



# Silver Memories

The construction industry has been revolutionized since Merit's beginning in 1986 – just 25 years ago.

To understand how Merit and open shop became what it is today, we look back at its history.

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**I**n 1975, as Alberta began to make its presence known on the global energy scene, the province's construction volume was approximately \$3.25 billion. Open shop work accounted for approximately 15 to 20 per cent of the non-residential construction activity. Although a relatively small share of the market, historically it had always been a healthy one.

By 1981, the volume of total construction activity more than tripled to \$10.63 billion – an average compounded annual increase of about 22 per cent – with no end in sight to the boom. The industry geared up rapidly and was sustaining an employed workforce of 122,000 compared to 64,000 just six years earlier. Alberta Construction Association reports indicated the capacity build-up would require an annual volume of \$15 billion to \$16 billion by fall of 1983 to sustain the workforce.

The next year, volume declined only marginally due to the huge carryover from 1981. But in 1983 and 1984, with the energy sector shaken to its core by the National Energy Policy, volume slumped by \$4.4 billion and topped out at 60 per cent of the 1981 peak.

During the boom build-up, open shop construction not only maintained, but also steadily increased its market share. Open shop capacity build-up paralleled what was occurring in the unionized sector of the industry.

By the time the bubble burst in 1982, bid depository and building permit surveys indicated union construction still held about 76 per cent of the market share, notwithstanding the near-dominance of open shop in gas plant construction, which at that time was a minor part of the industrial market.

Collective bargaining settlements, 68 days of sequential strikes, and wage increases of \$4.50 to \$5.00 per hour over the 1982-84 period, combined with a steady nosedive in construction activity over that period, catapulted open shop into the forefront of industry activity. By the fall of 1983, market share for unionized construction versus open shop construction had reversed itself.

“Union free” contractors, who over the preceding 10 years kept their wage rates fairly parallel to those of union wage rates, did not pick up the increased costs union contractors had bargained in 1982. As a result, the initial \$1 to \$2 gap in wage rates gradually grew to \$5 to \$7 by the end of 1983; all of this happening at a time when trades people – first civil trades, then mechanical, electrical and other finishing trades – were being released to the market.

By the fall of 1982, the increase of open shop successfully bidding publicly-tendered projects was staggering:

- two \$40 million gas plans were being built open shop;
- five regional hospitals with an aggregate value of \$75 million were awarded open shop over a two month period;
- the contract with a unionized contractor for construction of the Turbo refinery outside of Calgary was cancelled and the project was completed open shop;
- unionized low-bidders were passed over on commercial projects to ensure uninterrupted completion; and,
- energy projects in the \$120 million to \$150 million range were already scheduled for non-union tender.

This was still only the tip of the iceberg. Leading unionized contractors were forced to downsize their executive, management, and supervisory positions. Many of these individuals were subsequently employed by the successful open shop bidders, transferring a significant amount of technology and expertise to the open shop sector.

By the end of 1987, open shop accounted



for more than 90 per cent of Alberta’s construction activity, compared to just 15 to 20 per cent 12 years earlier. Commercial, institutional and industrial projects valued in excess of \$100 million were routinely awarded open shop, signifying that open shop was here to stay.

Two key factors, among many, combined with a severe downturn propelled the rapid shift. First, many industrial purchasers of construction services became wary of the risk associated with jurisdictional squabbling and potential delayed completion of projects

of 1982, union work rapidly began drying up as fewer and fewer unionized contractors were successful in securing competitively-bid work. Most unionized trades people were quick to realize that a job at going-market rates was far better than no job at union rates.

#### THE EMERGENCE OF MERIT CONTRACTORS ASSOCIATION

Three decades of relegating responsibility to the construction craft unions for managing the industry’s human resources including

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because of work stoppages. Many were still feeling the sting of excessive costs relating to non-productive time such as the \$45 million to \$50 million travel time and transportation tab during the construction of a refinery less than 30 miles from downtown Edmonton. Construction purchasers realized that open shop contractors possessed the competence, bonding capacity, and financial backing to undertake the most demanding of projects and the purchasers were willing and prepared to invite this new breed of contractor to bid on their jobs.

Secondly, the instinct for survival awoke in many union members when, in the latter half

recruiting, dispatching, disciplining, and setting wage and fringe benefit packages, created a vacuum that left most construction companies behind in managing their personnel. Many responsible, leading contractors realized they were ill-equipped to cope with human resource management issues in a marketplace that featured severe downward pressures on wages and working conditions. The exodus of skilled tradespeople and the wide-spread disinterest in apprenticeship training were seen as a surefire way for a return to union monopoly control of the workforce when construction volumes would once again increase.

