

The Business Roundtable

**CONSTRAINTS IMPOSED BY COLLECTIVE
BARGAINING AGREEMENTS**

**A CONSTRUCTION INDUSTRY COST
EFFECTIVENESS PROJECT REPORT**

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I

SUMMARY

For many years the attention of the parties in construction collective bargaining has centered on the base wages and fringe benefits such as medical insurance, pension provisions, apprentice training funds, and industry advancement funds that finance the cost of operating contractor associations. Not only the bargaining parties, but the public as well, have focused attention on these costs, generally neglecting many less obvious costs that result from other provisions of the labor agreements.

The major purposes of this study were to identify the many other provisions of local building trades agreements that result in increased construction costs, to find out how frequently they occur in local agreements, and where possible to estimate the cost effects of these provisions. The longer range objectives were to improve the understanding of all concerned about the effects of these provisions on the competitive position of the union contractor and to stimulate efforts to remove the restrictions.

Some observations deserve special emphasis:

- There are restrictive provisions in union construction agreements that are costly to the union contractor and are truly widespread across the U.S. and among major crafts.
- The effects of these provisions on construction costs can be estimated either on a national basis or locally for collective bargaining purposes.
- Owners and contractors generally are not sensitized to the continuing cost impact of these clauses.
- These costs seriously detract from the union contractor's ability to meet his open shop competition.
- The potential exists to remove or modify many of the provisions with material savings to the industry.

II

INTRODUCTION

In recent years construction costs have escalated rapidly. Part of the increased costs can be attributed to inflationary wage and benefit settlements. However, a variety of provisions in construction industry collective bargaining agreements generate unreasonable costs of their own and compound the effects of spiraling construction labor costs.

This study undertook a detailed examination of the actual language in a large representative sample of local building trades agreements. The sample included broad coverage of major cities and crafts. The Construction Labor Research Council (CLRC) was retained to assist in identifying excessive-cost contract provisions and in estimating the costs. Some 20% of all U.S. construction agreements in effect at year-end 1979 were examined. This covered almost one-half of the organized workers, an adequate sample for extrapolating the findings industrywide.

In computing the cost incentive to change these restrictive clauses, the study team drew on its collective experience, which was largely in industrial and power plant construction. Cost effects on industrial and utility construction were estimated. Other kinds of construction (e.g., commercial, heavy and highway) may be worked under the same local agreements, and presumably feel some of the same influences on costs.

There were certain wage and hour assumptions used. \$14.50 per hour was used as the average hourly rate, for wages and fringes. This was an early 1980 average. The average annual work year was assumed to be 1600 hours and 200 days per worker. The average worker was assumed to work overtime 80 hours per year -- one-half on weekdays, one-quarter on Saturdays and one-quarter on Sundays. A technique for estimating the cents-per-hour cost of each provision was developed, both for use by contractors in better understanding the trade-offs in local bargaining, and to develop a total annual cost to the industrial and power plant sector.

To arrive at that portion of labor costs resulting from a particular contract provision that is considered unreasonable or excessive, it was first necessary to assume a reasonable level of cost. The following examples illustrate the logic used:

- It was assumed that overtime premiums of one-and-one-half times on Monday through Saturday, and double time on Sundays and holidays were reasonable compensation, since these premiums are now found in a majority of building trades agreements, and are common practice in other industries. The incremental cost of higher overtime premiums was calculated, based on the number of workers covered by each agreement containing such provisions.
- For shift work, it was assumed that 8 hours pay for hours on the second shift, and for 7 hours work on the third shift was reasonable because this provision is found in many building trades agreements, and is somewhat above practice in other industries.
- For computing a cost effect of mandated crew sizes, it was assumed that, if the contractor were free to man the job based on actual need, on 10% of the tasks involved, he would use 10% fewer workers.
- Coffee breaks exceeding 10 minutes were considered excessive.

III

FINDINGS

Of the labor agreement provisions for which potential industry-wide cost savings could reasonably be estimated, the following were found to be the most significant. They are ranked in descending order of identifiable costs to the industrial and power plant sector of construction:

Overtime Premiums
 Time Paid, Not Worked
 Subsistence and Travel Pay
 Shift Provisions
 Hours of Work
 Crew Size Restrictions
 Off-Site Fabrication Restrictions
 Show-up Pay

Each of these provisions is discussed separately below. Recommended collective bargaining objectives are included for each.

