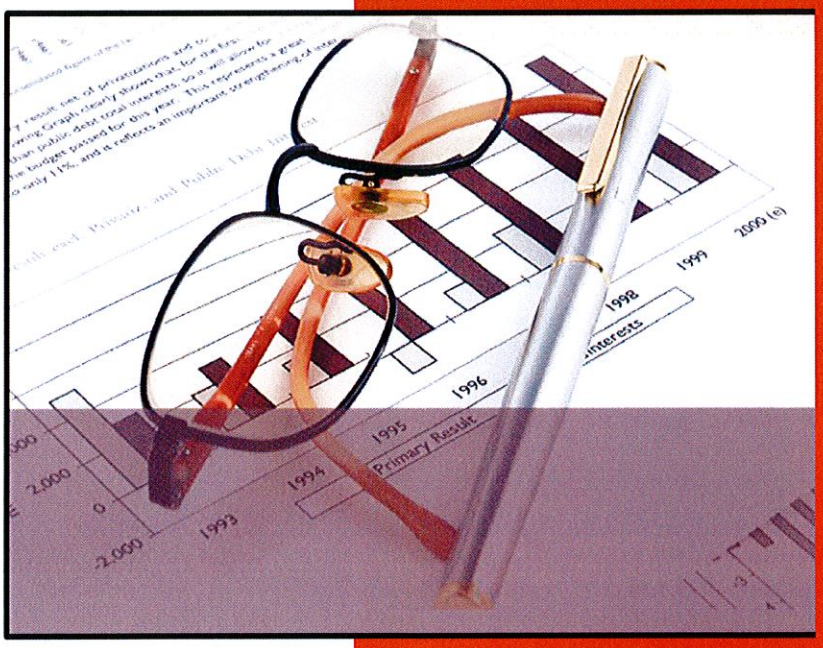
CLRC Construction Labor Research Council

Chapter XYZ – Local 101

Wage and Fringe Benefits Benchmarking



SAMPLE

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 beginning on the next page 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 comes 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