## THE CONSTRUCTION INDUSTRY BEGAN HEATING UP IN 1998 AND MERIT EXPERIENCED PARTICULARLY STRONG GROWTH WITH 28 MEMBERS JOINING IN JUST 30 DAYS. A TOTAL OF 25 PER CENT GROWTH WAS REPORTED FOR THE YEAR.

A number of forward-thinking contractors saw these depressed conditions as a window of opportunity to reassume total responsibility for management of the human resource function, a responsibility that should never have been relegated to the unions to begin with. The goal was to bring their policies and practices in line with those adopted by progressive “union-free” employers in other sectors of the economy.

This set the stage for the establishment of Merit Contractors Association in early 1986, which began filling the need for open shop human resource services.

In the beginning, 15 contractors came together to form an industry-wide, portable benefit plan for open shop workers. Many people viewed open shop as a temporary phenomenon to be replaced by closed union shop practices once the economy improved in the late 1980s. Instead, to this day, open shop dominates the market place across Alberta and Canada.

### 1986 – 1990

By 1989 the number of member contractors grew to 75. Merit introduced many management education seminars and 200 individuals had taken the Supervisor Training Program offered by the Association. Recognizing the significance of open shop, the Canadian Construction Association set up a non-union sector within its organization.

In 1990, the first Canadian Open Shop Conference laid the ground work for Merit Canada.

### 1991 - 1995

By 1991, there were almost 150 Merit members and the number of participants in the Retirement Program doubled to 7,000. Seven Construction Skills Training (CST) courses were offered to more than 162 people that year. The number of CST courses

grew to 10 in 1992 and 75 participants graduated the Supervisor Training Program.

With Merit’s lobbying, Bill II, the Manpower Development Act, was changed significantly to provide for flexibility in the optional trades. These amendments have served the industry well

over the years.

In the 1990s, NDP governments in BC, Manitoba and Saskatchewan were attacking open shop in Canada, favouring the building trades, but Merit continued to grow, surviving government attacks, a declining industry and many other challenges. Ontario, Manitoba and Nova Scotia also joined the benefit plan during that time.

Some of the programs and services added by 1995 included the prescription club program, optional life insurance, out of country medical, group home and auto insurance as well as group mortgage discounts.

### 1996 – 2000

Merit and its B.C. counterpart ICBA hosted the first International Open Shop Conference in Vancouver in 1996. The conference boasted more than 300 attendees.

By this point, more than 700 students had taken the Supervisor Training Program and almost 800 students had gone through one or more of the 12 CST courses offered.

On the political front, the Construction Labourer Application was approved by government and a Merit member was appointed to the Apprenticeship Board.

Merit came to be recognized as a significant, credible, and representative voice for the construction industry and the government began asking Merit for its input.

By 1997, there were more than 250 members, with 15,000 employees in the benefit program and 8,000 participants in the Retirement Program.

The construction industry began heating up in 1998 and Merit experienced particularly strong growth with 28 members joining in just 30 days. A total of 25 per cent growth was reported for the year.

In 1999, the Alberta construction work-

force increased by 20,000 workers and membership expanded to almost 500 companies. Merit began refunding apprenticeship tuition fees in 1998 and in the year 2000 alone, 660 apprentices received tuition refunds through Merit.

### 2001 – 2005

With the construction industry still holding strong, Merit membership quickly grew to 700 members by 2002. In just 10 years, 2,161 individuals completed one or more of the CST courses. A survey conducted in 2002 indicated that 98 per cent of members were satisfied with Merit’s services and would renew their membership.

In 2001, Merit, as part of the Coalition of Canadian Open Shop Associations, won a Supreme Court of Canada decision clarifying that the constitutional right to associate also includes the right NOT to associate. Merit also continued to work on prohibiting MERFing and SALTing.

Newfoundland and Labrador as well as New Brunswick established Merit organizations in 2002.

In 2002, more than 1,050 tuitions were refunded to apprentices through Merit’s Tuition Refund program, totaling almost half of a million dollars.

### 2006 - PRESENT

Today, Merit Alberta has more than 1,300 member firms. In 2011 significant changes were accomplished in increasing apprentice participation in the workforce through greater ratio flexibility. To unify the voice of open shop construction and provide a platform for delivering human resource programs across Canada, the provincial open shop construction associations joined together to establish Merit Canada in 2008. Merit Canada member associations administer the largest, single multi-employer benefit plan in Canada’s construction industry, with more than 45,000 employees in benefit. Also in 2008, Alberta became the first jurisdiction in North America to pass legislation dealing with MERFing and SALTing. 

*The historical aspect of this article was derived from a speech given by George Durocher at Merit’s 10th Annual General Meeting. George Durocher was the Association’s first president (1986-88) and worked relentlessly to help construction companies achieve their full human resource potential.*