Unions need to seriously up their game to compete in NYC, experts say

Potential solutions include "blended" wage and easing restrictive collective bargaining agreements

By Kathryn Brenzel | January 27, 2016 05:45PM

From left: Jay Badame, Gary LaBarbera, Jeffrey Dvorett and Richard Wood

Developers have a choice: Go cheaper with non-union labor or dish out at least 10 percent more on union workers. Depending on who's asked, this can be a crucial decision in the choose-your-own-adventure story that is building in New York City — and it's one the unions will need to retool if they hope to compete.

With the current construction boom, there's a high demand for labor, but there's also a shortage of skilled subcontractors, driving up the cost of labor and creating an opportunity for contractors to bid on work with a less expensive nonunion or open shop workforce. A panel of construction, development and labor executives spoke on the issue on Wednesday at the Urban Land Institute New York's annual Real Estate Outlook event, offering a few potential solutions to make union labor more competitive.

These solutions included creating a "blended-rate" workforce by adding more employees who are paid at a lower rate than the highly-skilled journeymen who are paid, say, $90 an hour. Another proposal was eliminating certain fringe benefits and loosening up the requirements of collective bargaining agreements.

"Trades in New York City are recognizing that in certain marketplaces adjustments need to be made, no question about it," said Gary LaBarbera, president of the Building and Construction Trades Council of Greater New York, a group that represents 100,000 union workers. "What I see happening eventually is that you'll see an evolution in the marketplace where it will become more opportunistic for unions to do more projects because of the changes that I foresee coming."

On a "good day," the price difference between using nonunion labor and union is 10 to 15 percent — in favor of nonunion — and on a "bad day," that gap jumps to 20 to 30 percent, said Jay Badame, president of Tishman Construction, a company that favors union jobs. He said the company compensates by providing the stability of deep pockets and "very attractive insurance rates."

"We will never be in a position where, on a trade-by-trade basis, we can compete with nonunion companies," he said. "So, I have to do some things below the line to make it more attractive for that developer to say, 'I'm going to go with Tishman, I understand that they are going to be here for the next 50 years as opposed to the next five.'"

The growing presence of nonunion labor in New York City has been widely reported, and the shift often epitomized by JDS Development Group's supertall tower at 111 West 57th, which is largely a nonunion project. LaBarbera maintains that union construction still has a stronghold on the market, since most non-residential projects are completed by union labor.

But with a number of large scale public projects coming on line — like the overhaul of LaGuardia, the Javits Center and Moynihan Station, to name a few — the union's presence in residential development is likely to taper off further, since union subcontractors will likely be absorbed by these government projects.

The debate between union and nonunion often turns to the question of safety, with union loyalists often blaming the increase of nonunion labor for the recent spike in worksite fatalities. LaBarbera said 15 of the 16 construction deaths in New York City in 2015 occurred on nonunion sites.

Jeffrey Dvorett, executive vice president and head of development at Kuafu Properties, said that safety and schedule factors are a big consideration as his company deliberates on whether to employ union or nonunion labor. He said it's still an active discussion.

"We look at it and we say, yes, there's the price of what it looks like on paper to save the money, but at the same time, we're a sophisticated development company," he said. "We care a lot about our reputation. We care about the quality of what we produce. We care about safety a lot. We also care about the schedule, so these are thing that we have to weight carefully to make decisions."

Tags: building and construction trades councils, non-union labor, urban land institute

CONSTRUCTION UNIONS CUT PAY, BENEFITS TO KEEP AFLOAT

Written by anthonyizaguirre on January 3, 2017 in News

Union construction companies, once the dominant builders in New York City, have been forced to cut wages and benefits to compete with the cheaper non-union firms that have increasingly elbowed their way into the metropolitan marketplace.

After the recession of 2008, developers looking to build in the

NYC BIZ NEWS

Welcome to NYCBizNews.com, a site covering the city's economy as a crucial mayoral election looms. You will find stories on jobs and unemployment, city were presented with a choice: use union workers and pay more or spend less with non-union labor.

It was an easy decision to make — to build non-union was to spend about 30 percent less on construction costs. Many developers could not resist the savings. Unions can build faster but low non-union wages make up for the lost time.

"The issue comes down to one thing, and that's cost," said Louis Coletti, president of the Building Trades Employers' Association, a group that represents unionized contractors.

Data collected by Coletti's association shows that non-union firms first made inroads into the New York City market through smaller outer-borough job before they moved on to larger Manhattan-based projects.

Last year, non-unionized companies secured 55 percent of the jobs from 20 and above, up from 35 percent in 2014, Coletti said.

"Unions excluded smaller projects, non-union contractors built them up and next thing you know they're in Midtown Manhattan. Now every building is a battle," said Ed Ott, a labor expert.