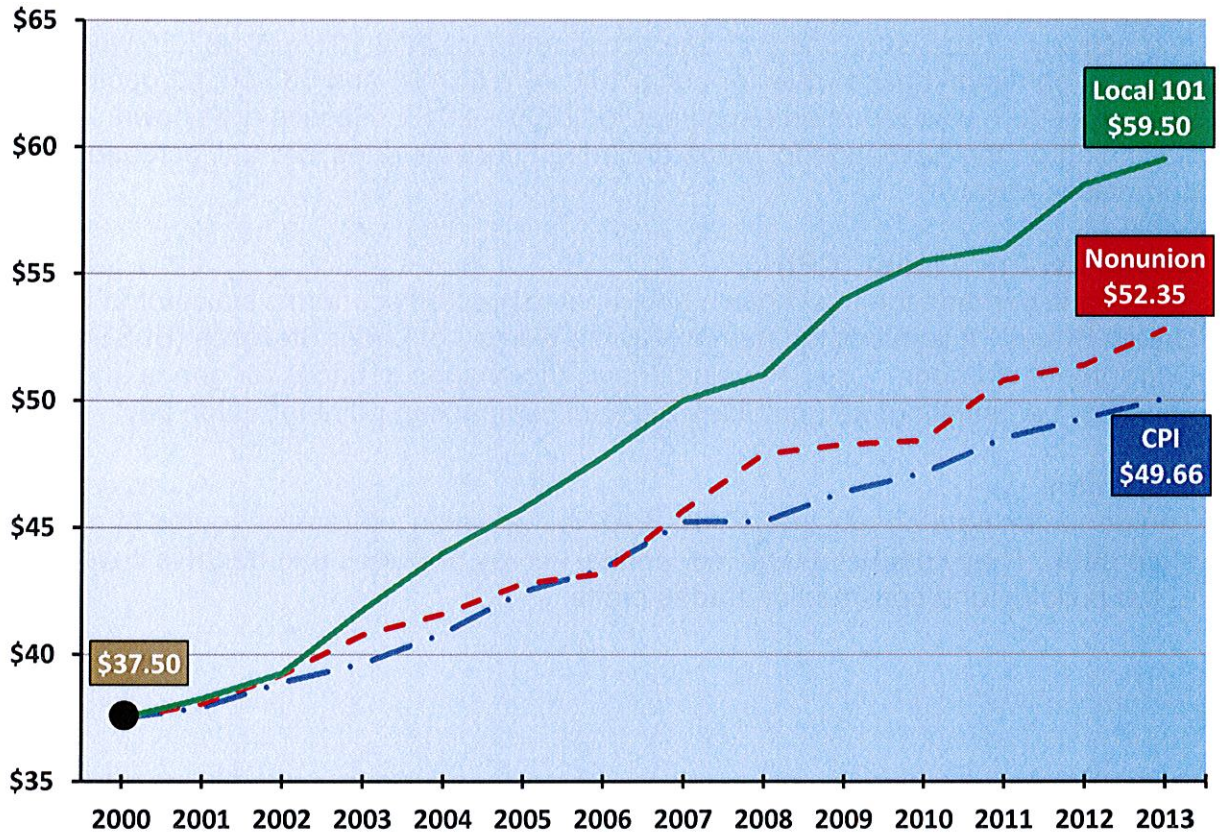
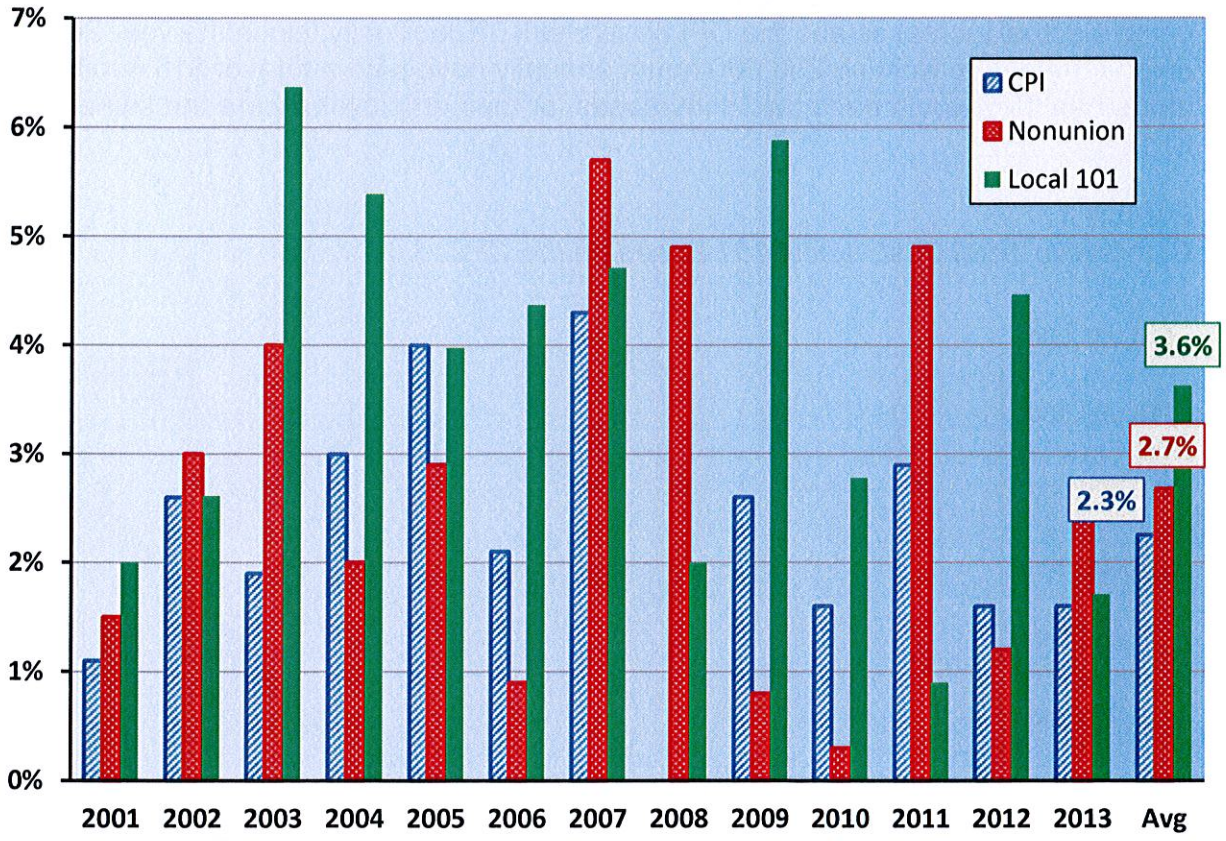


