

LOCAL LABOR PRACTICES

A CONSTRUCTION INDUSTRY COST EFFECTIVENESS PROJECT REPORT

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I

SUMMARY

Inefficient work practices not required by collective bargaining agreements pervade the unionized sector of industrial, utility, and commercial construction. Many of these practices persist even though they are specifically prohibited by local labor agreements.

A diverse panel of knowledgeable owners and contractors estimates that these practices inflate union construction labor costs, on average, by approximately 15%. These experts also estimate that one-half of this amount, could realistically be saved.

This report discusses how these inefficient local practices came into existence, and why the circumstances that contributed to their growth have made their elimination very difficult. It must be emphasized that this report does not seek to blame these practices on any single party in the industry. Its objective is to unearth facts and suggest possible solutions that will contribute to a healthier and more competitive construction industry.

Costly and inefficient local labor practices must be eliminated if unions and their contractor employers are to overcome their competitive disadvantage in the marketplace and regain jobs lost to open shop competitors. Of the recommendations discussed in this report, three merit special emphasis:

- Pre-construction conferences are desirable between owners and major contractors before the start of every construction project. These conferences should be used as a forum to reach an understanding about job expectations, rules, work practices, and labor relations strategies.
- Owners, by encouraging and supporting contractor efforts to eliminate inefficient local practices, can reduce costs. They should give consideration to each contractor's past performance in this respect when awarding future work.
- Contractors, by making better use of grievance procedures available in labor agreements, can avoid making concessions on work practices in dispute.

II

INTRODUCTION

Manning restrictions and inefficient work practices in unionized construction create needless cost burdens for the industry. They make it increasingly difficult for building trades unions and their contractor employers to recapture their competitive edge in the marketplace and regain jobs lost to open shop operations.

While many of these practices result from written provisions that have been bargained into labor agreements¹, this study is limited to those unwritten practices (hereafter called "local labor practices") that add needless costs to the work of industrial, utility and commercial contractors employing union labor. Some practices that are mandated by labor agreements in one area may occur, in the absence of written provisions, in other areas as local labor practices.

This study was started in 1980 by The Business Roundtable, and is based on a nationwide mail survey of 325 owner and contractor executives experienced in construction. Each was asked to identify the source, prevalence, and cost effects of 57 inefficient local labor practices believed to be occurring on union construction sites in the United States. Each was also asked to suggest potential solutions.

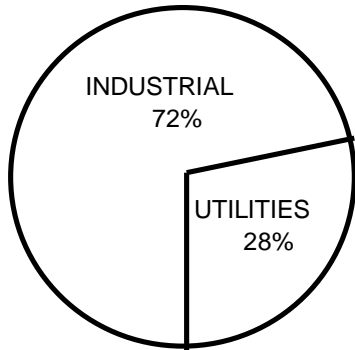
The survey attracted an impressive response. Of 382 questionnaires mailed, 333 (87%) were returned. Of these, 325 were found to be usable. The respondents were primarily senior executives with approximately 20 years of construction experience, well-distributed among the many facets of industrial, utility and commercial construction . (See Chart 1, page 5)

Care was taken to preserve anonymity and assure objectivity in compiling the returns. To this end, the results were tabulated by Gelb Consulting Group of Houston.

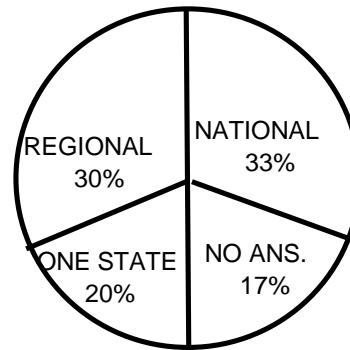
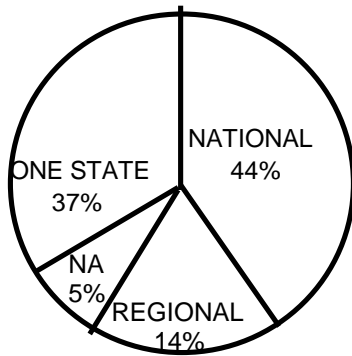
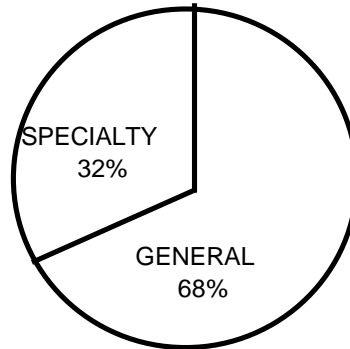
¹ See the companion study "Constraint Imposed by Collective Bargaining Agreements", The Business Roundtable 1982.