Potential annual savings on industrial and power plant construction - based on 1980 costs - are shown for each, to provide a rough indication of the incentive to make improvements.

These are followed by discussion of two other contract provisions that were found in a large number of agreements. Cost effects of these provisions - dealing with selection and utilization of foremen, and the union hiring hall - could not be readily estimated, but they have a major impact on the contractor's ability to efficiently manage the work.

Finally, brief mention is made of provisions that were found too infrequently to yield large industry-wide savings, and of opportunities for productivity improvement by adding new provisions.

Overtime Premiums

Discussion :

Thirty-seven percent of the agreements examined require daily overtime (usually time over 8 hours) to be paid twice the straight time rate, while 63% require one-and-one-half times. However, 30% of these contracts with one-and-one-half times provisions pay this rate only for a limited period of time, usually the first two hours of overtime with double time for subsequent overtime. A higher percent (48%) require double time on Saturday, while Sundays and holidays are almost universally double time days.

One of the characteristics of open shop construction is the payment of all overtime at one-and-one-half times, usually only after 40 hours per week. In addition, union agreements in other industries seldom provide for premiums greater than one-and-one-half times, except for work on Sundays and holidays. While some premium for overtime work is considered equitable (and required by law), double-time pay for daily and Saturday overtime is considered excessive.

Annual excess cost: \$76 million (daily overtime)
\$51 million (Saturday overtime)

Recommended collective bargaining agreement objectives:

- Overtime premiums, except Sundays and holidays, should be paid at a rate not to exceed one-and-one-half times the base rate.
- Overtime should be payable only after working 40 hours per week rather than after 8 hours per day.

Time Paid, Not Worked

Discussion:

Pick-up and clean-up of the jobsite is a normal part of the construction process. Actual time requirements vary widely from day to day and job to job. Much of the work that might be considered to be part of pick-up and clean-up is more effectively performed during the course of the work day. Yet these clauses are found in about 1,3 percent of the contracts surveyed. These tasks can be more efficiently managed by the contractor without an arbitrary requirement in the collective bargaining agreement.

Personal clean-up at the end of the work day is also a normal part of the construction process. Realistic time requirements vary with the craft (painters tend to need more time to clean-up) and with the work done that day. If clean-up time is not specified in the contract, it can be administered to fit the circumstances of each job. Clean-up time is included in about 14% of the contracts analyzed.

Coffee breaks are now so ingrained in the American work scene that most observers accept a break of some sort for the construction worker sometime during the first part of his shift (the morning for the day worker). However, the contractor is best able to manage the break from a cost effective point of view when it is not included in the collective bargaining agreement.

Contractors need flexibility in determining the time and circumstances of a coffee break. This is usually lost when the coffee break is stipulated in the agreement. Simultaneous stoppage of all work usually results, and the break tends to be extended in practice beyond the agreement limit. The contractor's difficulty in managing the break is compounded when some trades have no reference to a coffee break in their agreements while other trades on the same project have language in their agreements specifying coffee breaks of varying durations.

For cost estimation purposes it was assumed that each of these types of clauses results on the average in ten minutes per day of unnecessary unproductive time per worker.

Annual excess cost:	\$42 million	Job site pick-up time
	\$17 million	Coffee breaks over 10 minutes
	\$16 million	Clean-up time

Recommended collective bargaining objectives:

- Early quits for picking up tools and materials, or for personal clean-up should not be formalized in the labor agreement. They should be controlled by the contractor as part of the normal management of the work.
- Coffee breaks should not be formalized in the labor agreement. They should be taken at the work station as the work allows, and should be controlled by the contractor, as appropriate.

Subsistence and Travel Pay

Discussion :

Subsistence pay is provided by one-fourth of the contracts examined, but about 40 percent of the organized workers in the country are covered by these contracts. Subsistence pay varied from unclear and unspecified amounts to definitive payments. The most common means of paying subsistence is a fixed dollar amount per day. The original concept was to provide additional compensation on jobs that require the worker to remain away from home overnight. Some contracts provide that subsistence be paid beyond a specified zone or number of miles, whether or not the worker remains away from home overnight.

