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North American Contractors Association (NACA)
Sheet Metal and Air Conditioning Contractors' National Association (SMACNA)
The Association of Union Constructors (TAUC)

CLRC Construction Labor Research Council

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Market Share Evaluation

Chapter XYZ – Local 101

One of the most important business considerations for union contractors is market share. Market share shows the prevalence of union work in a given area, and perhaps more importantly, the trend over time. The Construction Labor Research Council (CLRC) is pleased to provide this Market Share Analysis for Chapter XYZ.

Terms

There are two terms important to understand regarding this study: *market share* and *employment*. *Market share* is the ratio of union to total industry. In other words, it is the percent of the total industry in an area that is union. This number shows what proportion of the market is worked by union workers, but does not show the size of the market.

Employment refers to the number of workers, union or total industry. It signals the actual size of the market. It is possible for market share to increase even though employment decreases. Thus, when looking at this study it is equally important to look at both market share (See the chart titled, "Market Share.") and employment (See the chart titled, "Percent Change in Employment from the Previous Year.").

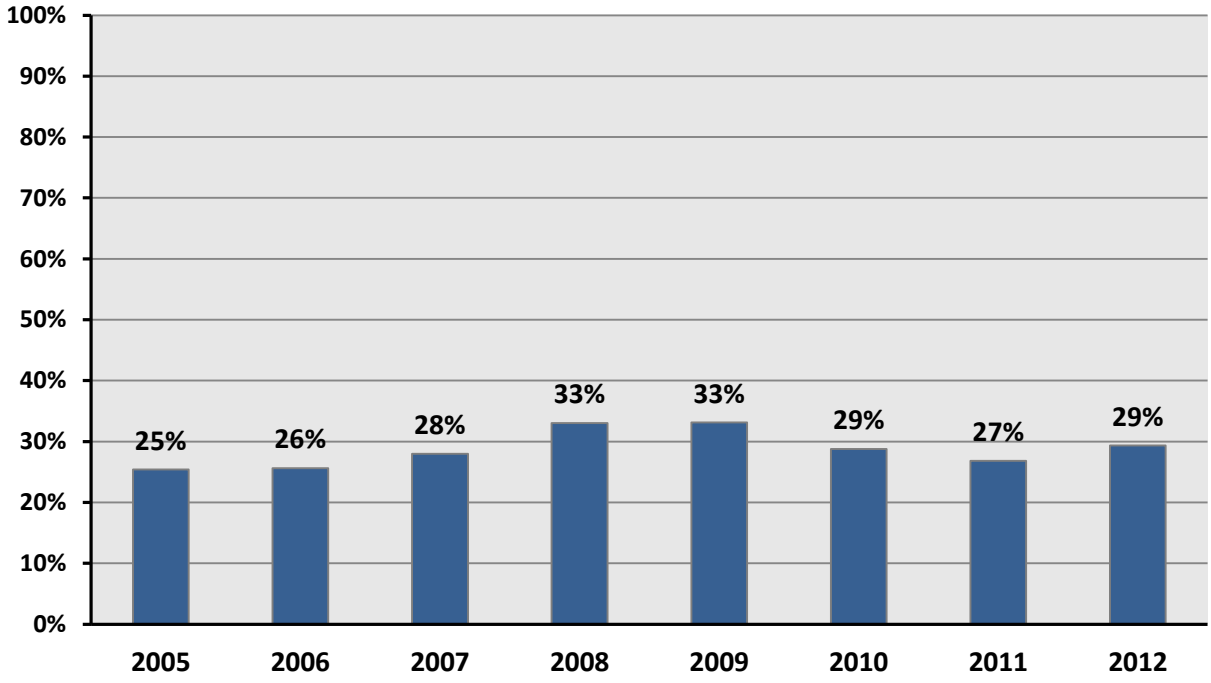
Methodology

Market share was determined by dividing the number of union workers in Local 101 by the total number of workers in that industry (union and non-union) in the geographical area covered by the union. This ratio shows the percent of the Local 101 area that is represented by the union.

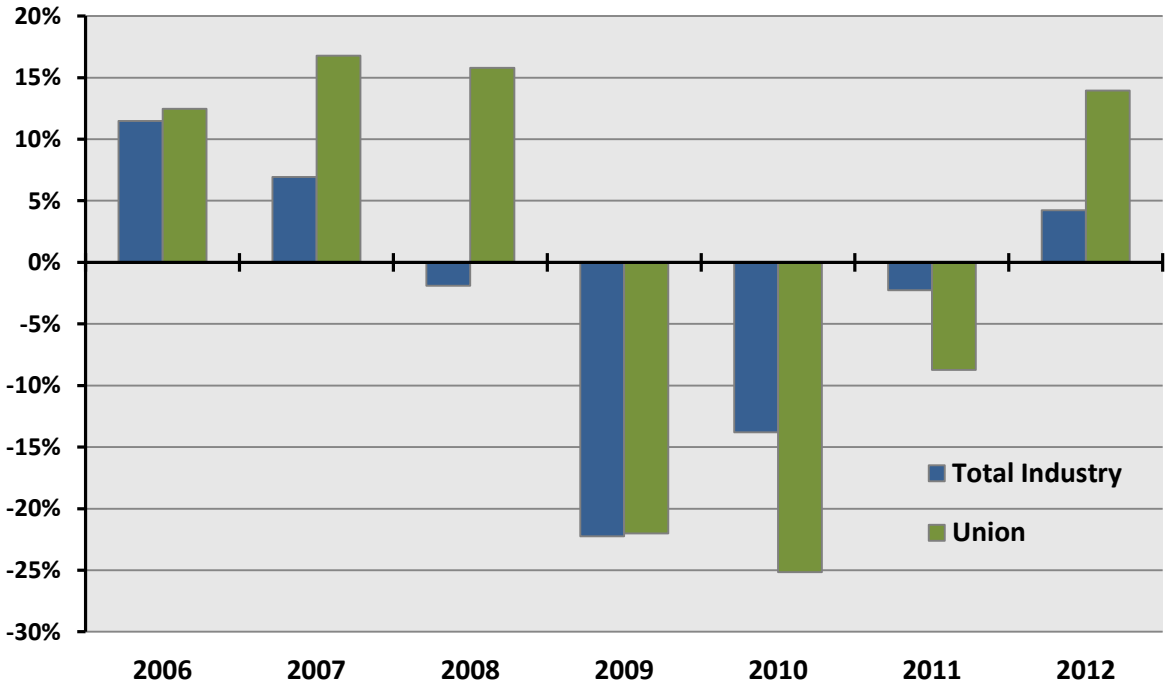
$$\frac{\textbf{Local 101 Employment}}{\textbf{Total Industry Employment}} = \textbf{Market Share}$$

