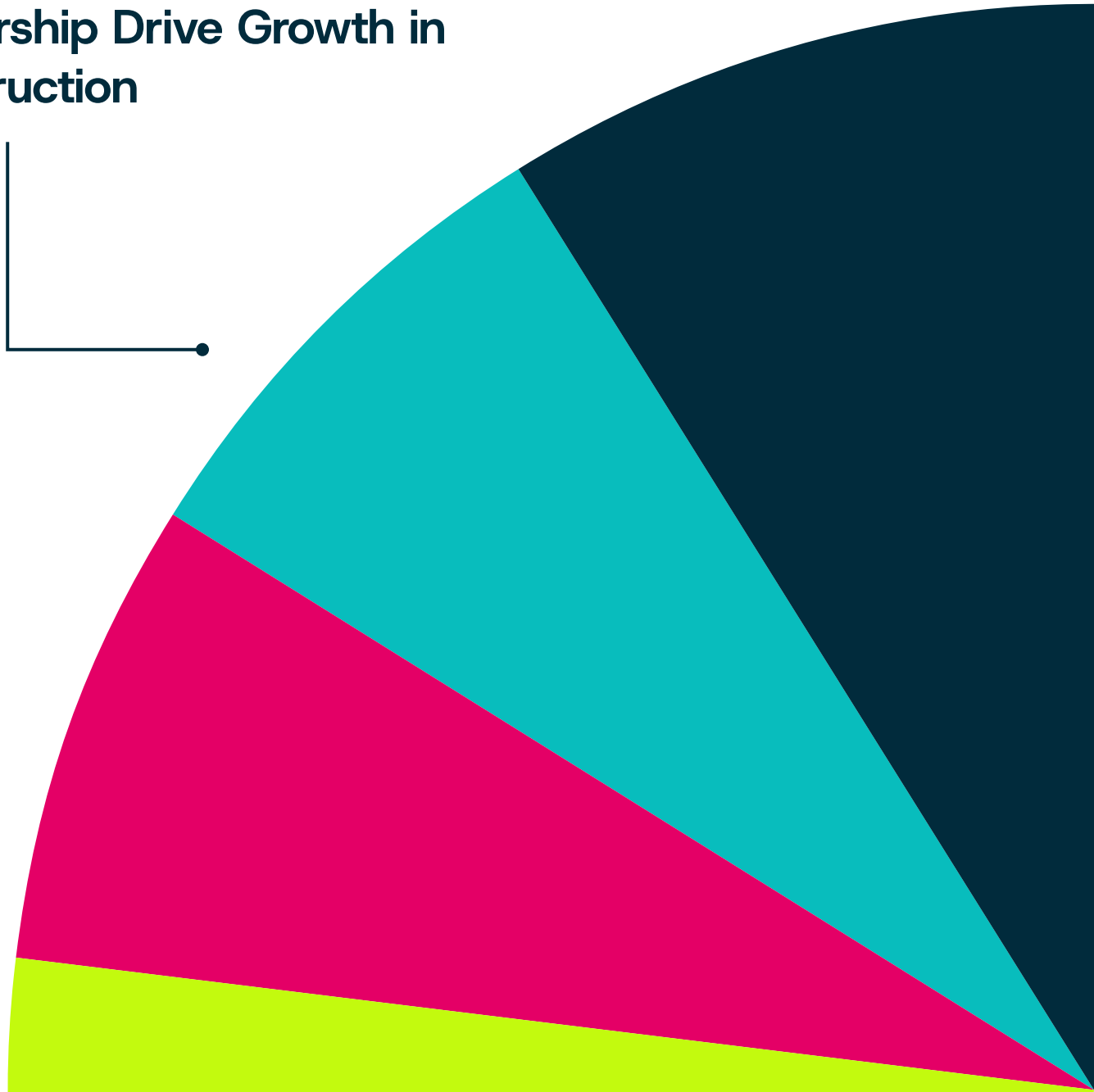
ARCORO®

State of Construction HR

How HR Technology and Strategic Leadership Drive Growth in Construction



Construction HR teams are drowning in administrative work. When 42% say time-consuming administrative tasks are holding them back and 73% struggle to find the right employees it's clear that manual processes aren't just inefficient, they're actively preventing HR from solving the workforce challenges that matter most.

