

THE ACADEMY OF ELECTRICAL CONTRACTING

Paper Presented by

Allen F. Knickrehm, Fellow

Electrical Contracting Deregulated

July 1984

ACADEMY OF ELECTRICAL CONTRACTING

ELECTRICAL CONTRACTING DEREGULATED

Fellow members of the Academy [and guests]:

Electrical contracting has been deregulated. During the last two meetings of the Academy, conversation was alive with discussions of non-union competition. Loss of market share was also of great concern. Electrical contracting has been deregulated, not by government, not by industry, but by the marketplace. New materials have found their way into the National Electric Code. These materials, to name a few, are undercarpet strip, plug-in fixture assemblies, pre-wired office partitions, flexible plastic conduit, plenum cable, and others. I am sure you are thinking, "what has this got to do with our problem?"

Fellows, I submit to you, it is part of the deregulation. It does not take four years of apprenticeship to snip, clip and install these new materials. Have we forgotten when the ubiquitous inverted t-bar ceiling first arrived on the scene? It was easy for us to install electrical fixtures. Patterns were pre-determined and fixture prices fell because they were built to fit the same standard grid. But soon our office remodeling market for lighting dwindled as others with less skills than our electricians could easily move lighting fixtures and install them. Therefore, the market for office lighting changes all but disappeared. Now, with the advent of these new materials, the office remodeling area and the core system, our market again will dwindle, not because we are unable to install this equipment, but because our prices are too high. This has been said many times at the meetings that I have attended

here with the Academy and at Chapter meetings also.

Those of you who attended the last national convention realize that telephone wiring systems were in great display and offered a new market for the electrical contractor. I suggest that you check your local classified ads for employment opportunities for installers of telephone equipment. The wages being offered and those who are taking jobs at those wages have undercut anything that a union electrical contractor can offer in competition. We are losing another market not because we are unable to compete or lack knowledge in this area, but because we are simply priced out. We and the IBEW have been deregulated out of this market.

Fellows of the Academy, I will relate to you an innovative plan that was put into effect in California by our largest customer, the General Contractors. Their strategy was allegedly simple. For years they were banded together in the AGC as union contractors, doing large industrial, commercial installations. To a large extent they had abandoned the residential market, other than high-rise buildings. Their Board of Directors endorsed this plan, as related to us by the director of the California Chapter. That Chapter includes all of the State of California with the exception of what is referred to as the Northern Tijuana Chapter, also known as the San Diego Chapter. They bargained for the five basic trades and other specialties. Under their by-laws at the time, all members were bound to all of the AGC agreements when they joined the AGC just as we, as IBEW members of the NECA, are bound to all of the other IBEW specialty agreements or other agreements in the areas in which we move.

The AGC strategy was developed by a reappraisal of their geographic markets. They noted that the large dollar market areas set the wage and fringe benefit packages for the agreements, not the interests of two large geographic areas of the State. They, in effect, had priced themselves out of the smaller marketplaces and smaller communities. These high rates were unrealistic, based on the local economy. They noted that their members could not effectively compete for these types of jobs.

The AGC Board of Directors proposed to change their by-laws which were submitted to their membership and, much to their pleasant surprise, were overwhelmingly supported. The change was simple, yet effective. Previously, they had supported large bargaining districts and areas, which during the sixties and seventies heeded the cry for large regional bargaining. By enlarging the area of bargaining, they provided a much stronger unit which could better withstand whipsawing and pyramiding. At the same time, this was thought to be a valid argument. They later found out that pockets of inaccessible work were causing their members to lose market share in these large contract areas where contracts provided a single rate structure and single conditions. It was realized that the residential and small commercial work market was being lost. In other words, something was not right in the way they were bargaining for contracts to keep their costs competitive with the marketplace — deregulation, if you will! The AGC's study of the bargaining structure revealed that their association and the unions were not being responsive to the smaller local market. Therefore, something would have to be done! They would have to change from a wide-area basis bargaining because it did not recognize the structure of their market.