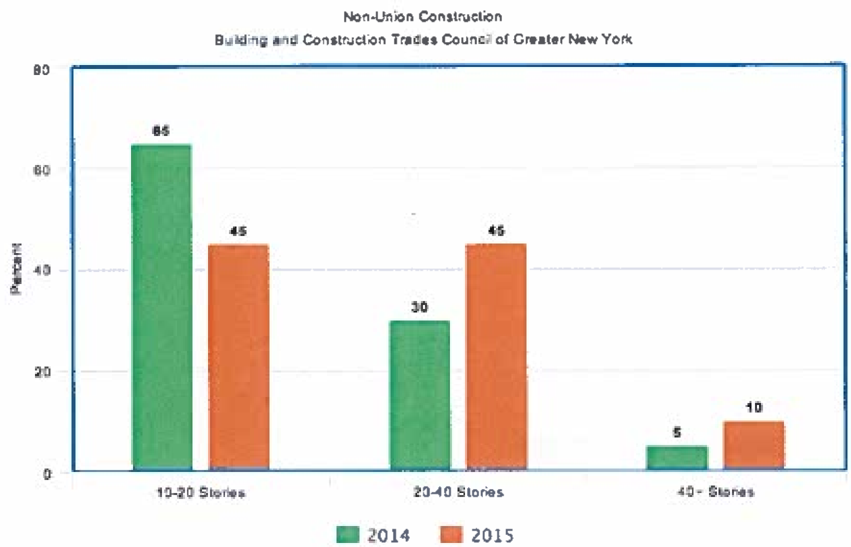
For unions to survive they've had to cut costs by slashing wages.

So-called "Market Recovery Rate" wages baked into new labor agreements lower pay by 20 percent. Benefits have been reduced in some cases. Cutbacks anger unionized workers but labor leaders argue that there is no other way to secure new job contracts.

"They understood that they were losing the marketplace, but the other option is that they wouldn't be getting jobs," Coletti said. "All you have to do is walk down the street in Brooklyn or

manufacturing, tourism, small business and real estate. A separate section takes the pulse of the city's emerging tech sector. The site is produced by reporters at the New York City News Service and the CUNY Graduate School of Journalism. Email your comments to greg.david@journalism.cuny.edu.

Manhattan and see the number of nonunion buildings going up, and that is a stark reminder."



Unions have tried to drive down costs by making a lower-tiered category of workers below the traditional classes of apprentice and journeymen. The less-trained new hires do the routine menial labor, like loading and unloading trucks, that allows a job site to function.

They go by different names depending on the trade — helpers, residential wiremen, utility workers, material handlers — but the concept is simple enough: staff a job with enough of these low-skilled workers and the average cost of labor on a union job bid decreases.

Older workers may soon sour on the new hires if the city's current building boom dies down, however. The city has seen over a 300 percent increase in construction volume in the last six years but the expiration of the 421-a tax break caused an 80 percent drop in newly permitted floor space by the end of 2016.

Union leaders like Coletti and LaBarbera said costs have come down at least 15 to 20 percent, cutting post-recession prices by about half.

Experts say trends in the concrete trades are among the best examples of the plan. The cost differential between union and non-union cement workers was above 30 percent after 2008. Unionized cement workers lost substantial portions of the market. After implementing wage reductions and hiring helpers, they've picked up 10 million square feet of new work, LaBarbera said.

"We are becoming more and more competitive," he said, adding that about 75 percent of the trades have adopted these measures.

The new class of low-skilled workers are poached from non-union firms with the promise of a career path with higher wages, benefits and safer job sites, experts said.

"Literally we have peeled off hundreds of non-union workers," LaBarbera said.

The optimism for the future isn't shared by proponents of non-union workers who say that the cost differential between the two labor pools is larger than unions believe.

"I don't think it's down," said Lance Franklin, chief operating officer of Triton Construction, which uses a mix of union and non-union workers in an arrangement called open-shop jobs. "The union numbers are always higher."

Franklin, whose company is part of a group of open-shop firms called the New York Construction Alliance, said he gives more work to non-union builders because the companies' craftsmanship is comparable to their more expensive counterparts.

"Most of the high-end residential condos right now in New York are being done by non-union open-shop contractors," he said. "The quality is absolutely there. I think it's as good if not better."

Developers have argued that they would build union if the cost differential sank to at least 15 percent. But Michael Salgo, executive director of the Cement League, a unionized contractors group, is less hopeful than other industry leaders that the developers will stay true to their word.

"The problem is that we got the savings to the developers and they want more. The 20 percent saving was urged on us by developers but it's not enough," Salgo said.

He said that concrete has made recent gains but overall the trade has lost about 70 percent of their work to non-union companies. And because cement workers are usually among the first laborers hired, the decision to go non-union early on tips developers toward similar firms throughout the construction of the project.

"I'm not unoptimistic. I'm just realistically looking at the league and finding that the developers are choosing a non-union option more frequently," Salgo said.

Brian Sampson, president of Empire State chapter of the non-union Associated Builders and Contractors, said that even after their cost of labor has come down, unionized workers still want too much.