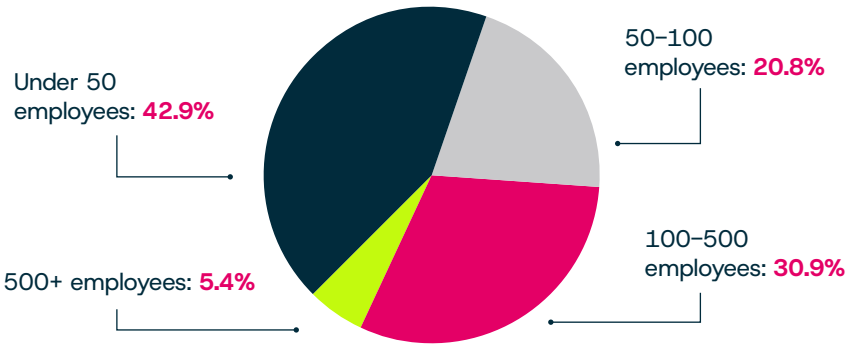
HR maturity is the progression of an HR department from basic, transactional tasks to a strategic function that drives business value. Technology plays a critical role in this evolution, serving as a key enabler for advancing through maturity stages, moving from simple HR processes to integrated platforms that provide advanced analytics and automation.

To help HR leaders benchmark themselves and understand where they currently stand in this maturity progression, Arcoro surveyed nearly 350 people working across US- and Canada-based construction firms. The results clarify how technology adoption connects to business growth and highlights the key drivers behind their investment in HR systems. This report also offers guidance on how to build a 2026 roadmap to move up the maturity scale.

Most respondents were from construction companies with less than 500 employees.

The companies' specialty spanned multiple areas including commercial, heavy-civil and residential construction plus specialty trades including concrete, electrical, plumbing, roofing and marine.

Construction HR Survey Respondents by Company Size



Survey findings reveal that construction companies with integrated HR technology, structured leadership development and dedicated HR leadership are growing faster than their peers and retaining talent at significantly higher rates. While the majority struggle to find skilled workers, the companies succeeding in this tight labor market share common characteristics: they've moved beyond manual processes, invested in supervisor training and elevated HR from an administrative function to a strategic growth driver.

Manual HR processes are not just inefficient; they are holding construction companies back from solving their biggest workforce challenges.

+73%

of construction HR teams struggle to find the right employees

+42%

say administrative tasks hold them back

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Top Construction Workforce Challenges Remain Consistent

The biggest challenge remains for those in construction – finding skilled workers. An overwhelming 73% say finding the right employees is their top challenge.

Construction firms are not only struggling to increase worker numbers but find candidates that match their needs.

Along with finding the right employees, HR teams expressed a need to develop leaders and improve worker engagement.



73% Finding the right employees

47% Developing leaders

44% Improving worker engagement

36% Retaining employees

27% Managing compliance regulations

Dealing with skills gaps and unfilled positions can lead to project delays, not to mention extra time spent consistently recruiting new workers; filling entry level positions can take up to 30 days. Without a comprehensive, strong workforce, contractors will struggle to remain successful.

What's Holding HR Back?

While HR teams are dealing with multiple workforce challenges, they're also noting that many of their organizational processes are holding them back.

These processes include:



42% Time-consuming administrative tasks

28% Ineffective organizational communication

24% Limited headcount/staffing

22% Outdated technology and systems

12% Insufficient budget or resources

Outdated processes and systems can make hiring, managing and developing workforces more difficult. When administrative tasks take too much time, like manually processing payroll and reviewing paper applications, other more strategic tasks that can positively impact the entire organization often get put on the back burner. If companies have more time to focus on culture and retention, finding new workers might not be the number one challenge.

Internal constraints don't just slow HR down, they directly impact workforce outcomes. The connection between HR maturity and business results is striking.

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How HR Maturity Levels Stack Up

The majority of respondents recognize how a dedicated HR team, pushing updated processes, can overcome the biggest workforce challenges.