**CHART 1
PROFILE OF RESPONDENTS
LOCAL PRACTICES SURVEY**

OWNERS



CONTRACTORS



Owners

POSITION

Contractors

31%	Construction Manager	6%
22	Project/Operations/General Manager	23
18	Chief/Construction/Plant Engineer	1
9	President/Vice-Pres/CEO	66
7	Labor Relations Manager	28
18	Average No. Years in Construction	21

III

FINDINGS

Inefficient Work Practices Are Widespread

A wide variety of circumstances have led to the prevalence of local labor practices. Respondents to the survey reported that while most of the practices were initiated by labor; both contractors and owners share the responsibility for their continuation.

In attempts to appease labor, recruit employees, or avoid confrontations, contractors and owners have relinquished their right to manage their business by allowing the continuation of these practices. Alarming, in many instances such practices occurred despite existing prohibitive language in labor agreements. This reflects the loss of a bargained-for gain through work-site concessions of inattentive management.

The High Cost of "Hurry-Up" Projects

The circumstances most frequently reported as the prime cause of inefficient practices were: pressure by owners to get the projects completed, owners seeking labor peace at any cost, and labor demand exceeding supply. Stressing money rather than work-practice issues in bargaining was also seen as a major contributor. Failure by owners and contractors to develop a clear mutual understanding of job rules and expectations before work is started has been one of the worst industry problems. Fragmentation of contractors and contractor associations and their tendency to resolve problems by making concessions rather than following grievance procedures or taking legal action also have been frequent contributing causes.

Many comments pointed to weak management as a primary source of difficulty. As one management representative put it: area practices "are more a result of management ineptness and weakness than any other reason".

Many respondents stated that inefficient practices expanded in geometric proportion as the number of workers on a project increased. Cost-plus construction also was considered a significant factor. It was labeled as a "breeding ground for inefficient work practices".

Labor Costs Could Be Slashed by an Average of 8%

Although it is impossible to determine exactly how much each of these practices inflate the

cost of construction in the United States, this survey provides a good estimate of the overall magnitude of their expense. The respondents to the survey estimated that labor costs would be reduced on average by 15% if all inefficient labor practices were eliminated. They also concluded that savings of about one-half of this amount, or about 8%, were realistically attainable.

The Most Common Inefficient Practices

The questionnaire used in the survey was developed and tested in a series of preliminary conferences with small groups of owners and contractors. In these conferences, 57 specific inefficient practices were identified². These practices were then arranged on the questionnaire so as to obtain each of the respondent's views as to the prevalence and cost effect of each in his specific area of construction.

The replies showed that a few of the 57 practices had been observed by only a small percentage of the respondents. Nevertheless, where they do occur, they may have a significant effect on costs. Some others, particularly those involving premium pay practices, may in some circumstances be fully justified.

Of the eight categories, Nonproductive Work Time was identified by both contractors and owners as occurring most frequently. Examples mentioned most often—by almost 80% of respondents—were late starts, early quits, excessive time for wash-up and putting away tools and unauthorized breaks. This section of the survey on nonproductive work time scored the highest among practices that occur on a project site even though they are prohibited by specific contractual language. Only 5% of all the respondents to the survey reported that the specific items in this category were required by contract but a staggering 26% reported that these practices occurred even though they were prohibited. Most of the respondents agreed that union leadership seldom promoted or condoned these practices and owner management should be able to control them. One said:
"Sloppy management encourages these practices and keeps them alive."

² For a list of the 57 practices, see Table 1. An appendix to this report (available on request from The Business Roundtable) includes the questionnaire used in the survey and an analysis of the responses regarding the 57 practices.

TABLE I
LOCAL LABOR PRACTICES

NONPRODUCTIVE WORK TIME

1. Late starts
2. Early quits
3. Excessive time for wash up and putting away tools
4. Unauthorized breaks
5. Place of work is the change shack, or company property lines
6. Abuse of visits for medical aid
7. False weather excuses

ADDITIONAL TIME PAYMENTS

8. Guaranteed overtime for specialty craftsmen
9. Overtime for total craft if anyone works overtime
10. Welder qualification pay beyond time spent testing
11. 40-hour guarantee for general foremen, foremen or steward

PREMIUMS, TRAVEL PAY, INCENTIVES, ETC.