About 40 percent of construction labor contracts, covering 37 percent of the workers, provide for travel payments, most often for jobs that lie beyond a specified number of miles from a specified point; e.g., "over 10 miles from the City Hall". The payment is most frequently made on the basis of so many dollars per day but may also be figured as an hourly wage premium or on a per mile basis. It may increase as the jobsite distance increases from a measuring point.

Inequities within the workforce often result from travel and subsistence pay provisions. Qualification for pay is based on the distance of the jobsite from City Hall or the union hall, not the distance from the worker's home. He could live next to the project - and often does on large, long-duration projects - and still receive travel or subsistence pay. There are other incongruities. At the same work site, some workers will receive no travel or subsistence pay because they have none in their agreements, while others will receive pay of differing amounts because they have different provisions in their agreements.

In other industries, workers move to where the work is. Large open shop contractors in construction generally operate this way. When a

project closes down in one state and the open shop contractor has work available in another state, workers from the one project often go to the new project on their own if they want the work.

Subsistence pay or travel pay may be useful in attracting workers to remote job sites, but each situation varies and contractors should have the freedom to negotiate a fair and possibly imaginative reimbursement that will attract the necessary workers. Rigid contract provisions will not permit this. It should be noted that building trades special agreements - national, project, and maintenance agreements - almost without exception void any obligation to pay for subsistence or travel, in order to make union contractors more competitive with available alternatives. This attests to the fact that these payments are seldom necessary to attract an adequate work force.

Travel pay has become a somewhat disguised way of paying increased straight time wages. A union should man all jobs within its jurisdiction at the same rate of pay, without the extra compensation in the form of travel pay. At times, certain large projects known in advance to be of long duration have been targeted for unreasonable travel pay, by gerrymandering zone limits.

For costing of subsistence pay, it was assumed that at any given time 5 percent of those workers covered by contracts with subsistence provisions receive \$15 per day. Travel pay costing was premised on 10 percent of those workers covered by contracts with travel pay receiving, at any one time, payments of \$5 per day.

Annual excess cost:	\$42 million	Subsistence pay
	\$29 million	Travel pay

Recommended collective bargaining objectives:

- Subsistence pay and travel pay should not be formalized in the labor agreement. It should be provided by the contractor as part of the total compensation package only where necessary to attract sufficient labor to remote sites.

Shift Provisions

Discussion:

About three-fourths of the contracts analyzed provide for multi-shift operations. There are many variations of pay for the second and third shifts, including pay for more hours than are worked, payment of an hourly premium on hours paid (dollar or percent), or both. The preponderance of these agreements, however, provide for a schedule

of eight hours of work on the first shift, seven and one-half hours on the second shift, and seven hours on the third shift - with eight hours pay for each shift.

Some trades have higher provisions. The electricians generally have the above provisions plus a 10% and 15% premium for work on the second and third shift, respectively. Ironworker contracts generally provide seven hours work and eight hours pay for each shift.

All trades do not have the same shift provisions in a given local area. Some contracts do not provide for shifts while others have different shift hours. This is another example of fragmentation hurting union construction. It makes it difficult to schedule work properly among trades that are on different hours of work.

In estimating the excessive cost effect, it was assumed that a reasonable premium would be 8.0 hours pay for 7.5 hours work (6.7% premium) on the second shift and for 7.0 hours work (14.3% premium) on the third shift. It was further assumed that the average worker works a second shift for two weeks per year and a third shift one week per year.

Annual excess cost:	\$41 million	Second shift
	\$29 million	Third shift

Recommended contract objectives.

- Shift provisions should provide for the maximum available work time.
- Shift premiums should be paid:
 - first shift - no premium
 - second shift - one-half hour's pay
 - third shift - one hour's pay

Hours of Work

Discussion:

Daily hours of work is addressed in almost all construction agreements, with the 8-hour day generally prevailing throughout the industry. However, various local unions have negotiated less than 8 hour work days, This has been done without regard for the overall financial impact on a project, apparently not recognizing the daily

fixed overhead costs that are increased by a short work day. When some crafts work less than the 8-hour work day of other crafts on a project, there is an additional cost from the gap in coordination among crafts that need to work with each other on certain tasks.