High-maturity firms demonstrate

- Structured onboarding
- Formal training programs
- Dedicated HR leadership
- Integrated technology systems
- Company-wide AI use



Level 1 – Early Stage (17% of respondents)

- No dedicated HR staff, or HR responsibilities handled by office manager, admin, or finance team
- Manual processes using spreadsheets and paper files
- No formal onboarding process for new hires
- Minimal or no HR technology beyond basic payroll



Level 2 – Compliance-Focused (20%)

- Single HR staff member managing all HR functions
- Basic payroll and time tracking systems that don't share data
- Informal, manager-driven onboarding with no standard process
- Limited or occasional leadership training offered reactively
- Growing at or below industry average



Level 3 – Emerging Strategic Role (34%)

- 1-2 HR professionals with defined roles
- Some HR systems partially integrated, reducing duplicate data entry
- Mix of in-person and digital onboarding with some consistency
- Ad-hoc training initiatives but no formal leadership development program
- Beginning to track basic HR metrics



Level 4 – Operationally Strong (24%)

- Dedicated HR director or manager leading the function
- Most HR systems integrated and sharing data automatically
- Structured onboarding program with consistent delivery
- Formal leadership development program in place
- Using data to inform some HR decisions
- Growing at or faster than industry average



Level 5 – Highly Strategic, Drives Growth (5%)

- Full HR team with specialized roles and strategic leadership
- Fully integrated HR technology platform with workforce analytics
- Automated digital onboarding integrated with all HR systems
- Comprehensive leadership development tied to business outcomes
- Company-wide adoption of AI for data analysis and strategic planning
- Consistently growing faster than peers with turnover rates below 5%

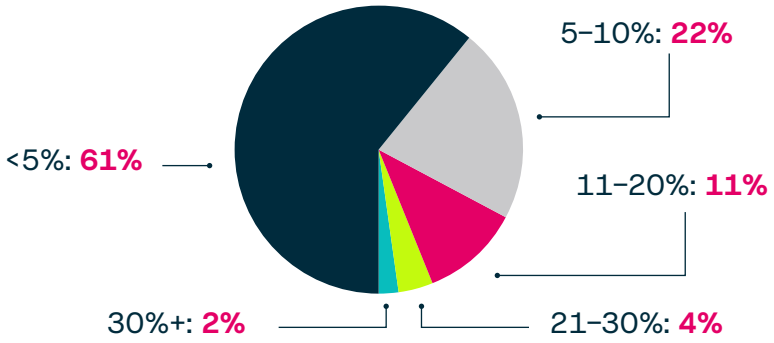
More sophisticated HR systems and processes, as you level up your maturity level, lead to better workforce outcomes for the business.

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Solid Onboarding Programs Reduce Turnover

High turnover rates can torpedo hiring efforts. It costs an average of $4,000 to hire, onboard and train a new employee, and a big part of that cost includes the time spent by staff that already have limited bandwidth.

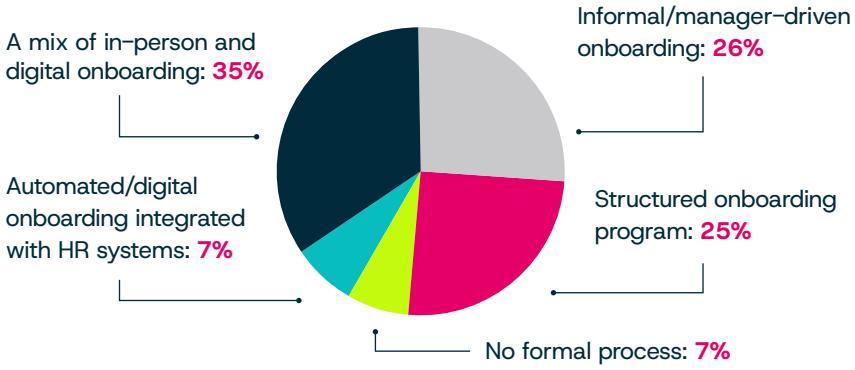
The percentage of new hires leave within their first 90 days:



What's critical is those respondents who report turnover rates of 11 to 30% don't have a solid onboarding process in place, while those with a more structured or automated onboarding consistently report less than 5% turnover in the first 90 days.