Results

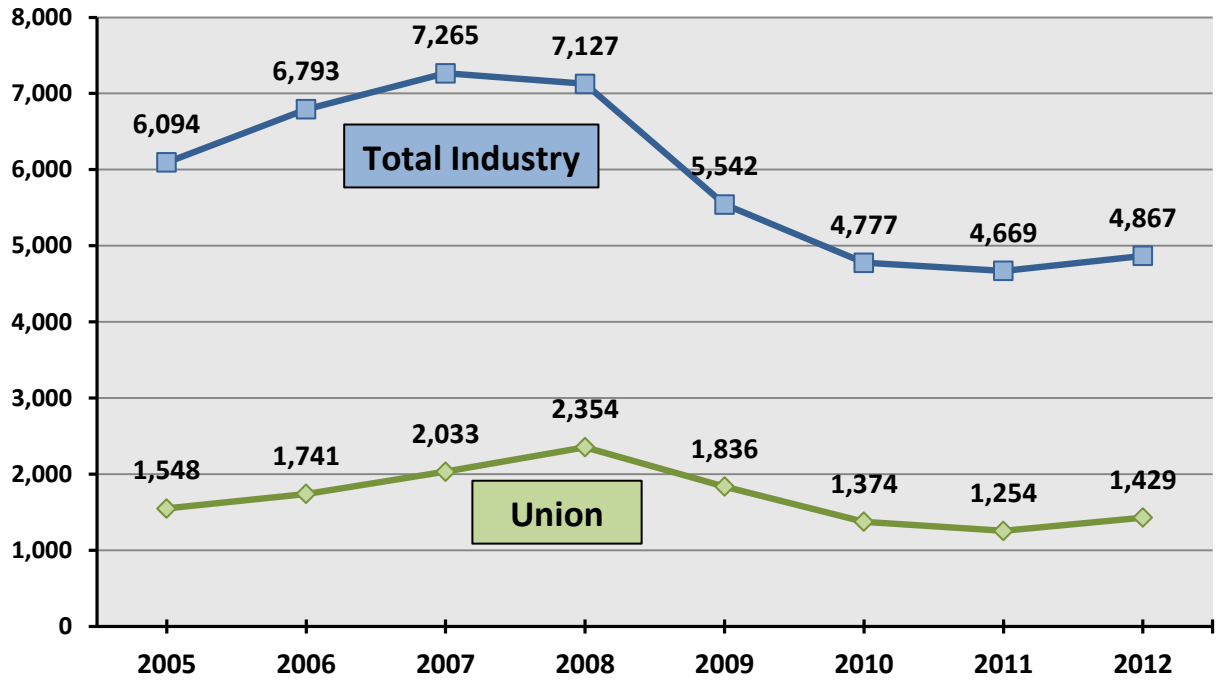
Market Share



Percent Change in Employment from the Previous Year



Employment



Summary Table

	Union			Total Industry			
		Change			Change		Market
Year	Employment	#	%	Employment	#	%	Share
2005	1,548	-	-	6,094	-	-	25%
2006	1,741	193	12%	6,793	699	11%	26%
2007	2,033	292	17%	7,265	472	7%	28%
2008	2,354	321	16%	7,127	(138)	-2%	33%
2009	1,836	(518)	-22%	5,542	(1,585)	-22%	33%
2010	1,374	(462)	-25%	4,777	(765)	-14%	29%
2011	1,254	(120)	-9%	4,669	(108)	-2%	27%
2012	1,429	175	14%	4,867	198	4%	29%
Net Change: 2005-2012		(119)	-8%		(1,227)	-20%	
2008 (peak union employment) to Current		(925)	-39%		(2,260)	-32%	

Discussion

Market share for Local 101 increased steadily from 2005 when it was 25 percent to 2008/2009 when it was 33 percent. Then, market share declined in 2010 and 2011 to 27 percent and finally rose modestly in 2012 to 29 percent.

From 2006 to 2008 union contractors' workforces grew significantly, increasing by 12 to 17 percent each year, and as a result market share increased. However, in 2009 and 2010 the union workforce declined more in two years than it had grown in the three previous years. Total industry also declined during this time, but not as much, as a percent. Most noticeably, in 2010 the union worker count fell by -25 percent while the total industry fell by -14 percent, resulting in a -4 percent decline in union market share. The market share increase in 2012 was because the union growth percent was larger than the total industry growth percent (i.e., union = 14 percent vs. total industry = 4 percent).

