The Construction User 2.0
Episode 25: Quarterly Settlements Report with Carey Peters

Kirk: Today's guest is the Executive Director of the Construction Labor Research Council. CLRC is the nation's foremost source of labor cost and related information of the unionized sector of the construction industry.

Before coming to CLRC, he spent 14 years with the Tennessee Valley Authority, where he conducted extensive market studies on wages, salaries, and benefits, and led all the compensation-related negotiations with the construction trades and other unions.

He has his doctorate in industrial and organizational psychology and is a wealth of knowledge about all things data in the union construction industry. Please help me welcome Carey Peters.

Welcome, Carey. Thank you so much for joining us for the third time. We're breaking down the quarterly settlements reports. How have you been?

Carey: I'm doing great. Glad to be with you again, and thanks for having me.

Kirk: Absolutely. As not a first time guest, you are aware of my first ridiculous question, but I was wondering if you have any new songs stuck in your head recently.

Carey: I was wondering what your question would be. A little bit past now, but it's one of my favorite songs, still a Christmas song. I only listen to it pretty much at Christmas time, but I do like Oh, Holy Night. I listen to that a lot.

Believe it or not, you can get into Spotify and get probably 50 covers or more for that song. I listen to that one a lot. I know we're in early February now, so that one's wearing out, but it's a good song. It's one of my favorites.

Kirk: It's funny. I have so many Christmas songs in my different playlists. When I put randomize, I'm going out running or driving around, trying to keep Christmas music out of my playlists the rest of the year is actually a real problem. I get that. Having a Oh, Holy Night in February is not weird at all.

Real quick, the settlements report has come out. This one's the first quarter, a little bit of last year, the first of this year. What are we hearing? What are we seeing that people should be aware of?

Carey: What this issue does is really the year end one for 2023. During 2023, we're accumulating settlements as quickly as we can during the year. Then in late January, we are basically done with the 2023 settlements. We don't really have any 2024 settlements.

By the way, almost all negotiated settlements and construction occur in June. Is it June, July, August, May, June, or July? I forget, but right there in that timeframe in the late spring, early summer timeframe, is when over three-fourths of those come due. So there really are almost none in January. This report is a pretty good review of what happened in 2023.

Kirk: Okay. This one proves less of a first quarter for 2024, but we now have a real clean, clear picture of 2023 that we can look at the whole year.

Carey: Right. What will happen is when people do ramp up their bargaining, maybe even summer in April, I'm always humored, Kirk. There are a few contracts that April 1 is their effective date. I always say, well, should you move it to April 2, so no one thinks it's an April Fool's joke? Anyway, that's a different issue. That's about when they start. They'll certainly look at this report.

When I'm out at conferences and meeting people often, people will say, well, we really appreciate that CLRC report. We look at that before we head into our negotiations and use that as a real important point of reference for their bargaining.

Kirk: I will tell you that I sit on a few different committees here at TAUC. I had brought up the CLRC Settlements Report for this last committee meeting at our December conference, as well as the conference that we had previously in September. Both times, people made comments about how valuable they found the insights and how much it helped guide them in their ongoing negotiations.

Carey: I appreciate you telling me that. I always love to hear that. There aren't any competitors. Nobody wants to do what we do. I don't know, Kirk. I guess if you are in construction and maintenance work and you want to know what's happening with union craft rates, there's not many places to go except us, and we realize that. We take our role very seriously and do our absolute best to make sure we're putting accurate and reliable data out there for people.

Kirk: Again, it's awesome. It's great to have a corner on the market like that. Let's start breaking, what did we learn in 2023? We have a good overall year. What were the trends in 2023, and what is that going to mean for us moving forward?

Carey: By far, the biggest trend is just the rapid increase in the size of settlements. They're always increasing. It's just the rate of increase. In other words, did they grow by a tenth or two-tenths of a percent, which is the case, or maybe half a percentage point, which was the case for quite a while? Or did they grow by a whole percentage point in a year? That's what has happened in the recent past.

To be more specific, in 2020, the average increase was 2.8%. Again, that's the average. We joke, an average is a statistician had his head in the freezer and his feet in the oven, and he said, on average, I feel just fine. We're reporting the average. There will be some higher and lower. I think all your listeners realize that.