This change could not be made unilaterally. The AGC went to the unions and asked for recognition of this change in the market but the unions, in their usual way, said "Don't worry, it'll go away. It's an aberration." Some said, "We're going to have these high wages and benefits even if only 50% of the local is working." I'm sure we have all heard this. The AGC response was to say, "How can we represent all of our members scattered all over these various markets and over the great geographical distance with one contract? We can't! We will allow our contractor members to have the option of being part of a particular bargaining unit or not." This, in effect, was the breakup of the collective bargaining unit. By contractor members pulling out of the larger bargaining unit, this allowed the association to set up smaller coordinating units of its members, which would then bargain with the unions for work in the geographic area in which the unit was interested. This was called "a voluntary approach to bargaining."

The association, before the contract expired, went to the local unions and said that they no longer represented a collective bargaining unit but that they represented certain individual members. If the union wished to have a contract, they would have to negotiate with those individual members under the guidance of the AGC for their contract. Remember, this was before the existing agreements had expired. The association then approached the unions individually by areas, and said, "If you can give us, the AGC staff, a contract which we can sell to our contractor members in your market area, we will see what we can do."

The unions were told that the AGC realized that it had done the organizing for

the local unions. The AGC had created a monolithic structure of wages and benefits which any contractor who wished to employ members of that union must pay. Labor cost was based upon the wages and fringes in the most protected areas of the large metropolitan cities. Therefore, if the AGC and the local area unions could not come up with a palatable contract, the contractors would scatter in the four winds and the union would have to go after them. The AGC, as an association, would not be available for collective bargaining.

Ironically, the first craft to respond was one craft which had, throughout the last fifteen years, the worst relationship with the association, — the Carpenters. They had four strikes between 1971 and 1982, with the present contract expiring soon. The Carpenters' business agents said to the AGC staff, "We are very concerned with what has been done...is it irreversible?" We responded - "Absolutely!" We, the AGC staff, said that the only way you, the union, can assure yourselves of continued agreement is to give us an agreement so far advanced that we can sell it to our members so that they will sign a three-year extension. This tactic of the AGC worked. They negotiated an agreement with the Carpenters eight months in advance of its expiration date with rollbacks, and provided for market area rates which had never existed before that time. The agreement provided for elimination of a number of restrictions in the contract. Most importantly, it included a provision which stated that the contract would be immediately modified to reflect the changes in market conditions if the contract was no longer responsive to AGC members' needs and their ability to gain work. In other words, the parties recognized that the contract was a living document and, in essence, they would modify it on a local geographic basis to insure competitive position of the union contractor and his union employees.

With this new contract clause in the Carpenters' agreement, the AGC went on to its other basic crafts and negotiated the same type of agreement with all of the rollbacks in the contract and the all-inclusive clause regarding marketplace changes. Again, the relevance of this part is that it shows that once you get a union's attention to what is going on in its industry, something can be done.

This roll back and marketplace clause was not accepted by two of the unions with which the AGC had bargained. They went on to the end of the contract, and when it expired, or just before, the AGC notified the unions that they had disbanded the collective bargaining unit and would no longer bargain for their contractors. The unions were shocked that the AGC was disbanding its bargaining unit. They asked, "Are you sure?" We the staff, said, "Absolutely!" We went back to them and said, "If you have an interest now, at this late date, in restoring the multi-employer unit, there is only one thing we can do. We, the AGC staff, will bargain with you, not representing anyone, to the extent that if we reach an agreement with you that we think we can sell to our members, we will take it back to them. If we get enough of our members to accept it or make it salable to you and to us, then we will have an agreement." The union accepted! We ended up with an amendment to the

agreements that provided a rollback in wages in some areas and the clause regarding marketplace changes was inserted in all agreements. This was in Northern California. Shortly after that, they took the same approach in Southern California.