Here's how the onboarding process shapes up survey-wide:

How would you describe your onboarding process for new employees?



Onboarding is one of the best first impressions a company can make. Done correctly, it can engage employees from day one. Done poorly, it can turn them away just as quickly.

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11–30%

turnover rates are often tied to the absence of a solid onboarding process

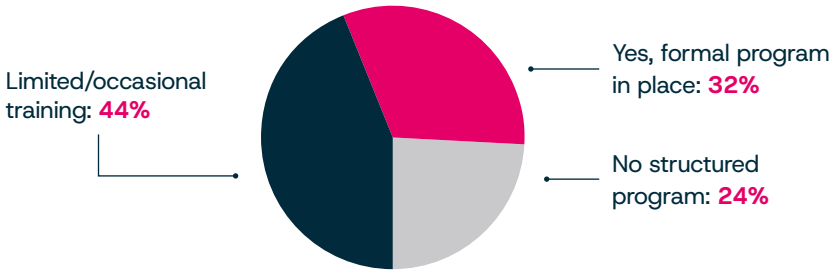
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Career Development & Leadership Training Drive Retention

There's a connection between training and lower turnover – helping to solve two of the biggest workforce challenges: retention and cultivating leaders.

Companies that prioritize building supervisor or foreman leadership skills and training consistently report lower turnover rates and higher employee engagement scores. Employee engagement is essential as disengagement cost the world economy $438 billion in 2024, according to Gallup. It's projected to cost trillions in 2026.

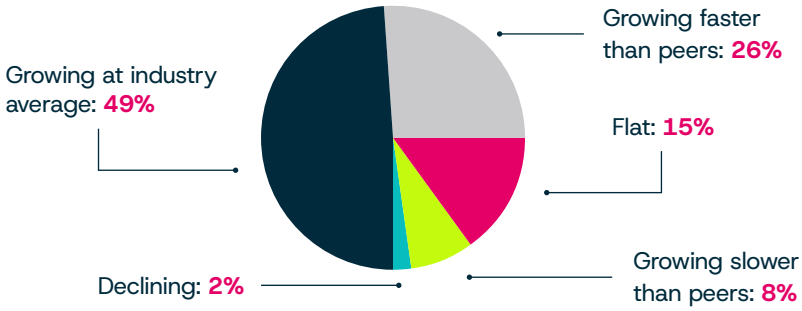
Does your company offer structured training or development programs for leaders?



A gap in leadership development has real consequences. Frontline supervisors and foremen are often the primary connection between the company and field employees. When these leaders lack the training to effectively manage, communicate and engage their teams, employee satisfaction suffers and workers leave.

Firms that prioritize this type of development consistently report lower turnover rates. And companies with formal leadership development programs also frequently describe their company growth as growing faster than peers and rate their HR maturity higher.

Over the past 3 years, how would you describe your company's growth compared to the industry average?



Leadership development requires organizational commitment. Companies growing fastest have made HR leadership a priority, not an afterthought.

Firms with a formal leadership training program in place report significantly lower first 90-day turnover (<5%) compared to those with no structured program" (11-30%).

$438 billion

was lost from the global economy in 2024 due to employee disengagement.

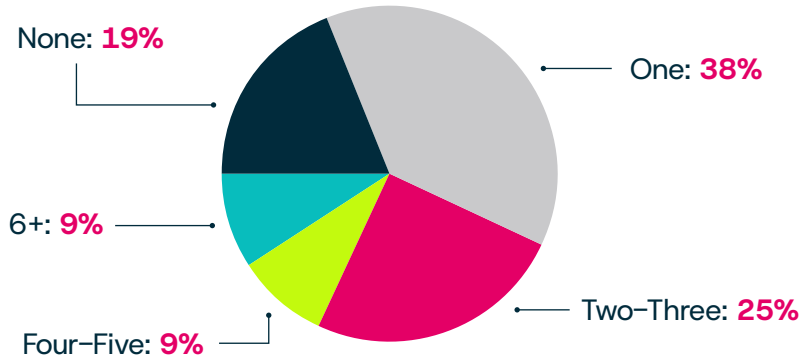
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Dedicated HR Leadership = Faster Growth

There's a strong relationship between using connected systems and growth.