Agreements covering approximately 12% of the workers specify a normal work day of less than 8 hours. Most of these provisions specified a work day of 7 hours. These provisions were found most frequently in electricians and sheetmetal workers agreements.

There are other work day provisions badly needed in union construction. Open shop contractors have considerable flexibility in choosing between the 8-hour day, 5-day week or the 10-hour (straight time) 4-day week or other combinations as required by the specific project. This freedom should be available to the union contractor. Flexibility of starting and quitting times also can be especially helpful to management, particularly on work being performed at already existing facilities.

In some locales, labor agreements that recognize 8 hours as the normal work day specify a work week of less than 40 hours. Typically, this is achieved by specifying alternate Fridays or Mondays, or Wednesday afternoons as off-days. While we have not included the resulting additional costs in our cost estimate (below), these schedules are costly for many of the same reasons as discussed for the short work day. The inefficiencies are exacerbated when different crafts at the same location adopt different off-days, and they often result in the off-days being worked at overtime rates.

Cost of the short work day of less than 8 hours was based on the longer project duration caused by the 7-hour schedule. This results in extra costs due to more frequent starting and stopping of work, contractor overhead costs that extend over a longer period of time, higher equipment rental costs, the work coordination gap with other-trades on 8-hour days and occasional working the 8th hours on overtime to avoid job delays. The summation of all these effects was estimated to be an increase in project cost equal to 30% of the direct labor costs of the trades with the shortened work day.

Annual excess cost: \$58 million

Recommended collective bargaining agreement objectives.

- Eight hours per day and 40 hours per week should be the normal work schedule.

- Contractors should have the flexibility to:
 - Set start and stop times
 - Establish an alternative schedule of 4 days of work, 10 straight-time hours per day.
 - Use Friday or Saturday as a straight time makeup day.

Crew Size Restrictions

Discussion:

Almost 20 percent of the contracts examined, covering about the same percentage of workers, contained clauses that stipulated the number of men to be used in accomplishing a specified task. Contracts that have these clauses tend to have more than one instance in which crew size is restricted. While there is a wide variety of tasks for which crew size is specified, those that recur most frequently are related to cranes and derricks, weight of items handled, or electrical voltage.

Crew size restrictions are found in most ironworker contracts for many types of work. This craft along with boilermakers and operating engineers account for almost half the contracts in the country that restrict crew size.

The determination of how many workers are needed to perform a task should be the function of the contractor. This is a basic management rope. Attempts to freeze the number in collective bargaining agreements tend to include more workers than are necessary and make a reduction difficult to achieve when new materials, equipment or work methods are introduced.

For cost estimation, it was assumed that if management was not restricted in crew sizes, in those contracts with restrictions, it would utilize 10 percent fewer workers for 10% of the tasks assigned to the craft in question.

Annual excess cost:: \$42 million

Recommended contract objectives:

- Crew sizes and manning requirements are matters for contractor judgment for each project. They should not be specified in collective bargaining agreements.

Off-site Fabrication Restrictions

Discussion:

While a minor percentage of all contracts sampled contain prefabrication limitations, these restrictive clauses were found in one-half of the pipefitter/plumber contracts. Such restrictions have a heavy impact on industrial and power plant construction.

In given situations, prefabrication of pieces of a project can improve the owner's construction schedule and his costs. As someone has said, the owner operates on the realities of price and quality. In the long run, owners are going to respond to the best price. Prefabrication restrictions that were sought by the union to preserve work for union members but which increase construction costs can actually reduce available work, by causing the owner to examine other alternatives.

For costing, it was assumed if management were allowed to use prefabrication, in those contracts with restrictions, labor inputs could be reduced 10 percent for one-tenth of the work of the crafts involved.

Annual excess cost: \$30 million

Recommended contract objectives:

- Owners and contractors should have the right to design and construct projects in the manner they determine will best serve project cost and schedule. This may include use of pre-fabricated units or modules.
- Prefabrication clause restrictions should be removed from agreements.

Show-up Pay

Discussion:

Show-up pay provisions for those employees who are not put to work when they arrive at the jobsite were found in 87% of the agreements analyzed. In 34% of the agreements there is a provision that a worker is paid 2 hours pay when he is not put to work after reporting for work, except if the reason work is not provided is weather-related. Eleven percent of the agreements have a 4-hour pay provision with the same exception.

