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Related chairman praises rise of nonunion workers and organized labor strikes back

Stephen Ross of the real estate company called the proliferation of nonunion labor on construction sites 'good news'

[Rosa Goldensohn](#)



Buck Ennis

Related Chairman Stephen Ross at the Crain's real estate conference Monday morning.

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The chairman of the Related Cos. Stephen Ross conveyed some unpleasant news to construction unions Monday, expressing his fondness for the growth of nonunion labor in the housing construction market.

"The good news is today, New York is becoming more of an open shop city," Ross, chairman of Related Companies, told a real estate industry crowd at a Crain's event at the midtown Sheraton.

In "open shop" jobs, developers do not promise to use exclusively union workers.

The words came as a surprise to Building and Construction Trades Council president Gary LaBarbera, who was also in attendance and spoke on a panel about the future of the 421-a tax abatement in which which he denounced Ross' statement.

"Now this panel was to discuss New York City and the future and building a strong city," LaBarbera said, "but to hear a developer, Steve Ross, say it's a good thing that the city is open shop and costs are coming down, that's saying it's a good thing that wages are going down in the city of New York, that workers are being exploited every day, they're being put on job sites with no training, no benefits—in my view, that is the worst thing for the city of New York," said LaBarbera, a statement that was met with loud applause.

While [some city real estate developers](#) have been unabashed in their attempt to replace union labor with cheaper nonunion construction workers, Related still frequently builds projects under labor agreements with the Building Trades union, LaBarbera said.

"So I was a little disappointed in that, to say that today," he told reporters after the panels, calling Ross' stance "a little bit of a change."

A portion of the Hudson Yards comprised of office buildings is being built with union labor. But Ross said he could not profitably build affordable housing with union workers.

The Department of Buildings does not track which construction job sites are union, so there is no undisputed number for the percentage of construction labor in the city that is done by union workers, or density. But six large firms that previously built union have been refusing to sign project agreements in recent months, *The Wall Street Journal* reported last month.

Ross also decried the cost of union wages, saying they raise project costs by up to 40%. The city's Independent Budget Office estimated that increase at 23%, a figure the union disputes.

The trade groups for real estate developers and affordable-housing developers have opposed attempts to mandate union wages on projects that get tax breaks.

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Construction Firms Form Group to Bust Myths of Nonunion Workers

BY LIAM LA GUERRE (AUTHOR/LIAM-LA-GUERRE/) JUNE 6, 2016, 3:55 P.M.



A LOWER MANHATTAN CONSTRUCTION SITE (PHOTO: DON EMMERT/AFP/GETTY IMAGES).

The inevitable has finally happened for the construction industry.

At a time when construction costs are rising, developers are turning more and more to nonunion workers, which were previously thought to be unsafe and slower, because they are believed to be cheaper than union employees.

Now seven construction management companies have formed New York City's first organization that promotes the use of nonunion workers, **New York Construction Alliance**, Commercial Observer has learned. The group is comprised of "open-shop" firms, or companies that use both union and nonunion construction workers.



The member firms started planning NYCA last summer with a mission to debunk the claims that nonunion workers pose more safety risks and aren't compensated or treated fairly.

"We just got tired of hearing that nonunion construction is unsafe," **Lance Franklin**, a co-chief executive officer of **Triton Construction Company** (<https://commercialobserver.com/tag/triton-construction/>) and a co-chairman of NYCA, told CO. "Our organization was formed to have a voice for some of the larger open-shop contractors to be able to speak about safety and quality."