How many full-time HR professionals, across all locations, does your company employ?



Of those, the majority fill the role of HR manager at 41% with HR director as the next largest role at 25%.

Yet those with dedicated HR leadership reported faster growth. By comparison, those where HR is handled by a CFO or finance leader, payroll or admin professional, or an office manager are growing at slower rates.

- Firms that rate themselves as highly strategic or operationally strong have dedicated HR leadership.
- Companies that rate themselves in the early stage of growth or just focused on compliance typically split HR responsibilities among non-HR roles.

Firms that rate themselves as highly strategic or operationally strong have dedicated HR leadership.

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Integrated HR Tech Adoption Tied to Growth

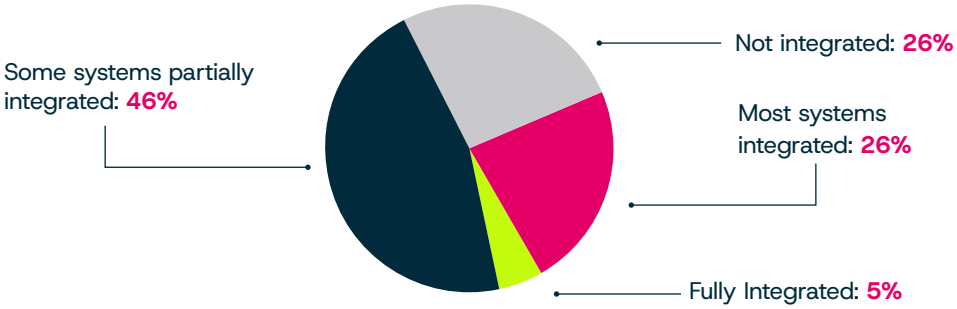
There's a connection between using connected systems and growth.

Respondents use a wide range of HR tech, including payroll (89%), time tracking (84%), recruiting tech (59%) and benefits management (59%) but for many, those systems don't talk to each other.

Nearly half of respondents (46%) report that only some of their HR systems are partially integrated, while more than a quarter (26%) have no integration at all. Only 5% of companies have achieved full integration across their HR technology stack. This means HR teams are manually entering the same employee data into multiple systems, wasting valuable time.

This lack of integration creates inefficiencies, forces duplicate data entry and limits the strategic insights that HR teams can provide to leadership. Companies with integrated systems can more easily track metrics, identify trends and make data-driven decisions about their workforce.

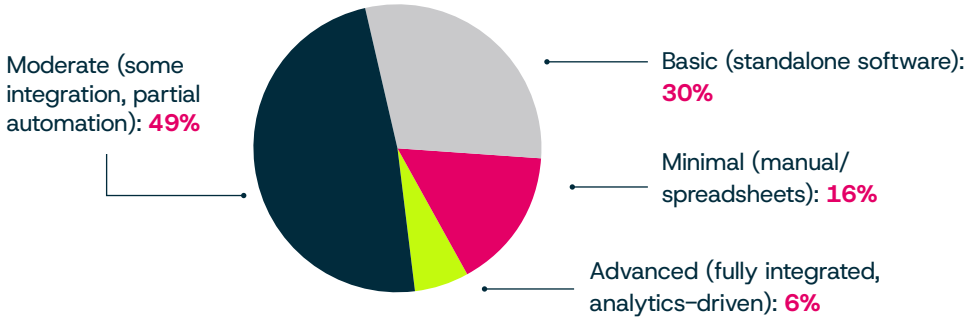
How many of your HR systems share data with other systems?



Companies that have embraced integrated solutions are growing faster than their peers and rate themselves higher on overall HR technology sophistication.