The net change since 2005 has been a loss of 119 union workers (-8 percent). Since the peak year of union employment in 2008, the union workforce has lost 925 workers or -39 percent.

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Union-Nonunion Wage and Fringe Benefits Comparison

Chapter XYZ – Local 101

The Construction Labor Research Council (CLRC) is pleased to provide this report which compares the wage and fringe benefits package between Chapter XYZ and Local 101 to similar nonunion data in the same geographic region.

Overview

Union data for Local 101 were obtained from their wage sheet effective January 1, 2013. Nonunion wage data came from the Occupation Employment Statistics program at the Bureau of Labor Statistics (BLS) in the Department of Labor. Nonunion fringe benefits data came from the Employer Cost for Employee Compensation program at BLS.

Cost Difference and Percent Difference

The "$ Diff" results show how much higher the union rate is than the nonunion rate for each pay category outlined in the analysis. The "% Diff" results show how much lower the nonunion rate is compared to the union rate as a percent. (Note, if the percent difference were calculated to represent how much *higher* the union rate is than the nonunion rate, the percent difference values would be larger due to a lower number, the nonunion rate, in the denominator of the ratio).

Data Aging

Aging data is a common and accepted practice in the field of employee compensation. Because the data sources used in this analysis had different effective dates, it was necessary to align all values with a common point in time. Therefore nonunion data were aged to June 2013, the expiration date for Local 101's package. The aging factor used was 2.2 percent, which was the average union increase for 2012 as measured by CLRC.

Results

Category	Union	Nonunion	$ Diff	% Diff
Wages	**$23.65**	**$18.51**	**$5.14**	**22%**
Fringe Benefits				
Health	$5.31	$2.44	$2.87	
Local Pension	$4.13	$0.81	$3.32	
Scholarship	$2.19	-	$2.19	
Defined Contribution	-	$0.74	-$0.74	
Total	**$11.63**	**$3.99**	**$7.64**	**66%**
Other Costs				
Training	$0.12	-	$0.12	
Industry Fund	$0.23	-	$0.23	
Energy Mgmt Trust Fund	$0.03	-	$0.03	
Apprentice	$0.28	-	$0.28	
State B/T	$0.01	-	$0.01	
Total	**$0.67**	**$0.00**	**$0.67**	**100%**
Total	**$35.95**	**$22.49**	**$13.46**	**37%**

Effective Date: February 2013
Aging Factor: 2.2%
Nonunion Data Source: Department of Labor/Bureau of Labor Statistics

The union wage rate is $23.65 and the nonunion wage rate is $18.51. The difference between the union and nonunion wage rates is $5.14. As a percent, the nonunion wage rate is 22 percent lower than the union wage rate.

The union fringe benefits rate is $11.63 and the nonunion fringe benefits rate is $3.99. The difference between the union and nonunion fringe benefits rates is $7.64. As a percent, the nonunion fringe benefits rate is 66 percent lower than the union fringe benefits rate.

The union rate for the other costs category is $0.67. There are no comparable costs for the nonunion worker.

The union total rate is $35.95 and the nonunion total rate is $22.49. The difference between the union and nonunion total rates is $13.46. As a percent, the nonunion total rate is 37 percent lower than the union rate.

Summary

The union rates are higher than the nonunion rates for all categories included in this analysis. The gap is most noticeable for fringe benefits where the union rate is nearly triple the nonunion rate. The union total rate is much larger than the nonunion total rate.

The ratio of union to nonunion for wages is 1.3 to 1. In other words, for every wage dollar spent by nonuninon contractors on wages, union contractors spend $1.30. The ratio for fringe benefits is 2.9 to 1. The ratio for the total rate is 1.6 to 1, meaning that for every $1.00 paid by nonunion contractors for labor, union contractors pay $1.60.

The nonunion wage rate used in this report was compared to pay data statistics from a private firm which specializes in analyzing nonunion pay. That rate for nonunion wages was very similar to the rate used in this report, further validating the reliability of the data used in this report.

Finally, the pay difference can also be considered from a productivity perspective. Specifically, given the union to nonunion pay discrepancy, how much more productive do the union workers need to be to neutralize the difference? Findings show that in order to compensate for the pay difference, union workers would need to be 160 percent more productive than nonunion workers. In other words, the union worker would need to accomplish in 5.0 hours what the nonunion worker does in an 8 hour day.

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Contract Cost Analysis

Chapter XYZ – Local 101

Contract Cost Analysis

The Construction Labor Research Council (CLRC) analyzed the contract between Chapter XYZ and Local 101. The analyses were based on the following data, which were provided by Chapter XYZ.

Total Hours (2012): 1,000,000
Full Time Employee: 1,750 hours/year
Wage Rate: $42.00
Total Package Rate: $50.00
Effective Date: September 1, 2013

The analyses were conducted for 12 categories with a low and high cost estimate for each. The table below lists the categories in alphabetical order and the parameters used for low and high. All categories are self-explanatory except "Other." Other represents miscellaneous costs including, but not limited to, the following: employer time spent working on trust funds, restrictions on hiring practices, interest penalties on delinquent payments, limitations on use of apprentices, limitations on days of the week during which the employer can implement layoffs, regulations on crew size, parking reimbursements, the cost of gear (e.g., gloves, helmets), etc.