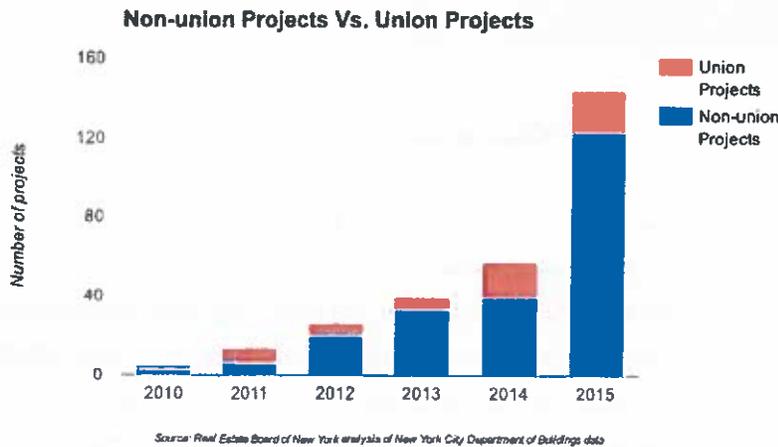
The other members of NYCA are **Ron Moelis** (<https://commercialobserver.com/tag/ron-moelis/>), **L&M Builders Group** (the construction arm of **L+M Development Partners** (<https://commercialobserver.com/tag/lm-development-partners/>)), **Leeding Builders Group**, **Lettire Construction Corp.**, **New Line Structures & Development**, **Ryder Construction** and **T.G. Nickel & Associates**.

The member companies had a combined revenue of \$1.5 billion in 2015 and employ more than 700 people. Currently, they have more than 14 million square feet of projects under construction. Triton is working on a 550-residential apartment for **Tishman Speyer** (<https://commercialobserver.com/tag/tishman-speyer/>) in Long Island City at **30-02 Queens Boulevard** (<https://commercialobserver.com/tag/30-02-queens-boulevard/>), which will rise 43 stories, according to city permits. T.G. Nickel is responsible for **HFZ Capital Group** (<https://commercialobserver.com/tag/hfz-capital-group/>)'s 34-story hotel and residential project under construction at **12-20 West 40th Street**, called **The Bryant**.

The formation of the group, based at **122 East 42nd Street** (<https://commercialobserver.com/tag/122-east-42nd-street/>) between Lexington and Park Avenues, highlights the fact that union workers are losing market share—mostly in the residential construction space—because of the cost savings from employing nonunion workers.

In 2010, 40 percent of **New York City Department of Building** (<https://commercialobserver.com/tag/new-york-city-department-of-buildings/>) permits for residential developments with more than 100 units were issued to union contractors, according to an analysis of the city agency's data by the **Real Estate Board of New York** (<https://commercialobserver.com/tag/real-estate-board-of-new-york/>)

estate-board-of-new-york/) and prepared for CO. And last year, just 14.5 percent of projects in the same category were issued to union groups. Other than cost, improvements in safety on the job has been another factor for the change.



NYCA says it has a top-notch safety record, emphasized by its Experience Modification Rate (EMR) of .82 by the **New York State Workers Compensation Board**, which is a measurement the insurance industry uses to analyze safety due to past cost of claims on the job and future risk. Having a rating lower than 1.0 is general considered good.

“REBNY members utilize both union and nonunion contractors,” **John Banks** (<https://commercialobserver.com/tag/john-banks/>), REBNY’s president, said in a prepared statement. “The data clearly shows a growing belief throughout New York City that nonunion contractors increasingly can provide a safe and quality product in a cost-effective manner.”

NYCA has committed to workforce and on-site safety training at all job sites, Franklin said. And the group has formed an internal safety committee for member contractors to share best safety practices.

But while nonunion firms have taken notice of safety practices, the numbers still show a problem. Last year 16 construction workers died on the job in New York City, and only two were from the unions, according to data from the federal **Occupational Safety and Health Administration** (<https://commercialobserver.com/tag/occupational-safety-and-health-administration/>).

Christian Ginesi, 25, a nonunion worker for **G-Tech Associates**, was killed in April 2015 after falling 24 stories down an elevator shaft at **301 West 46th Street**, for construction of **Riu Hotels & Resorts’ Riu Plaza New York Times Square** between Eighth and Ninth Avenues. And last May, **Trevor Luftos**, 40, another nonunion worker, was killed while working on a steel frame at **Radiant** in the Bronx. A **NYC** agency reported the deaths.



