THE PRECARIOUS STATE OF CRAFT UNIONS

Trade unions, like any organization, must attract new members to stay relevant and progressive. Construction trade unions today face serious difficulties in attracting the new workers to the industry. The old-line craft unions within the construction industry have been structured to prevent the infusion of new blood while the average age of its membership continues to increase more rapidly than in the Open Shop sector's workforce.

A further dilemma for the BTUs has been the impact Open Shop competition has had on the revenues flowing to the programs and services offered to its members. Programs like their pension plans were premised on ever-increasing growth. In the past, if more revenue was needed the BTU simply demanded more from their employers, and with few options at their disposal, purchasers of construction reluctantly paid the bill.

Today, the BTUs find themselves trapped with uncompetitive agreements; a viable alternative for purchasers of construction services and reluctance by their older membership to embrace needed change. Recent data obtained from British Columbia's Pension Standards Branch confirms the BTU predicament.

Note the average age of members in the different craft unions on Chart I (below) has resulted from the BTUs institutionalized bias against new entrants into the industry. Their collective agreements limit new entrants by severely restricting the number of trainees/apprentices that can be employed on a job site. On average, BTU contractors must employ four journeypersons for each apprentice compared to the one-to-one ratio of journeypersons to apprentices used by Open Shop contractors; a ratio endorsed by many Provincial Apprenticeship Boards. It is no wonder that the Open Shop workforce (average age is 37) is 15% younger than its BTU counterpart.

The data further demonstrates the BTU decrease in market share as members average only six months of employment per year. The limited amount of work available to the existing BTU members further discourages the unions from taking on new entrants. It has been estimated that Open Shop employees work as many as 60% more hours annually than BTU members. Clearly, the Open Shop sector is where workers, especially younger workers, are finding jobs.

Chart I

BRITISH COLUMBIA
BUILDING TRADE UNION CHARACTERISTICS *

TRADE UNION	NUMBER OF MEMBERS		% CHANGE IN MEMBERSHIP	AVERAGE AGE	AVERAGE ANNUAL HOURS WORKED
	1995	1998			
Labourers	2740	2463	-10.11	41.00	1190.00
Boilermakers	920	979	6.41	42.08	904.65
Bricklayers & Mason	367	367	0.00	42.36	965.00
Carpentry Workers	7629	6983	-8.47	43.98	526.00
Cement Masons	319	378	18.50	41.40	1112.00
Ceramic Tile Workers	133	108	-18.80	43.58	1292.34
Electricians	1355	1617	19.34	43.34	662.00
Floor Layers	499	454	-9.02	37.19	1170.00
Heat & Frost	767	491	-35.98	38.30	825.68
Ironworkers	1387	1211	-12.69	42.28	1032.38
Island Sheet Metal	370	293	-20.81	38.80	1109.83
Operating Engineers	6085	6064	-0.35	43.93	1094.00
Pile Drivers	417	397	-4.80	42.20	Not Given
Plumbing & Pipefitting	3190	2807	-12.01	42.30	1005.00
Sheet Metal Workers	1986	1846	-7.05	39.00	1249.00
Victoria Mech. Ind.	238	260	9.24	39.67	588.24
TOTAL	28,402	26,718	-5.93	42.55	981.69

* Data in this and **Chart II** reflects information contained in BTU Pension Plan actuarial reports and summarized by the Pension Standards Branch in 1995 and 1998. The valuation periods of these reports vary from 1992 to 1994 for the data reported by the Branch in 1995 and from 1994 to 1996 for that reported in 1998.

Fewer hours, an aging membership and a competitive environment that will not tolerate increased costs have a bearing on BTU services to their members including their pension plans. **Chart II** on the following page summarizes the state of the craft unions' pension plans.

One is immediately struck by the high hourly contribution rate and the change in the individual plan's surplus/unfunded liability position from 1995 – 1998. What this means is that steps must be taken to correct any imbalance and that could have a direct impact on union members benefits or contractor costs.

CHART II

BRITISH COLUMBIA
BUILDING TRADE UNION PENSION DATA

TRADE UNION	CURRENT PENSION CONTRIBUTION ($/hr)	AVERAGE ANNUAL PENSION	AVERAGE MONTHLY PENSION	SURPLUS / UNFUNDED LIABILITY		
				1995		1998
Labourers	$2.50	$2,926.00	$243.83	(70,830,500)		(37,605,400)
Boilermakers	3.75	9,890.36	824.20	2,432,559		7,082,342
Bricklayers & Mason	1.60	7,234.04	602.84	(6,147,700)		(906,700)
Carpentry Workers	2.34	4,019.16	334.93	223,312		(2,265,100)
Cement Masons	2.05	2,794.80	232.90	(580,200)		186,100
Ceramic Tile Workers	0.80	5,429.07	452.42	850,039		1,012,359
Electricians	2.90	5,758.68	479.89	(9,890,060)		(9,956,868)
Floor Layers		4,634.52	386.21	1,174,754		729,574
Heat & Frost	3.35	11,542.68	961.89	7,279,623		3,733,700
Ironworkers	4.00	7,202.00	600.17	7,162,910		9,241,300
Island Sheet Metal	2.10	4,485.91	373.83	2,528,830		1,041,490
Operating Engineers	3.00	Not Given	Not Given	(8,586,702)		(43,138,264)
Pile Drivers	4.00	6,360.00	530.00	(822,470)		(944,200)
Plumbing & Pipefitting	2.78	7,229.98	602.50	8,864,381		829,303
Sheet Metal Workers	2.50	7,659.72	638.31	(16,361,900)		(8,862,000)
Victoria Mech. Ind.	2.00	4,104.00	342.00	1,024,180		1,243,380
TOTAL (Average)	**$2.64**	**$6,084.73**	**$507.06**	**(81,678,944)**		**(78,578,984)**

Pension plan administrators have three ways to address the issue of an unfunded liability. First, they can try to improve the return on its investments. With a majority of the plans' assets in common stocks, much depends on how stock markets and their investment managers perform. Those plans with a high exposure in real estate (Operating Engineers have 30% of its portfolio in real estate) are at the mercy of local market conditions for property. In short, while this is the most attractive option, it is the one over which the BTUs have the least control.

The second alternative is to increase contribution rates, some of which are already quite steep. Given the tough economic times in British Columbia and its shrinking construction market, increasing costs is not an attractive option.

The final option is to change the benefit structure so that less is paid out. The Labourers Union, too, opted to reduce pension to its members in the early ‘90s.

Clearly, the data suggests that in British Columbia, building trade unions are faced with some tough decisions if they are to survive. Only by adapting to the demands of today’s market place will they begin to attract the young people needed to re-build their membership and be able to continue to offer their benefit programs. Can they recover? Will they recover? Indications are not strong, but only time will tell. Meanwhile, the Open Shop sector continues to increase its presence