Category	Low	High
Coffee Break	15 min/day; 75% of employees	15 min/day; 100% of employees
Foreman	10:1 ratio; 10% additive	5:1 ratio; 10% additive
Foreman, General	40:1 ratio; 15% additive	20:1 ratio; 15% additive
Other	0.5% of wage and fringe rate	1.0% of wage and fringe rate
Overtime at 1.5x	24 hours/year	48 hours/year
Overtime at 2x	12 hours/year	24 hours/year
Shift-2nd	Used 2.5% of the time	Used 5% of the time
Shift-3rd	Used 1% of the time	Used 2% of the time
Show-up Pay	2 instances/yr; 2 hrs pay each	4 instances/yr; 2 hrs pay each
Steward	10 min/day; 20:1 ratio	30 min/day; 10:1 ratio
Subsistence	$65/day; 2 days/year	$100/day; 4 days/year
Travel	$10.00/day; 10 days/year	$10.00/day; 20 days/year

The analyses are presented in two sections:

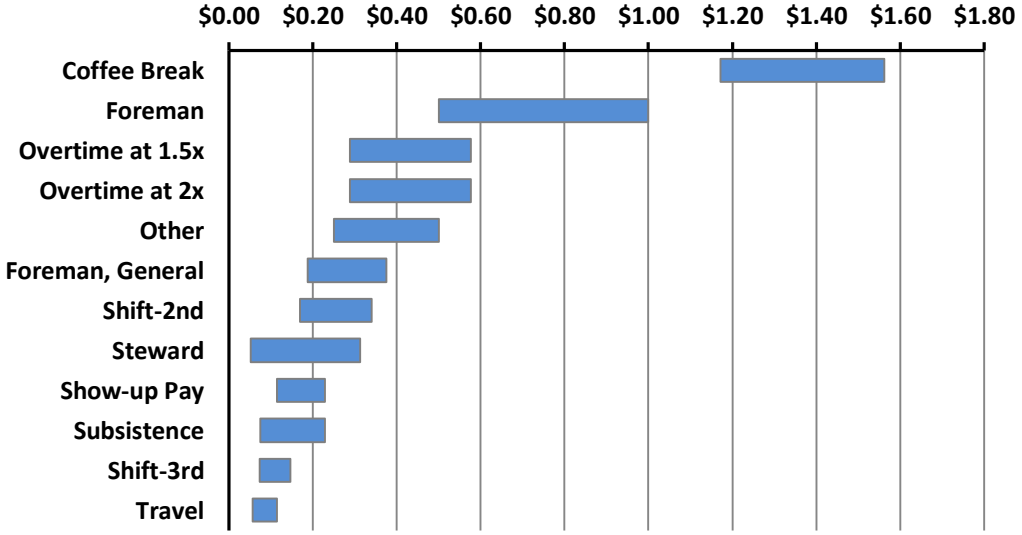
Cost Per Hour Per Employee
This represents the hourly cost for *all* employees, even if the category was paid only to some employees. For example, although not all employees work 2nd shift, the per hour per employee analysis shows the cost distributed across all employees.

Total Annual Cost
This shows the total annual cost for a contract language category for all hours. For example, for the 2nd shift low estimate, it shows the total cost for 1 percent of the employees working second shift for one year.

Cost Per Hour Per Employee

Category	Low$	Low%	High$	High%
Coffee Break	$1.17	2.8%	$1.56	3.7%
Foreman	$0.50	1.2%	$1.00	2.4%
Foreman, General	$0.19	0.4%	$0.38	0.9%
Other	$0.25	0.6%	$0.50	1.2%
Overtime at 1.5x	$0.29	0.7%	$0.58	1.4%
Overtime at 2x	$0.29	0.7%	$0.58	1.4%
Shift-2nd	$0.17	0.4%	$0.34	0.8%
Shift-3rd	$0.07	0.2%	$0.15	0.3%
Show-up Pay	$0.11	0.3%	$0.23	0.5%
Steward	$0.05	0.1%	$0.31	0.7%
Subsistence	$0.07	0.2%	$0.23	0.5%
Travel	$0.06	0.1%	$0.11	0.3%
Total	**$3.23**	**7.7%**	**$5.96**	**14.2%**

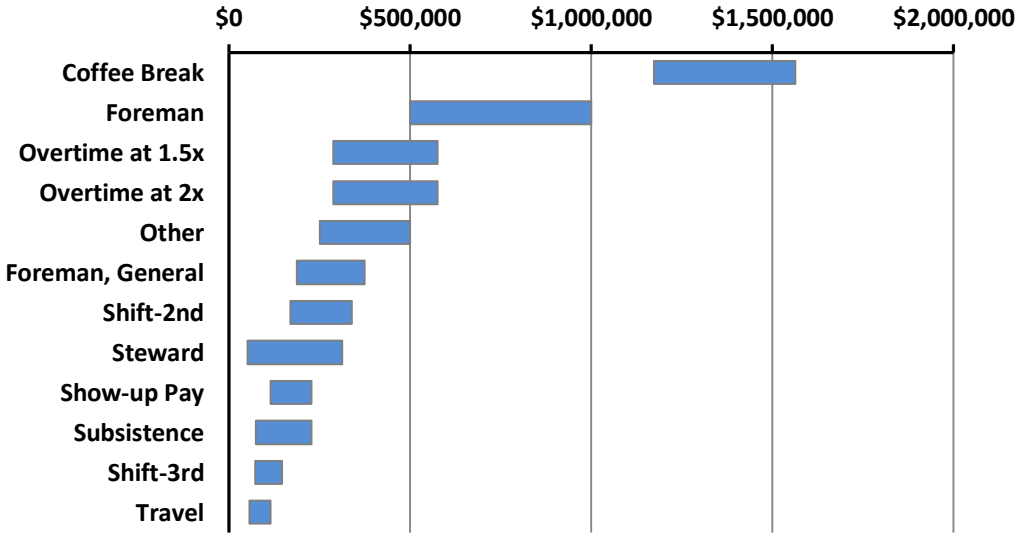
The results are shown in alphabetical order in the table (above) and in descending order based on the high end of the cost range in the bar chart (below). The per hour per employee costs by category ranged from a low of $0.05 for steward to a high of $1.56 for coffee break. As a percent of straight time wages, the costs ranged from a low of 0.1 percent for steward to a high of 3.7 percent for coffee breaks. The total contract language costs ranged from $3.23 (7.7 percent) to $5.96 (14.2 percent) per hour per employee.