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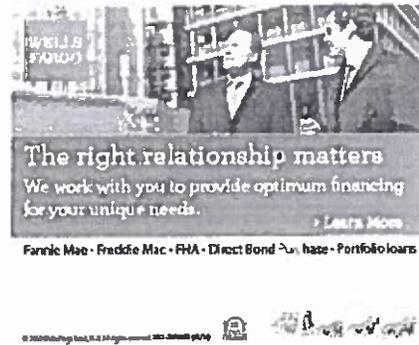
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“The reality is, there is only one sector in the construction industry where there is a presence of nonunion, and that’s in the residential sector,” said **Gary LaBarbera** (<https://commercialobserver.com/tag/gary-labarbera/>), the president of the **Building and Construction Trades Council of Greater New York** (<https://commercialobserver.com/tag/building-and-construction-trades-council-of-greater-new-york/>). “And really what I think it’s driven by is some of these irresponsible developers that in turn use irresponsible contractors and in turn use irresponsible subcontractors, it’s really just about more profit for them.”

LaBarbera added: “[NYCA] are now attempting to legitimize themselves to some extent and I think it’s no more than a PR stunt, because what they advocate [for] and how they portray themselves are not what the facts are.”

The group claims it is not anti-union—since its projects do have some union workers, and they provide union-like benefits for its employees such as 401(k)s plans and health insurance and it maintains a commitment to diversity.

“The mission of NYCA is to maintain the strongest safety culture possible,” according to a NYCA statement provided to CO in response to LaBarbera’s remarks. “As an open-shop contracting association, we support the use of union labor provided by the Building Construction Trades Council, as occurs on many of our projects, and also remain open to the consideration of alternatives, without ever sacrificing our commitment to maintaining the highest levels of safety.”

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- October 2016 (5)
- September 2016 (3)
- August 2016 (4)
- July 2016 (1)
- June 2016 (1)
- May 2016 (4)
- April 2016 (4)
- March 2016 (10)
- February 2016 (3)
- January 2016 (3)

2015

- December 2015 (5)
- November 2015 (5)
- October 2015 (2)
- September 2015 (2)
- August 2015 (2)
- May 2015 (3)
- March 2015 (11)
- February 2015 (1)
- January 2015 (2)

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- December 2014 (2)
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[Return to Previous Page](#)

HUD Secretary Ben Carson to Headline ABC's Diversity & Inclusion Summit

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Contact: Donna Reichle (202) 595-1782
reichle@abc.org

[For Immediate Release](#)

WASHINGTON, D.C., June 2—Associated Builders and Contractors (ABC) today announced that Dr. Ben Carson, secretary of the **U.S. Department of Housing and Urban Development**, will deliver the keynote address at its annual **Diversity & Inclusion Summit**, June 19-20 in Washington, D.C. The summit is part of **ABC Legislative Week**, which also features legal and legislative updates, meetings with lawmakers and political advocacy sessions for ABC Young Professionals.

Secretary Carson will address ABC's third annual gathering of industry leaders and key stakeholders who understand the value of diversity in construction and whose goal is to help promote the association's mission within diverse groups. Past speakers at the event include representatives from Apple, DuPont, FedEx, Johnson Controls and Walmart.

"Associated Builders and Contractors members believe that they deliver the most value to their clients when they are able to put the best team on the playing field regardless of their background," said ABC President and CEO Michael Bellaman. "Construction provides a tremendous path to well-paying careers and ABC is very proud of the \$1.1 billion our members spend annually to train our skilled workforce and help create career opportunities for Americans from all walks of life. We are excited to have a speaker as accomplished as Secretary Carson address our members, and look forward to a great discussion with leaders from throughout our community about how to ensure our industry is attractive to our country's entire talent pool."

The summit is part of ABC's diversity and inclusion framework, which also includes **Diversity Resource Groups** and **National Diversity Excellence Awards**. ABC was founded on the merit shop philosophy, which values open and fair competition among diverse participants in a free-market economy. ABC members are committed to achieving a fully inclusive and culturally competent workforce that is welcoming to all people, where employees and suppliers are limited only by their own potential.

Dr. Carson will speak to summit attendees at 9:30 a.m. on June 20 at the Hyatt Regency Washington on Capitol Hill. Members and nonmembers can find more information or register for ABC's Diversity & Inclusion Summit at diversitysummit.abc.org. The \$150 registration fee covers the entire two-day program.

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