The open shop contractors generally do not pay for show-up when no work is performed, but make every effort to provide two hours work

whenever the reporting worker could not reasonably have known that the job was shut down.

Any show-up payment when no work is performed and the worker had reason to know that bad weather would prevent working, and more than two hours show-up pay on other occasions, was considered excessive for cost estimating purposes. It was assumed that each worker receives show-up payments an average of two times per year where the contract has a weather-permitting exclusion, and twice as often without the weather-permitting clause.

Annual excess cost: \$27 million

Recommended collective bargaining objectives:

- Show-up pay should be:
- Two hours pay (when employee works two hours or less)
- No pay when bad weather causes the work to be shut down.

Selection and Utilization of Foremen

Discussion:

The foreman on a construction job is the primary representative of management in communications with the workforce. He plans and assigns work to the craftsmen, is responsible for safety and quality control, and normally handles disciplining or firing. Construction employers, however, have voluntarily bargained away their right to select, train, and utilize foremen. Removal of these limitations should have a high priority in contractor bargaining.¹ Some of the more prevalent of these limitations are discussed separately below.

Non-Working Foreman - Work crew direction and supervision is essential for high productivity, and will normally consume most of the working time of a foreman. However, in very small crews, it may be more efficient for a foreman to spend much of his time performing craft work alongside his subordinates. Even on very large jobs, there are times when use of tools by a foreman to instruct his men, to lend a brief helping hand, or to expedite a critical piece of work may be appropriate. Whether or not a foreman should perform craft work will vary with the circumstances. It should be controlled by the contractor and should not be limited by the labor agreement.

¹ This issue is discussed in greater depth in the report, "**Contractor Supervision on Unionized Construction,**" The, Business Roundtable, 1982.

About 30 percent of construction agreements were found to contain a non-working foreman provision.

Foreman Selection - Because the performance of the foreman is so critical to efficient performance of the work, the contractor must be able to select foreman candidates whose experience and past performance best qualify them. The contractor should be free to make the best selection from the combination of workers already in his employ, local residents whom he has employed previously or who have been otherwise recommended, and referrals from the hall.

Large "travelling" contractors especially need to draw on the union hall as a source of local union members with foreman experience who know the workers, and understand local union politics and local work practices. They may choose to staff the majority of their foreman positions from this source, but they should be free to select only qualified referrals, and to supplement from other sources.

Number of Foremen - The number of foremen required on a job will vary greatly with the type of work involved and the status of the job. The contractors should be free to employ the number of foremen required for planning and supervisory work and safety considerations, without limitation by arbitrary foreman-to-journeyman ratios, or stipulated crew-sizes requiring a foreman.

Approximately half of the analyzed contracts contain foreman-journeyman ratios. Most of the contracts stipulate there will be a foreman appointed when the crew reaches a certain size, frequently two or three. About half the contracts also include provisions for other supervisors, usually a general foreman.

Foreman Compensation - Contractors should be free to establish compensation of all supervisors in relation to the qualifications and performance of the individual. Wage rates higher than the journeyman rate are needed to attract qualified candidates. It is not unreasonable for labor agreements to specify for foremen a minimum wage differential over the journeyman rate.

The foreman premium (amount above the journeyman scale) was found to be in the range of \$0.50 to \$1.00 per hour in two-thirds of the agreements. General foreman premiums are slightly higher. Some contractors recognize quality supervision by paying their key supervisors above the scales in the union agreement or by guaranteeing them year-round employment and providing them various "perks".

Guaranteed Hours for Foremen - Retention of capable, effective foremen enhances the competitive position of a construction contractor. Some contractors have found that offering foremen a guaran-

tee of full employment is an effective way of rewarding high performance and gaining commitment and loyalty from the foremen. A guarantee in the labor agreement of 40 hours of work per week for-all foremen, however, can be counterproductive and should be avoided,

Recommended contract objectives:

- Contractors should have both the unqualified right to hire levels of supervision directly, and to request referrals of foreman candidates from the union hall.
- Foreman-journeyman ratios, minimum crew sizes requiring a foreman, and whether a foreman may perform craft work should not be formalized in the labor agreement; these matters should be controlled by the contractor, as appropriate for the job.
- Foreman wage premiums should not be formalized in the labor agreement except to specify a minimum wage for foremen referred from the hall. The contractor should be free to establish wages (or salaries) of foremen based on qualifications, experience, and performance.