Total Annual Cost

Category	Low$	Low%	High$	High%
Coffee Break	$1,171,875	2.8%	$1,562,500	3.7%
Foreman	$500,000	1.2%	$1,000,000	2.4%
Foreman, General	$187,500	0.4%	$375,000	0.9%
Other	$250,000	0.6%	$500,000	1.2%
Overtime at 1.5x	$288,000	0.7%	$576,000	1.4%
Overtime at 2x	$288,000	0.7%	$576,000	1.4%
Shift-2nd	$170,000	0.4%	$340,000	0.8%
Shift-3rd	$73,000	0.2%	$146,000	0.3%
Show-up Pay	114,286	0.3%	$228,571	0.5%
Steward	$52,083	0.1%	$312,500	0.7%
Subsistence	$74,286	0.2%	$228,571	0.5%
Travel	$57,143	0.1%	$114,286	0.3%
Total	**$3,226,173**	**7.7%**	**$5,959,429**	**14.2%**

The results are shown in alphabetical order in the table (above) and in descending order based on the high end of the cost range in the bar chart (below). The total annual costs by category for all hours worked under this contract in 2012 ranged from a low of $52,083 (0.1 percent) for stewards to a high of $1,562,500 (3.7 percent) for coffee breaks. The total annual costs associated with contract language for all categories combined ranged from $3,226,173 (7.7 percent) to $5,959,429 (14.2 percent).



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Chapter XYZ – Local 101

Wage and Fringe Benefits Benchmarking

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The Construction Labor Research Council (CLRC) is pleased to provide this report which compares the wage and fringe benefits package for Local 101 to key benchmarks—the Consumer Price Index (CPI) and nonunion craft rates.

Overview

This report examines Local 101's wage and fringe benefits rates in light of established benchmark data:

- the CPI and
- nonunion wage and fringe benefits data.

The analyses include longitudinal comparisons of Local 101's wage and fringe benefits rates to the benchmark sources. Beginning with Local 101's actual wage and fringe benefits rate in 2000, the annual increases for the two benchmark sources were used to model what Local 101's rates would have been each year since then if their increases would have been the same as the benchmark sources.

For example, in 2001 Local 101 received a 2.0 percent wage and fringe benefits increase. The CPI and nonunion increases that year were 1.1 and 1.5 percent, respectively. Thus, after one year the actual rate for Local 101 was $38.25 while the CPI and nonunion based rates for Local 101 were $37.91 and $38.06, respectively. This procedure was repeated each year for 2000 – 2013. Results are shown for wage and fringe benefits rates, annual increases and cumulative costs.

Consumer Price Index (CPI)
The CPI is perhaps the best known and most respected economic indicator in the United States. It is published monthly by the Bureau of Labor Statistics (BLS) in the Department of Labor. The CPI value shows the change in prices for goods and services (i.e., inflation) and provides a useful comparison point for union pay.

Nonunion
The nonunion data come from PAS. PAS is the nation's foremost source of merit shop data. They conduct a detailed, annual survey of wages and benefits covering all of the building and construction trades crafts.

Results

Local 101's actual wage and fringe benefits rates were compared to rates derived from using the CPI and nonunion data. Specifically, the annual increases for the CPI and nonunion sources were applied to the union rate of $37.50 in 2000. Exhibit 1 shows Local 101's actual wage and fringe benefits rates from 2000 to 2013 compared to what they would have been if the CPI and nonunion increases had been applied each year, beginning with the starting rate of $37.50 in 2000.

As Exhibit 1 shows, Local 101's wage and fringe benefits rate in 2000 was $37.50 and in 2013 it is $59.50. If the increases since 2000 had been equivalent to the CPI, the union rate in 2013 would be $49.66. Similarly, if the union increases since 2000 were the same as the nonunion increases, the union rate would be $52.35 in 2013. Thus, the wage and fringe benefits hourly rate for Local 101 is $9.84 and $7.15 higher in 2013 than it would be if the increases were the same as the CPI and nonunion increases, respectively.