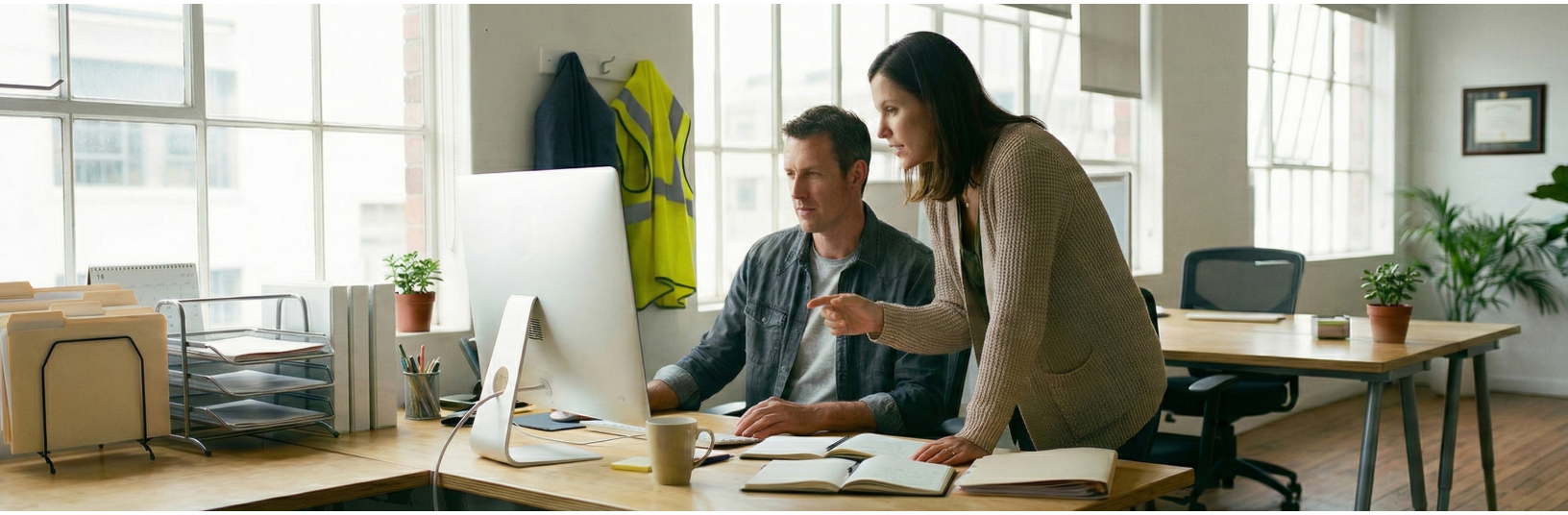
Many companies have technology in place to support its basic processes like payroll and time tracking but far fewer, 22%, take advantage of workforce analytics.

How would you rate your company's overall HR technology sophistication?



Firms with workforce analytics as part of their HR tech stack more frequently report higher HR maturity scores and faster growth. Companies rating their HR function as highly strategic almost always have workforce analytics capabilities.

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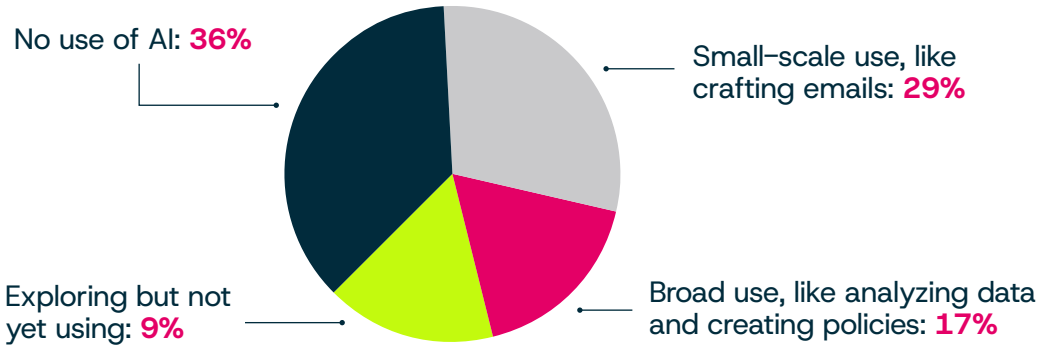


AI Adoption: Early but Accelerating Among Leaders

AI use is growing, with 58% of small businesses across the US using generative AI, according to the US Chamber of Commerce. But AI adoption is slow in the construction industry. The majority of survey respondents aren't currently using AI in HR. A meaningful minority report they are exploring but not yet using AI or using it at a very small scale, like crafting emails.

But those that do report a broad use of AI, like using it for analyzing data and creating policies, are more likely to report growing faster than peers.