Hiring Halls

Discussion:

In its 1974 report entitled, *"Coming to Grips with Some Major Problems in the Construction Industry,"* The Business Roundtable dealt in depth with the restrictive aspects of construction industry hiring halls. The quotes excerpted below from this report are still applicable today.

"The hiring hall can be objectively defined as a work referral system for construction manpower, usually including both supervisors and journeymen, in which administrative control is delegated to union officials, to a joint labor-management committee, or occasionally to a third-party administrator. With few exceptions, the day-to-day operation of the referral system is controlled by the union."

The hiring hall serves some useful functions.

"Many contractors over the years have considered the hiring hall to be the most convenient means of meeting the constantly changing labor force requirements. The hiring hall has served as a source of employment information for applicants. It also may perform the difficult role of prorating work among members when job opportunities

are scarce. Taken as a whole, the hiring hall has relieved the contractor of the difficulty and expense of operating his own personnel function. That relief, however, has been attained at the price of creating a major base of union power and badly handicapping the ability of the contractor to manage his work force."

While the hiring hall performs a number of personnel functions for the contractor, it is controlled by the union. It is a source of leverage for use by the union in pressuring the contractor, by allowing the union to control both the quality and quantity of manpower available to the contractor. By allowing union leaders to influence job referrals, it contributes to the control of union members by their leaders. It is also true that political pressures from the union electorate may prevent union officials from objectively and equitably administering the hiring hall.²

Hiring hall provisions are found in 60 percent of construction agreements. Among the contracts with hiring hall language, half require exclusive use of the hall, Most hiring hall provisions allow management to reject applicants and about half allow management to request at least some workers by name. Reliance by contractors on the hiring hall because of lack of an alternative, however, has resulted in exclusive use a much greater percentage of the time than is required by labor agreements.

Recommended contract objectives:

- Labor agreement referral clauses should not require that the contractor use the hiring hall *exclusively* as his source of employees, and should not limit the contractors' freedom to hire from any source.
- Hiring halls are a convenience to contractors and are a useful tool for union leadership, but elimination of abuses so that the interest of contractors and construction workers will be better served is highly desirable. Development of a sound alternative to the hiring hall is needed.

Other Opportunities

Some contract provisions were not discussed in this report even though they result in increased costs, because they appeared in fewer than four percent of the contracts examined. These include paid lunch periods, pay for repair/dirty work, limitations placed upon employee output, the number and type of equipment an employee may operate during the work day, and the number of jobsites at which an employee may work without another referral from the hiring hall. These kinds of provisions, however, can be highly significant in those

² See report "The *Impact of Local Union Politics*," *The Business Roundtable*, 1982.

local areas where they exist. They should not be ignored by contractors seeking improvements during their negotiations.

There are other opportunities for productivity improvement that require adding new language to labor agreements. As discussed in another Roundtable report,³ effective use of subjourneymen offers potential labor cost savings as high as 20%. A work schedule employing four 10-hour days (at straight time) has in some circumstances yielded sizable savings from lowered absenteeism and turnover, because workers prefer the three-day weekends. Improved management rights clauses can reinforce some of the contract objectives discussed earlier - especially those involving selection and utilization of foremen and off-site fabrication. And truly binding "no strike" clauses - considered essential in most other industries, but surprisingly absent from many building trades agreements - can help avoid costly work stoppages.

³ Report D-1 "*Subjourneymen in Union Construction*," The-, Business Roundtable, 1982.