"They can monkey round with that all they like – those rates are still far and above higher than the market rates," he said. "The reality is that they can't compete."

What role will union construction play in the NYC of tomorrow?

Execs from SL Green, Tishman and Brookfield contemplate union labor's decreasing market share

By Will Parker | May 31, 2017 02:30PM

From left: Michael De Chiara, Ed Piccinich, Jay Badame, Sabrina Kanner, Gary LaBarbera, Steve McInnis, Joseph Mizzi and Charles Murphy

A panel of owners, construction managers and labor leaders assembled Wednesday at the Union League on Park Avenue to discuss the future of union construction labor in a city that's increasingly open shop.

At the panel — hosted by law firm Zetlin & De Chiara and moderated by founding partner Michael De Chiara — former New York Building Congress president Richard Anderson said there was good news: building permits are finally up, 145,000 people are working on job sites throughout the boroughs and the office market is strong with big-ticket projects in the pipeline. "What could threaten this kind of a robust portrait?" he asked. The answer, panelists said, was sky-high costs.

New York is the most expensive city in the world to build, largely due to high construction wages and rising material costs, a recent study by consultancy firm Turner & Townsend found. The average cost of construction hit $354 per square foot in New York City last year, the study claimed.

Sabrina Kanner, of Brookfield Property Partners, which has a portfolio-wide project labor agreement, said that Brookfield's labor decisions come straight from the project budget. "We wouldn't be having this discussion today if in fact construction costs hadn't gone up 25 percent in the last five years," she said, "...something has to give."

Edward Piccinich, SL Green's director of property management and construction, said that doing 100 percent union was the way to go on the 1,300-foot skyscraper development One Vanderbilt near Grand Central Terminal, because of the speed and quality the unions offer over many open-shop groups. "But that's not to say we don't bid our jobs open shop," he said. "When that word open shop is thrown out to me, that's just another way of saying competition ... and I think competition's good..."

So called-open shop construction sites, or those that do not use entirely union labor, are now a basic market reality in the residential sector, but it's creeping into other construction types, too, a trend that panelists seemed to regard as inevitable.

"Commercial is switching over," said Charles Murphy, of Turner Construction, one of several New York City construction firms to last year refuse to sign agreements to exclusively use organized union labor, according to Wall Street Journal. Murphy cited the Brooklyn Navy Yard office project (where a dozen nonunionized ironworkers recently walked off the job at Rudin Management and Boston Properties Dock 72) as a prominent open-shop office building example.

Jay Badame, president and COO of construction manager AECOM Tishman (the largest general contractor in the city), downplayed the role of construction companies in making big labor deals. "We're all brought here by our clients and the developers, and the developers are really driving the ship and a lot of them are members of the organization called REBNY," he said, "so we are really just at their beck and call as it relates to open-shop and nonunion."

But unions are adapting to land big contracts. Panelists noted that they're picking up on a tactic familiar to most landlords: offering significant concessions.

"Unions are making concessions like never before," De Chiara said. But one problem construction managers and unions encounter, he said, is that subcontractors often don't keep up their end of the bargain in contract negotiations, and don't adhere to cost saving concessions, such as relaxing certain labor rules or agreeing not to strike. "People in our industry are not looking to take money out of people's pocket" said Joseph Mizzi of Sciame Construction firm, adding that making sure subcontractors aren't siphoning off money is a key part of making project labor agreements work.

Steve McInnis, president of the NYC District Council of Carpenters, said one of the worst ways that nonunion shops are trying to skimp, however, is by being "willing to overpay the management and under pay the workers." Some builders think they are getting a deal by bringing on top supervisors, McInnis said, but in the end they get straddled with an ill-suited labor force that no experienced manager can fix. Mizzi later added that wage concessions were in his experience the least effective form of concessions and had a tendency to produce "less than stellar" workers.

Gary LaBarbera, president of the Building and Construction Trades Council of Greater New York who was recently nominated by Gov. Andrew Cuomo to the board of the Port Authority of New York and New Jersey, cautioned the panel and the audience to remember that many open-shop projects are still majority union.

LaBarbera frequently said there were perils in using nonunion labor, such as inferior safety and poor quality of work, and made an example of the meager wages many non-organized workers are receiving. "You have workers that working 50 or 60 hours a week but are being paid at 40 hours a week, 15 dollars an hour, cash, no benefits, many of them undocumented workers," he said. Most fatal accidents in the recent years have happened nonunion jobs as well, he added. "There's a real cost to this and the cost is the worker. The worker is being exploited."

In the end, LaBarbera said trade unions have been making strides to compensate for lost market share, reworking contracts to be more competitive and finding ways to reduce the hourly aggregate cost of labor. "We know what contractors are doing, we know what they're paying," he said. "Building trades is open for business. There's a lot of changes that have been made."

Tags: Commercial Real Estate, labor unions, non-union labor, nyc construction