Exhibit 1

Wage and Fringe Benefits Growth: Local 101 Compared to Benchmark Data

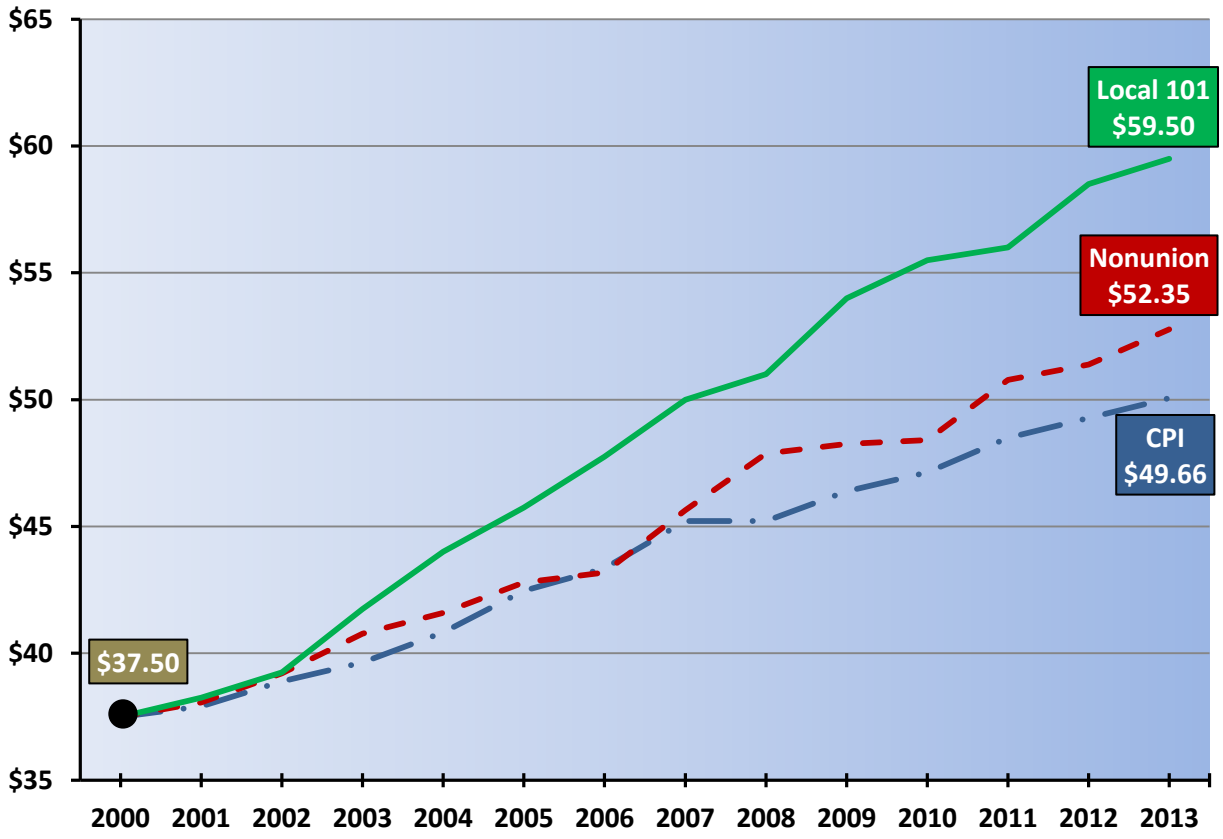
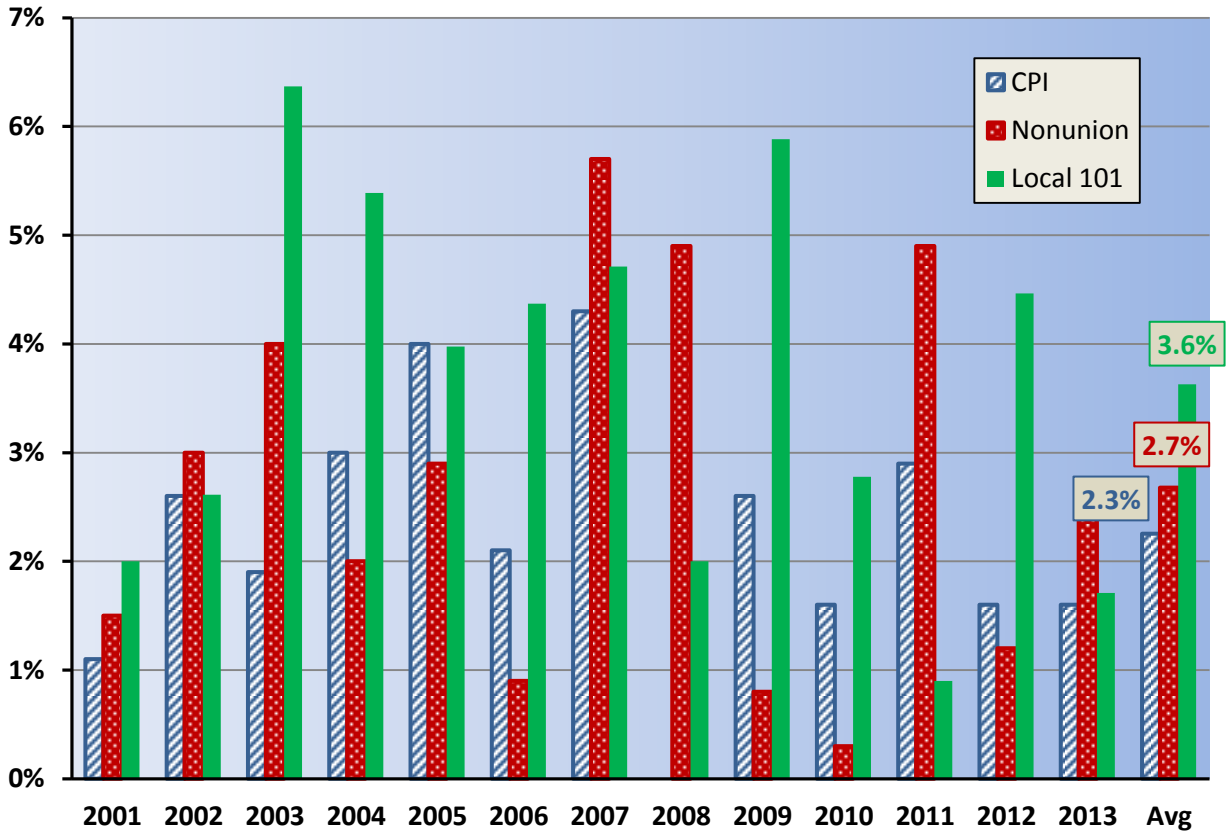