In Southern California, there had been a clause inserted into the agreement by contractors a number of years back, which was called the "wall-to-wall" clause. It said that all subcontractors working on a union AGC project must be union. This was never fully implemented and it was felt that it would not hold up in the courts. Much to the surprise of everyone, it was taken to the Supreme Court and upheld. This caused a serious problem to arise. The local unions, on the advice of their national organizations, refused to move on that issue. The refusal was done in such a way that it was not illegal, but it was just an impasse.

Finally, the agreement was reached on the basis that, historically, the "wall-to-wall" clause had only been invoked against the basic trades and not against the sub-trades, and that if the basic trades unions would allow the "wall-to-wall" clause to be modified slightly, maybe an agreement could be reached. They managed to work out an agreement with the basic trades that said that the "wall-to-wall" clause would be applicable to the sub-trades, provided that their wage and fringe package did not exceed the wage and fringe package of the highest trade of the basic trades, namely the Ironworkers. Another clause provided that, after the next wage cycle adjustment, it would be the average of all of the basic trades except the Laborers. The key elements of this part of the agreement, it was pointed out to the union, were that if you tie your kite to the sub-trades, and the sub-trades care not about

market and market share but only about wages and benefits, you reduce the size of the market in which you can compete to such an extent that it is unacceptable. This "we don't care" attitude would also cause the general contractor members of the association to refuse to sign an agreement, and, therefore, not be a party to a union contract. The general contractors reiterated that they did not want to go non-union, but that they were going to stay in business and if forced to, that is the way they would have to go. Does this sound familiar to any of you in your local areas?

The basic trade unions did finally accept this and did not insist on these broad subcontractor clauses. They also agreed to work on jobs wherein most of the subcontractors' work would be done "open shop." It was reported that, in building construction in Northern California right now, you won't find 5% that are not mixed jobs.

Fellows of the Academy, the AGC unraveled the monolithic union fabric, through a series of negotiations and, finally, at the job site. They have educated their members about the use of reserved gates; they have learned to use the NLRB regulation to allow for them, and they are vigilant and vehement in the protection of their right to use these gates. The representative of the AGC made it clear to us that we, as electrical contractors, would not like this, but that they, who represented union general contractors, were going to adhere to this policy. The representative reminded us of the problems in Sacramento, California, where the IBEW union and the contractors came to an impasse and the IBEW stepped aside. The local contractors signed up with a local union. In Sacramento they now have

two sets of union electrical contractors, one IBEW and one not IBEW. The AGC representative further remarked that the AGC is building a new headquarters building in Sacramento and that the electrical contractor on that building is not IBEW.

Fellows of the Academy, the largest customer of electrical contractors' work, the union general contractor, has thrown the gauntlet down in California. I suggest that this tactic is working, that it will spread and that something must be done or this deregulation will cause most of us to retire early or change our operation. What I related is how one of our largest customers is meeting deregulation.

I suggest that our NECA meet the challenge of deregulation. My suggestions are the following: That we study the methods and the successes of the AGC in California, map out a similar program to meet the many market areas and present it to our membership at a national convention for ratification by the Board of Governors. A policy should be set that the NECA is going to represent electrical contractors and their work across the board. We should ask the IBEW to help us in accomplishing that policy. In my opinion, if this, or something like it, is not done, our association may become guilty of what it has been accused--just a front organization for the IBEW.

Think this through. Our most valuable business assets are our contacts and our employees. We want what they want. But we, as NECA, want more than they want. We, as NECA, want to service all of the electrical contracting market. To do this, we must break loose of the union restraint of one wage scale for our electrical workers if we are to compete in the deregulated market. We don't need helpers or subforemen or residential agreements. What we need are multi-level--skill and wage scales, such as industrial agreements provide, with the Inside Wiremen of the IBEW. Then we, NECA, and they, IBEW, can compete in all areas of our electrical market and meet the deregulation. I submit, early retirement might be for some, but not for the members of this Academy.