Exhibit 2 shows the percent increase, year-by-year, for Local 101, the CPI and nonunion wage and fringe benefits rates. Careful examination shows that the increases for Local 101 were greater than the CPI and nonunion increases for over half of the 13 years shown in the chart below.

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 in Exhibit 3 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

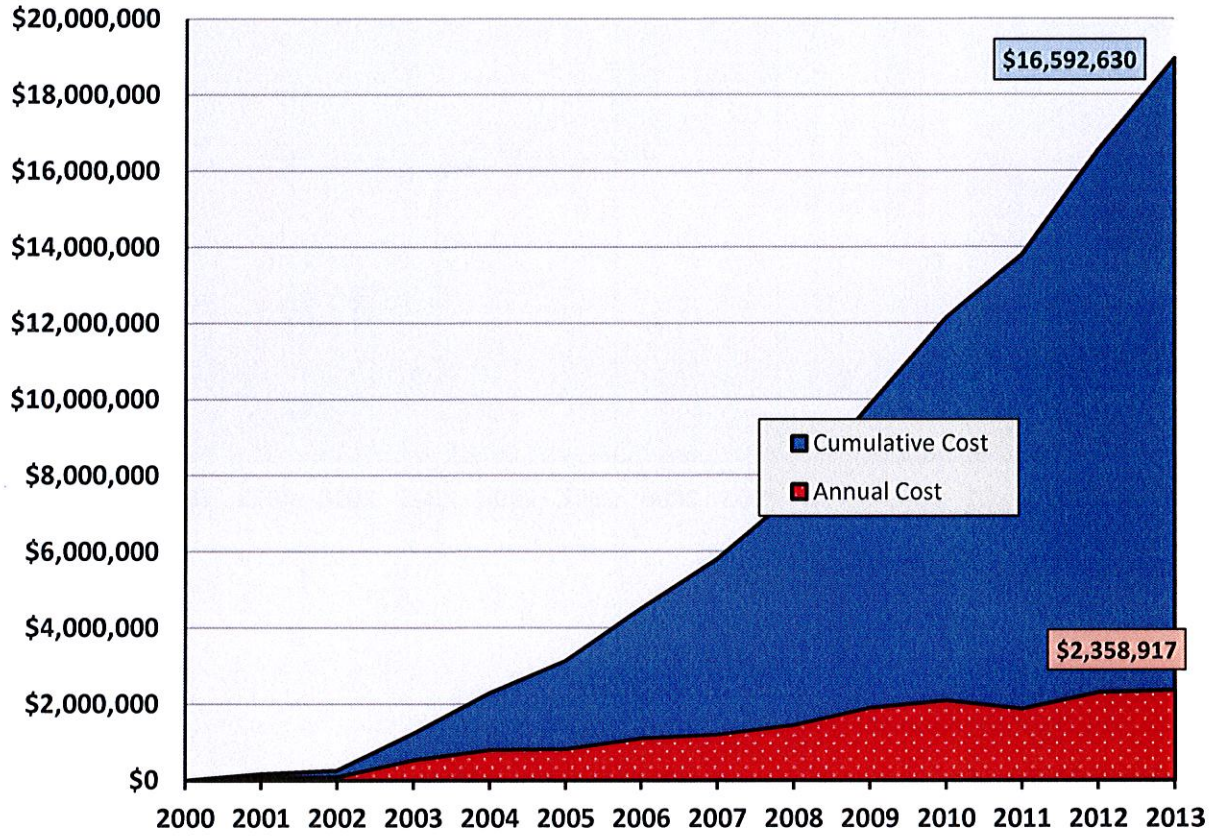
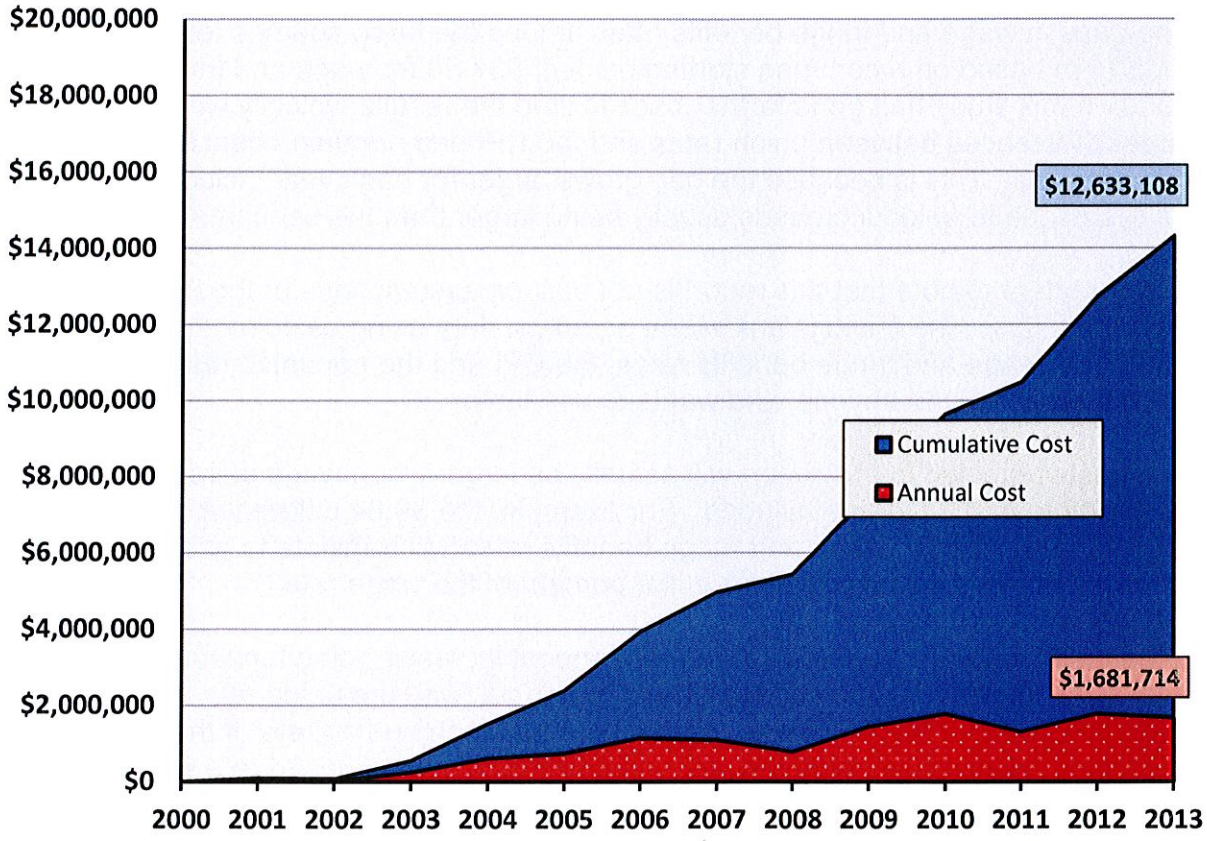


Exhibit 4 is similar to Exhibit 3, except that it uses nonunion increases as the benchmark comparison instead of the CPI. Results show that in 2013 the difference in rates results in payments of 1.7 million. Since 2000 union contractors have paid a total of $12.6 million more than they would have paid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