Exhibit 2 shows the percent increase, year-by-year, for Local 101, the CPI and nonunion wage and fringe benefits rates. Careful examination shows that the increases for Local 101 were greater than the CPI and nonunion increases for over half of the 13 years shown in the chart below.

Since 2000 the average annual increase for the union was 3.6 percent while the average CPI was 2.3 percent and the average nonunion increase was 2.7 percent.

Exhibit 2
Annual Increase: Local 101 Compared to Benchmark Data



Another useful way to compare Local 101's wage and fringe benefits package to benchmark data is to look at the cumulative cost impact. In other words, since 2000 what is the total financial difference between the union's actual pay and what it would be if the increases had been the same as the CPI or nonunion increases during this time? Exhibits 3 and 4 answer this question based on 250,000 work hours.

The red area in Exhibit 3 illustrates the "extra" amount paid by union contractors each year compared to the CPI based rate. For example, at 250,000 work hours the union rate that is $9.84 higher than the CPI based rate translates into additional payments of $2.4 million in 2013.

The blue area shows the cumulative impact of the difference between the union's actual increases and the CPI benchmark. Specifically, since the year 2000 union contractors working 250,000 hours annually have paid a total of $16.6 million more than they would have paid if increases for their employees were the same as the CPI.

Exhibit 3
Cumulative Total Cost: Local 101 Based on the CPI

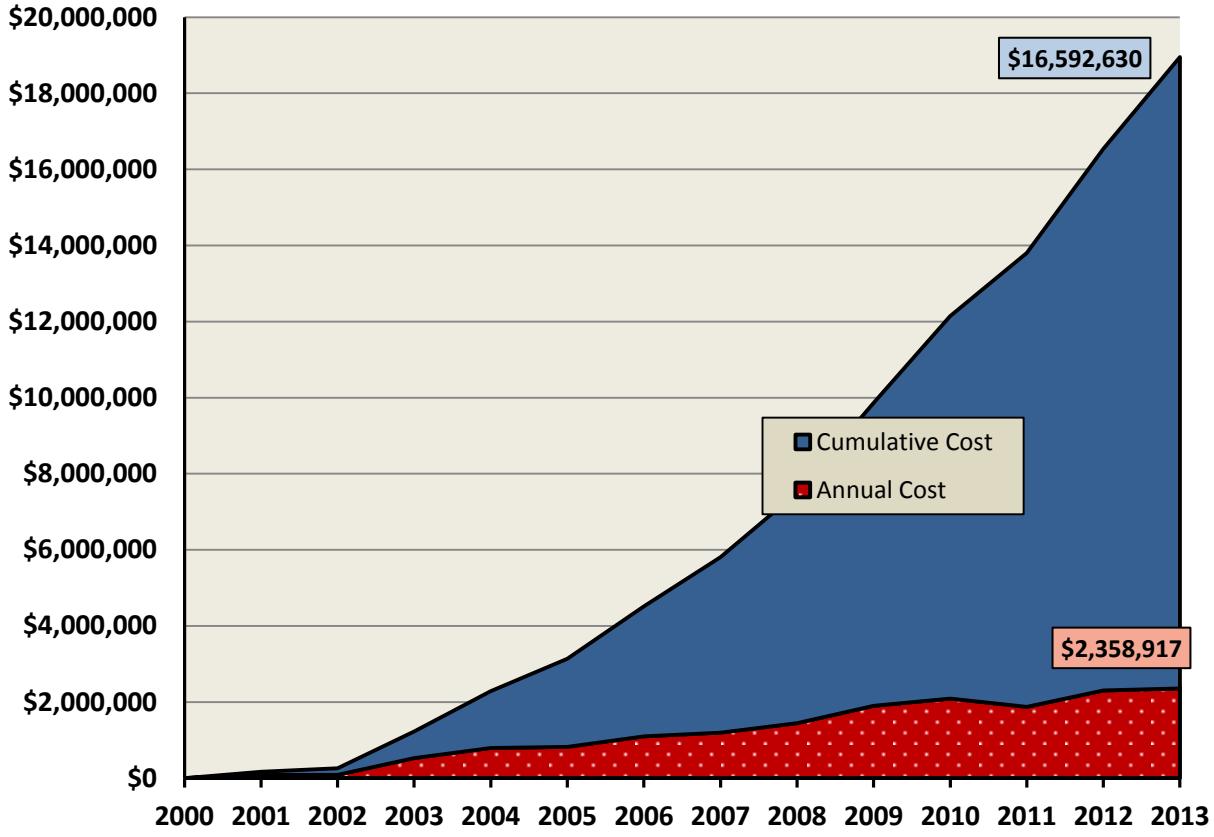
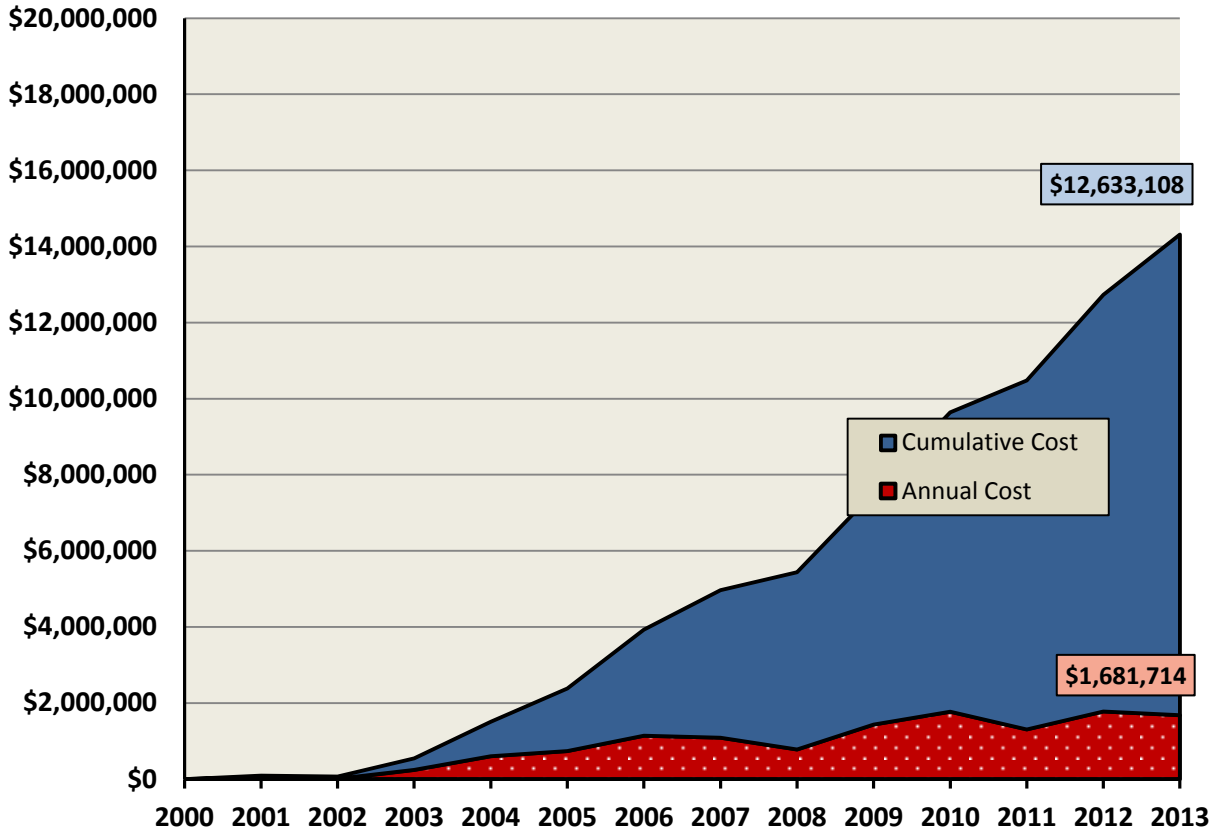


Exhibit 4 is similar to Exhibit 3, except that it uses nonunion increases as the benchmark comparison instead of the CPI. Results show that in 2013 the difference in rates results in payments of 1.7 million. Since 2000 union contractors have paid a total of $12.6 million more than they would have paid if their increases would have been the same as nonunion increases during this time period.

Exhibit 4

Cumulative Total Cost: Local 101 Based on Nonunion Data



Summary and Conclusions

