



CELEBRATING  
55 YEARS

# nerej

## **The future of union employment in the construction industry**

March 28, 2012 - Spotlights

A century ago virtually all non-residential construction was performed by union labor. Since then, union employment within the construction industry has declined dramatically. Today, only about 18% of this country's construction workers are represented by a union. For now, the Massachusetts construction industry - the 10th largest employer in Massachusetts - has bucked the natural trend; over 60% of non-residential construction in Massachusetts is built by union workers.

The courageous history of the union labor movement in this country is well documented. But time, competition and a diminished need for collective bargaining have all contributed to the decline in the employment of union construction labor. The causes of this decline are varied and complex. To be sure, the recession and lack of adequate financing for many construction projects are major factors. However, cost considerations play a very significant role in any decision to employ union or non-union workers.

In Boston, for example, union carpenters are paid approximately \$62 an hour, union laborers are paid \$50 an hour and union plumbers are paid approximately \$70 an hour. These rates are slightly less than twice the average of non-union wages and, even in one of the deepest recessions this country has experienced since the Great Depression, union wages have increased faster than the rate of inflation.

Many industry experts claim that the biggest problems are work rules and practices mandated by many union contracts. Many of these rules and practices are contradictory. But a more fundamental fact is that many union construction workers identify with their unions rather than with their employers. Unlike other unionized industries (such as the automobile and steel industries) where benefits are paid and administered by the employer, construction workers receive their benefits from the union which is reimbursed therefor by the contractor.

However, there are benefits to employing union workers on some private construction projects. The union advantage in quality and speed of construction especially on larger projects remain largely unchallenged, although it is diminishing as merit or open shop groups develop new and improved apprenticeship training programs to compete with the union programs.

According to studies by the National Bureau of Economic Research and U.S. Department of Labor, the best union workers continue to surpass non-union workers in terms of skill and productivity. What is unclear is whether the overall cost of employing union labor on a construction project is less expensive than employing non-union labor. The recently built Northside Piers project in Brooklyn, provides an interesting comparison. The project's union-built 30-story tower 1 took 26 months to build with hard costs of \$365 per s/f. The non-union built 28-story tower 2 took five months longer to

build with hard costs of \$280 per s/f. For a 300,000 s/f building, the \$25 million cost differential exceeded any additional financing costs and lost sales revenue during the additional five month construction period for tower 2.

There are also indirect social and economic benefits to employing union labor. A paper published by Cornell University claims that the economic impact of union earnings on the Massachusetts economy in 2007 was \$4.6 billion. The Cornell report also claims that the union wage premium in Massachusetts has enabled union pension funds to invest in construction projects valued at over \$1.6 billion over the last eight years. However, the Cornell report does not address the issue of whether the Massachusetts economy could have been similarly benefitted simply by building more projects by workers who were paid non-union rates.

If union rates continue to increase at a rate higher than the rate of inflation and the problem of overlapping union work rules and practices is not remedied, union construction may gradually erode to the point that it becomes the province of only the very largest real estate projects. Nonetheless, there will continue to be all union-built projects for the foreseeable future for several reasons. First, the heads of many of the leading developers and contractor, or their parents, came from a labor background and have a deep seeded personal and intellectual attachment to the union movement. Unions are also the product of a courageous heritage in this country and have been instrumental in the upward mobility of millions of Americans. Also, as noted earlier, the best union labor still surpasses non-union labor in skills and productivity at least in the larger construction projects. Yet, as each generation becomes further removed from the labor movement and state and local governments continue to look for more ways to cut costs, the premium that the union construction trades still enjoy over the wages paid to their non-union counterparts will likely decline.

Peter McGlynn, esquire, is a partner with Bernkopf Goodman LLP, Boston.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540