IV

CONCLUSIONS

1. There are restrictive provisions in union construction agreements that are costly to the union contractor and to owners and are truly widespread across the United States and among major crafts.
2. All parties, particularly the negotiating parties, need a better understanding of the cost impact of these clauses and the hobbling effect they have on growth of construction in the union sector. Passing on these costs from the contractor to the owner, either directly or indirectly, tends to disguise for the union contractor the harmful effect they have on his business.
3. Many of these costs can be calculated, some of them on a cents-per-hour basis⁴ as an aid in developing bargaining goals
4. Elimination or modification of these provisions offers a substantial potential for reducing the cost of unionized construction. A total order-of-magnitude saving of a half-billion dollars per year is attainable in industrial and power plant construction just by making reasonable modifications to the costed example clauses - and this may be just the tip of the iceberg when other opportunities are considered. These changes would benefit both management and labor, by generating more work for union contractors.
5. Many of the restrictive and inefficient practices that this study found to be mandated by labor agreements in certain areas tend to spill over into other areas where they are not addressed in agreements. A companion report⁵ provides a checklist of these practices, and offers recommendations to correct them.

⁴ The National Construction Employers Council (NCEC) has published a booklet, "*Comprehensive Contract Costing*," to help local contractors cost these provisions for bargaining.

⁵ Report C-5, "*Local Labor Practices*," The Business Roundtable, 1982.

V

RECOMMENDATIONS

There is a growing recognition that productivity improvements are necessary if U.S. businesses are to arrest their loss of market share in world markets. Productivity improvement is doubly necessary in union construction, if it is to avoid living off a decreasing slice of a shrinking pie. All the parties must recognize that constantly increasing construction costs can no longer be passed on to the ultimate customer in a highly competitive market place. It is with this in mind that the following recommendations are made.

To Contractors:

- Contractors need to identify the restrictive provisions in their union agreements and should estimate the cents-per-hour cost of each as a normal part of preparation for negotiating a new collective bargaining agreement.
- These provisions can be put in a priority order as bargaining objectives. Contractors can benefit here from candid discussions with owners, and with union leaders well in advance of bargaining.
- This report provides suggested contractor objectives for some of the most costly provisions in collective bargaining agreements. These are illustrations-each local agreement requires its own unique evaluation for what needs to be changed.
- Many of the provisions are found in several union agreements in a given locality. The contractors who participate in the various bargaining groups need to decide on their best strategies in that locality to effect the desired changes.
- Contractors, in their own interest, should bargain first on cost improvement items, as a trade-off against wage increases. They can assess the need to limit wage increases within the savings achieved, in order to meet competitive pressures.

To Owners:

- Owners can inform the contractors of those union contract provisions that most seriously increase their project costs and emphasize to their contractors the need to make changes to meet competitive pressures.
- Understanding and support by the owners of the contractors' bargaining goals is essential to the success of the effort.

- In certain situations, owners should consider encouraging their union contractors to seek a project agreement to achieve gains not possible "now" in local agreements

To Unions:

- Union leaders, particularly at the local level, and the local membership should recognize that it is in their best interests to cooperate with the union contractor to make him competitive for future work and thus create more jobs for union workers,

CICE REPORTS

The Findings and Recommendations of The Business Roundtable's Construction Industry Cost Effectiveness project are included in the Reports listed below. Copies may be obtained at no cost by writing to The Business Roundtable.

Project Management -- Study Area A

- A-1 Measuring Productivity in Construction
- A-2 Construction Labor Motivation
- A-3 Improving Construction Safety Performance
- A-4 First and Second Level Supervisory Training
- A-5 Management Education and Academic Relations
- A-6 Modern Management Systems
- A-7 Contractual Arrangements

Construction Technology -- Study Area B

- B-1 Integrating Construction Resources and Technology into Engineering
- B-2 Technological Progress in the Construction Industry
- B-3 Construction Technology Needs and Priorities

Labor Effectiveness -- Study Area C

- C-1 Exclusive Jurisdiction in Construction
- C-2 Scheduled Overtime Effect on Construction Projects
- C-3 Contractor Supervision in Unionized Construction
- C-4 Constraints Imposed by Collective Bargaining Agreements
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Labor Supply and Training -- Study Area D

- D-1 Subjourneymen in Union Construction
- D-2 Government Limitations on Training Innovations
- D-3 Construction Training Through Vocational Education
- D-4 Training Problems in Open Shop Construction
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Regulations and Codes -- Study Area E

- E-1 Administration and Enforcement of Building Codes and Regulations

Summaries - More Construction For The Money

- CICE: The Next Five Years and Beyond

Supplements - The Workers' Compensation Crisis...Safety

- Excellence Will Make A Difference (A-3)