This report clearly shows that what appear to be relatively small differences in wage and fringe benefits increases end up being large actual cost differences over time. To illustrate, the average annual difference between the union increases and the CPI was less than 1.5 percent. However, after a little more than a decade, these union increases that were consistently higher than the CPI resulted in a rate that was $9.84 (18.8 percent) more than it would have been had their increases paralleled the CPI.

The gaps in wage and fringe benefits rates among the three sources tested in this report are based on a common starting point of $37.50 for wage and fringe benefits in 2000. If this study had gone farther back in time the results typically would show even larger differences between union rates and the CPI and nonunion benchmark comparisons. This is because the gap grows larger for each year included in the analyses due to union increases usually being larger than the benchmark increases.

It is important to note that this report is not built on assumptions or theoretical underpinnings. The findings are based on actual data using basic math and statistics. The union wage and fringe benefits rates, the CPI and the nonunion rates are all real values accessible to anyone who wants to use them.

The costs reflected in this report will actually be larger when wage driven items such as overtime and FICA are included. For example, the $9.84 difference between the union and CPI based wage and fringe benefits rates will translate to even higher costs when overtime is calculated since it is a percent of the wage rate.

If the union were to receive a 1.0 percent annual increase going forward, it would take until 2021 for the nonunion based rate to “catch up” with the union rate and it would take until 2027 for the CPI based rate to be equal to the union rate. If the union were to receive no increase going forward, in 2018 the nonunion based rate would reach the union rate and in 2021 the CPI based rate would catch the union rate.

This report is not attempting to promote the CPI or nonunion increases. Rather, its purpose is simply to share objective comparisons between union increases and two relevant benchmark sources.