12. Wage payments above basic rate for welders, instrumentmen or foremen
13. Contract welding rigs
14. Apprentice payments above classification
15. High time, hazard pay, clothes repayment
16. Pipe sketchmen at foremen rate of pay
17. Overtime lunches and eating on company time
18. Travel pay and/or subsistence

EMPLOYMENT PRACTICES

19. Restrictions on contractor's choice of foremen and general foremen
20. Exclusive use of union hiring hall
21. Pressure to layoff non-local personnel first

WORK RESTRICTIONS

22. Restrictions on equipment and materials obtained from nonunion sources
23. Restrictions on repairs by specialty firms
24. Unnecessary limitation of work within crafts
25. Limitation of type of work by apprentices
26. Deliberate slowdown of work
27. Maximum number of welds per day or similar productivity restrictions
28. Restrictions on use, erection and dismantling of scaffolding

29. Use of more equipment than needed

TABLE 1
LOCAL LABOR PRACTICES
(Continued)

JURISDICTIONAL DISPUTES

- 30. Composite crews with more men than necessary
- 31. Payment for work not performed
- 32. Failure to proceed with work while waiting resolution

STEWARD

- 33. Non-working stewards
- 34. Remain for overtime work when not essential
- 35. Remain after rainout
- 36. Building trade stewards on large projects
- 37. Involvement in hiring and termination
- 38. Payment over scale, or other favors
- 39. Contact with union for manpower requirements
- 40. Last one in lay-off
- 41. Involvement in disputes with other than employer

MANNING REQUIREMENTS AND STANDBY TIME

- 42. Teamster drivers on job site pickups
- 43. Nonessential material checking and receiving
- 44. Journeyman pipefitter to work with welder
- 45. Welder refusing to work without helper
- 46. Use of survey crew for layout when workload does not justify
- 47. Foreman pay where there are manning cutbacks
- 48. Minimum numbers on rigging crews
- 49. Crews on elevators
- 50. Master mechanics by ratio system
- 51. Lack of apprentices
- 52. Crew sizes demanded outside of labor agreement
- 53. Excessive numbers of supervisors
- 54. Excessive levels of supervisors
- 55. Unneeded personnel for cleaning, testing, and startup
- 56. Observing work of technicians or client personnel
- 57. Temporary heating and lighting

Jurisdictional Disputes³ were not examined in great detail in this survey, but a high level of concern was found to exist about overmanning through the use of composite crews to avoid disputes. Slowdowns and work delays while awaiting resolution of jurisdictional disputes were also observed by more than one-half of the respondents. Almost three-fourths of the respondents reported that labor was responsible for initiating the work practices of this type.

Many varied and different types of Work Restrictions were surveyed in the report. Some of these, involving limitations on work by a given craft and limitations on work performed off the job site, are further examples of union efforts to enforce historic jurisdictions. Others involved direct productivity limitations such as a maximum number of welds per day. The most prevalent work restriction reported was deliberate work slowdown. Three-fourths of the respondents had observed this practice on their work, generally in an attempt to force overtime scheduling, to prolong a job or to press for the resolution of a jurisdictional dispute.

The section on Employment Practices dealt primarily with limitations on the contractor's freedom to hire and fire his employees. About a third of the respondents reported that there were restrictions on the contractor's ability to freely choose a foreman and/or general foreman. It appears likely that this composite view reflects widely varying responses—some from local contractors with a stable work force in a given area who view this as an infrequent problem, and some from traveling contractors for whom this is a major problem⁴ .

More than three-fourths of the respondents to the survey reported that they had experienced union pressures to lay off non-local personnel first as a job wound down or as more local labor became available. This practice increases turnover within work crews and will often prevent retention of the most productive employees as a work force is reduced.

Other inefficiencies, classified under the category of Stewards, arose from preferential treatment or due to unnecessary expansion of the steward's role. Two-thirds of all

³ A detailed study of jurisdictional problems is being provided in a separate report, "*Exclusive Jurisdiction in Construction*", The Business Roundtable, 1982.

⁴ For a detailed study of this issue see the report "*Contractor Supervision in Unionized Construction*", The Business Roundtable, 1982.

respondents reported that the steward had some type of involvement in disputes with an employer other than his own. Half of the respondents indicated that nonworking or "walking" stewards were hired as a normal labor practice. Nearly half reported that stewards become involved in hiring and layoff procedures.

Nearly all construction-labor agreements provide a steward for each craft for each employer. The steward's function is to represent fellow employees in disputes with that employer. Some of the abuses mentioned occurred when a contractor neglected his normal supervision of that steward or chose to delegate management responsibilities to the steward. About one-fourth of management felt that it was a matter of local practice to reward stewards with favors in order to avoid labor disputes.

The survey also dealt with Manning Requirements and Stand-by Time. A common characteristic of these local practices is the use of more workers at higher rates of pay than would otherwise be required. More than half the respondents reported the routine use of skilled journeymen for work that could be performed by apprentices or trainees of lesser skills. While most labor agreements impose a ratio of apprentices to journeymen, the actual percent usage of apprentices to the entire work force seldom approaches the contractual limit. Incentives to increase the use of trainees and/or subjourneymen are discussed more fully in another report⁵.

