



## NEWS RELEASE

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### **New Study: Arcane Union Work Rules, Inefficient Practices, and Featherbedding Impose 20-30% Excess Costs, Leading To Dramatic Increase in Nonunion Work on NYC Construction Sites**

**New York, NY** – Regional Plan Association (RPA) today issued a major report analyzing hidden costs of union construction in New York City, making it increasingly non-competitive. As a result, “open shops” (mix of union and nonunion labor) are 20-30% less expensive than full-union shops and are growing rapidly, from just 15% of the market in the 1970s to about 40% now, jeopardizing the unionized construction industry in New York City.

The 52-page report, “Construction Labor Costs in New York City: A Moment of Opportunity,” a first-ever, in-depth analysis of the structure and costs of a notably secretive industry, found the far higher costs of union construction are primarily due to featherbedding, legacy work rules and inefficient practices – some of which date back over one-hundred years – rather than significantly higher wages and benefits.

The report, which comes as twenty-three construction union contracts are set to expire in just two months on June 30, 2011, is based on interviews with seventy-four industry, labor, and government leaders and comes at a time when unemployment in the construction industry is estimated to exceed 30%.

The report finds that a 10 % cost differential between union and nonunion construction is tolerable to many major developers and contractors, while the existing 20-30 % differential is not.

Examples cited as causes of excess cost include requirements for:

**-more, more, more-**

- higher paid operating engineers on hoists and elevators, even though lower paid laborers could readily perform the work;
- over-staffing of two or more workers to do the work of one, such as the unique contractual mandate that steamfitters work in pairs; and
- temporary (standby) services with multiple high-paid trades on site at all times, including plumbers and electricians, whose services are rarely needed.

The report cites New York City's rules for training and testing crane operators as an issue of special significance. Under the city's current licensing process, applicants need access to union members and equipment to obtain a crane operator's license. This effectively grants the union control of licensing and in turn restricts the supply of workers and significantly drives up costs. The report recommends City government accept national licensing, or reciprocal licensing with other major cities, for large cranes, building on existing regulations for smaller cranes. This recommendation concurs with a NYC Department of Buildings report in 2009.

All other recommendations relate to collective bargaining issues for upcoming labor negotiations, including several rules to ensure a full day's work for a full day's pay:

- removing restrictions on the contractor's choice of equipment, technology, tools, methods, designs, materials, prefabrication and off-site work;
- abolishing contractual requirements for temporary services;
- beginning and ending the work day at the worker's assigned station;
- instituting an industry-wide standard of an 8-hour day, 40-hour week, with overtime at time-and-a-half over 40 hours;
- permitting staggered start times among and within trades;
- adopting nationally recognized major holidays as the standard paid holiday schedule.

"The \$25 billion commercial and residential construction industry is one of the many underpinnings of our region's economic success," said RPA president Robert Yaro. "Unfortunately New York's construction costs have risen to uncompetitive levels, resulting in reduced utilization of the unionized workforce. Updating work rules and practices will save jobs and place the industry, and our region, on sounder footing."

"Since 1922, RPA has promoted the economic success of the New York metropolitan region," said RPA chairman Elliot G. Sander. "Businesses are willing to pay a premium to be in New York, but

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we've reached a tipping point where developers and contractors are no longer able to bear significantly higher construction costs. Our goal is to reach a sustainable medium that the market will support and in doing so keep our region competitive both here and abroad.”

Regional Plan Association is the nation's oldest independent metropolitan planning organization. The report was funded by RPA general support funds. The full report can be found at <http://www.rpa.org/pdf/20110501-RPA-Construction-Costs.pdf>