Which of the following best describes your company's use of AI in HR today?



Early adopters are using AI to screen resumes in minutes instead of hours, predict which candidates are most likely to succeed based on historical data and identify patterns in turnover before they become crises. But the foundation matters: companies with integrated systems and clean data see dramatically better AI results than those trying to apply AI to disconnected spreadsheets.

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Your 2026 Roadmap: Moving Up the Maturity Scale

The survey reveals a construction industry at an inflection point: talent scarcity is forcing HR to become strategic, but most firms lack the technology infrastructure to execute. Companies that invest in integrated HR systems, structured onboarding, leadership development and data analytics are growing faster and retaining talent better.

The path forward depends on where you're starting. Use your maturity level to prioritize the investments that will have the greatest impact on your workforce challenges.

Determine how mature your company's HR fuction is with a quick self-assessment based on success we've seen with thousands of construction companies. Download now.



If you're at Level 1–2 (Early Stage or Compliance-Focused), prioritize these foundational investments:

1. Integrate your core systems first. Connect payroll and time tracking to eliminate duplicate data entry. This single step can save 5-10 hours per week of administrative work.
2. Document a structured onboarding process. Create a 90-day onboarding plan that includes job-specific training, safety protocols, and regular manager check-ins. Companies with structured onboarding report turnover rates below 5% in the first 90 days.
3. Establish basic leadership training for supervisors. Your frontline leaders are the primary connection between the company and field employees. Start with communication and conflict resolution training to improve engagement and reduce turnover.



If you're at Level 3 (Emerging Strategic Role), focus on expanding and formalizing:

4. Expand system integration across recruiting and benefits. Connect your applicant tracking system and benefits administration to your core HRIS. This creates a complete employee record and enables better reporting.
5. Formalize your leadership development program. Move from ad-hoc training to a structured quarterly program covering core competencies. Track participation and measure impact on team retention and engagement.
6. Begin tracking workforce metrics. Start measuring time-to-fill, cost-per-hire, turnover by role or department, and training completion rates. Use this data to identify trends and make informed decisions.

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If you're at Level 4–5 (Operationally Strong or Highly Strategic), advance with analytics and AI:

7. Implement workforce analytics and predictive insights. Use your integrated data to forecast hiring needs, predict turnover risk, and identify which training investments deliver the best ROI.
8. Pilot AI tools strategically. Start with high-volume, time-intensive tasks like resume screening or answering common employee questions. Companies using AI broadly report faster growth than peers.
9. Build advanced leadership development tied to business outcomes. Connect leadership training to measurable results: team retention rates, safety scores, project completion, and employee engagement. Use these metrics to identify high-potential leaders for succession planning.

Regardless of your starting point, the fundamentals remain the same: reduce administrative burden through technology, develop your frontline leaders and use data to drive decisions. The companies investing in these areas now are setting themselves apart in ways that will be difficult for competitors to match.

Next Steps

Whether you're starting from spreadsheets or looking to integrate existing systems, a trusted partner can help guide you in the right direction. Arcoro is a leader in construction HR serving more than 7,000 customers across the US. We can provide guidance and help identify where gaps in your HR processes and what tools can make you more efficient and effective. Reach out through our website, Arcoro.com.

Download this HR Maturity Self-Assessment Worksheet to identify your current HR maturity level and next steps.

About Arcoro

Arcoro is on a mission to elevate the people who build our world.

We offer an all-in-one HR technology platform purpose-built for the construction industry. Our solutions help construction companies manage their unique workforce needs, including hiring, managing and growing their teams.

Arcoro offers the most ERP integrations of any HR software provider, seamlessly connecting to construction payroll, accounting and project management software, including Sage.

Backed by best-in-class customer support, over 7,000 companies rely on Arcoro to save time, improve accuracy, reduce risk and lower workforce costs. Learn how Arcoro helps elevate the construction industry at Arcoro.com.

Hire
Streamline applicant tracking and onboarding.

Manage
Manage core HR, benefits, safety, and ACA compliance.

Time
Simplify time tracking and payroll.

Grow
Support employee growth with performance & learning.

Advanced Analytics Insights powering every step of your workforce journey

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