Most other items in this category involved the use of more manpower than was necessary. Examples are: routine pairing of a pipefitter with each welder, or a helper with each welder; unneeded personnel (often "standby") for chemical cleaning, vessel and system testing and temporary lighting and heating. Excessive numbers of supervisors were reported, a condition often caused by contractors' reluctance to reduce the numbers of supervisors as the numbers of craftsmen on a project decreased.

The impact of these problems far exceed that indicated by the frequency of occurrences reported in the survey. It is quite evident from the answers of the respondents that many of these items were viewed as contractual requirements rather than local practices as defined in this report.

⁵ "*Subjourneymen in Union Construction*", The Business Roundtable, 1982.

Additional Time Payments and Premium Pay Practices were found to be less common than the other categories already discussed. Many of these issues relate to very specific provisions found in most labor agreements; both contractors and unions tend to comply with these provisions. Nevertheless, sufficient abuses were reported to merit at least a periodic audit.

The appendix to this report is available on request from The Business Roundtable and includes a copy of the survey questionnaire as well as a more detailed analysis of the responses. Readers with responsibility for management of *actual construction are urged* to study this appendix in detail.

Needed: Contractor Initiative and Owner Support

There was substantial agreement among the respondents regarding potential solutions, with owners and contractors expressing only slight variations in emphasis. Owners stressed the need for better informed contractor management, the establishment of job rules before starting construction, and the unification of contractors efforts through the work of their trade associations. Contractors emphasized the importance of owners supporting contractors when labor problems arose and the avoidance of unrealistic completion schedules. Some comments by individual respondents illuminated this range of views.

On owners and contractors agreeing on rules and expectations before starting a project:

"User supervision of the contractor's performance and adherence to schedule has been a productive means of providing a quality job on cost targets and on schedule. The best way to make this method work is to have a clear understanding of the rules and expectations first."

"In addition, rules must be clearly communicated to labor at the start of the job."

On greater use of contractors' associations:

"Many of the problems are due to the fact that a large number of contractors do not belong to any association and undermine association efforts to correct bad practices."

On owners scheduling area work:

"It is not realistic to believe that owners will schedule work requirements to suit the labor supply. Owners should inform the construction industry that they have long range plans, and that the local labor climate will affect where they spend their money."
"

On problems of local practices in general:

"Let's stop blaming labor. The problem here is a lack of management." "Carefully screen and select the most qualified contractors who have a record of good service and good management capabilities." "Owners are the key in supporting all of these potential solutions."

On relationship to project size:

"The cost of local practices increases in a geometric progression with the size of the project."

IV

RECOMMENDATIONS FOR ACTIONS

Even though many inefficient work practices may have started as a result of union pressures, union leaders will often agree that their members' interest would be better served if the practices were eliminated. This report focuses especially on possible actions by both owners and contractors and offers the following recommendations:

Owner And Contractor Actions:

- Become more familiar with the detailed provisions of labor agreements. Seminars could be sponsored in local areas by users groups to address those portions of the labor agreements which allow contractor flexibility in staffing and work rules. In particular, these seminars should address the problems created by inefficient practices that are not written into labor agreements or that occur even though prohibited by contract.
- Hold preconstruction conferences between the owner and the major contractors on each project. Before the start of any construction, owners and contractors could then reach an understanding in advance as to job rules, work practices and labor relations strategies. This understanding then forms the basis of the contractor's position in his pre-job conferences with the unions.
- Audit their job sites for inefficient practices, using the 57 labor practices identified in the survey as a checklist, with an eye toward mutually devising a plan to eliminate at least the most costly .

Contractor Actions:

- Avoid settling disputes by making concessions on work practices, instead make more use of the grievance procedures available in most labor agreements. Owners should encourage and support such actions.
- Contractor supervisors should recognize that the steward's role is limited to representing his fellow employees in disputes with his employer. They should not tolerate unrelated activities by stewards nor delegate management duties to them.

- Make a concentrated effort to eliminate local labor practices that are occurring on job sites, especially those that are specifically prohibited by contract language in existing local labor agreements.

Owner Actions:

- Join user groups where these exist and participate actively in efforts aimed at reducing construction costs. Become familiar with construction activities and practices in their area and support contractor associations' actions where appropriate.
- Strongly encourage contractors to become active members in the appropriate local construction trade associations. Traveling contractors should be encouraged to become familiar with construction activities, history and practices in each locality where they are doing business, and avoid transplanting inefficient practices from other areas.
- In selecting contractors for a project, consider each contractor's past performance in eliminating inefficient work practices.
- Schedule projects with realistic completion dates so as to avoid manpower shortages and excessive pressures for completion that promote the growth of inefficient practices.
- Be aware that very large direct-hire workforces that exceed a contractor's normal following of dedicated supervisors and journeymen tend to spawn inefficient practices. For this reason actions to insure adequate supervisor capabilities and to maximize normal stable work force relationships are desirable.