

Unions need to seriously up their game to compete in NYC, experts say

Potential solutions include "blended" wage and easing restrictive collective bargaining agreements

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By [Kathryn Brenzel](#)

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From left: Jay Badame, Gary LaBarbera, Jeffrey Dvoretz and Richard Wood

Developers have a choice: Go cheaper with non-union labor or dish out at least 10 percent more on union workers. Depending on who's asked, this can be a crucial decision in the choose-your-own-adventure story that is building in New York City — and it's one the unions will need to retool if they hope to compete.

With the current construction boom, there's a high demand for labor, but there's also a shortage of skilled subcontractors, driving up the cost of labor and creating an opportunity for contractors to bid on work with a less expensive nonunion or open shop workforce. A panel of construction, development and labor executives spoke on the issue on Wednesday at the Urban Land Institute New York's annual Real Estate Outlook event, offering a few potential solutions to make union labor more competitive.

These solutions included creating a "blended-rate" workforce by adding more employees who are paid at a lower rate than the highly-skilled journeymen who are paid, say, \$90 an hour. Another proposal was eliminating certain fringe benefits and loosening up the requirements of collective bargaining agreements.

"Trades in New York City are recognizing that in certain marketplaces adjustments need to be made, no question about it," said Gary LaBarbera, president of the Building and Construction Trades Council of Greater New York, a group that represents 100,000 union workers. "What I see happening eventually is that you'll see an evolution in the marketplace where it will become more opportunistic for unions to do more projects because of the changes that I foresee coming."

On a "good day," the price difference between using nonunion labor and union is 10 to 15 percent — in favor of nonunion — and on a "bad day," that gap jumps to 20 to 30 percent, said Jay Badame, president of Tishman Construction, a company that favors union jobs. He said the company compensates by providing the stability of deep pockets and "very attractive insurance rates."

"We will never be in a position where, on a trade-by-trade basis, we can compete with nonunion companies," he said. "So, I have to do some things below the line to make it more attractive for that developer to say, 'I'm going to go with Tishman, I understand that they are going to be here for the next 50 years as opposed to the next five.'"

The growing presence of nonunion labor in New York City has been widely reported, and the shift often epitomized by JDS Development Group's supertall tower at 111 West 57th, which is largely a nonunion project. LaBarbera maintains that union construction still has a stronghold on the market, since most non-residential projects are completed by union labor. But with a number of large scale public projects coming on line — like the overhaul of LaGuardia, the [Javits Center](#) and [Moynihan Station](#), to name a few — the union's presence in residential development is likely to taper off further, since union subcontractors will likely be absorbed by these government projects.

The debate between union and nonunion often turns to the question of safety, with union loyalists often blaming the increase of nonunion labor for the recent spike in [worksites fatalities](#). LaBarbera said 15 of the 16 construction deaths in New York City in 2015 occurred on nonunion sites.

Jeffrey Dvoretz, executive vice president and head of development at Kuafu Properties, said that safety and schedule factors are a big consideration as his company deliberates on whether to employ union or nonunion labor. He said it's still an active discussion.

"We look at it and we say, yes, there's the price of what it looks like on paper to save the money, but at the same time, we're a sophisticated development company," he said. "We care a lot about our reputation. We care about the quality of what we produce. We care about safety a lot. We also care about the schedule, so these are thing that we have to weight carefully to make decisions."

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