It was 2.8% in 2020. Now at the end of 2023, we're at 4.7%. That's nearly a two percentage point jump. Jump is the right word on that. If you look at our report, you'll see that from 2010. In 2019, it went up 1.1% during a much longer time frame. Now we've gone up 1.9% in just 3 years. I'm sure contractors are feeling this and owners with a rapid increase in the size in settlements.

Kirk: That makes a lot of sense. Are you thinking that's going to level off in 2024? Is that going to keep on rising? I know no one has a crystal ball, but what do you think this means?

Carey: I think it will continue for one more year, and here's why. First of all, we've endured three major forces over the last decade or decade-and-a-half, only one of which really impacted our rates. We've been through a labor shortage for construction workers, and that's been going on for a while. It has not driven wages up that much. A little bit, but not that much. You would think a shortage of workers would drive them up, but not so much.

We also had Covid. Covid didn't drive wages down, but it slowed the rate of increase a little bit. It's a huge societal factor that we went through. Then along came inflation in 2021 and 2022, and that third major force definitely drove these increases up. This economic force had much more impact than the labor shortage and Covid.

Now, inflation is back down. The surge of 2021 and 2022 is gone. However, contracts are typically three years. In 2024 people that last settled in 2021 will be bargaining again. In that three-year period was this surge of inflation that rose and then decided on the middle of that three-year contract.

I think when they bargain in 2024, the labor for sure won't be saying, oh, okay, inflation has decided, but they'll be pointing out the fact that there was a lot of inflation in the middle of that contract, and they'll probably want to get paid for it. I think contractors will realize that to some extent.

All that to say, Kirk, that, yes, I think we'll continue to see pretty high increases over 4% again in 2024. After 2024, then most everybody's rates will be reflecting this surge in bargaining that happened in 2021 and 2022. Maybe in 2025, they'll start dropping again, but I think we're going to see high average settlements again in 2024.

Kirk: That's all really fascinating. This question is going to be crazy, or maybe it isn't. I don't want to turn this into any partisan issue, but we're also entering a presidential election cycle. Does that have any effect? Does the campaigning and all of the political speech out there affect these bargains and these negotiations at all?

Carey: I don't think it does that much. I think the bills they passed like the Inflation Reduction Act or the infrastructure bills do. Perhaps, some of those may tend to come from Democrats. In that sense, it may affect it a little bit. It's the spending side that comes from who's in office, but I don't get the feeling that just the election itself has a major impact on wage rates for union craft workers.

Kirk: We just get inundated with all these big political messages saying, I'm going to do this and I'm going to do that. I wondered if that was reflected in any way into negotiations. It's actually relieving that it isn't.

Carey: I don't think it is. I'm sure there's a political science professor out there that may take issue with that, or I'm not sure of that, but there might be. But no, I don't think it has a real big direct impact. I really think it's the economy. Like I mentioned earlier, that's been a huge driving force in this.

Kirk: Your next settlement report comes out in April, you said.

Carey: Yeah. Let me tell you how this works just so you know. We do three settlements reports a year, and those occur after quarters two, three, and four. The one we're talking about now is the one that came out after quarter four in 2023, the end of the year. Because, like I said earlier, there isn't much bargaining in the first 3–4 months of every calendar year, there aren't a lot of settlements to report for our next quarterly report, which, like you said, will be in early April.

What that one does is instead of looking at the increase as both percentages and dollars, that one will publish the actual pay rates of 2023 data. Once a year, you get to see, well, what is the rate for a sheet metal worker, an ironworker, or an operating engineer? We do our usual slicing and dicing by region and by craft. It's qualitatively different, and it just looks at the actual rates in the next report. We'll have something qualitatively different to talk about next quarter.

Kirk: You mentioned the slicing, the dicing, and things coming up. Let's talk about that a little bit. For the trends of 2023, were there any particular regions, crafts, or areas that saw the most significant impact?

Carey: There are. It's interesting. It's on the left side of the US if you look at a map and maybe politically, too, since you brought up politics earlier. As for percentages, the largest increases were in the Pacific Northwest, driven in large part by Washington State, Oregon, and Alaska. They had the largest increases at 6.2%.

You remember our national average is 4.7%, so they're 1½ percentage points higher. The Southwest, Pacific Southwest, which is Hawaii, California, and Nevada, were high too at 5.2%, but not as high as the Pacific Northwest. If you put those two together, that's where a lot of the very high increases are.

Interestingly, I think I've pointed this out in a presentation I did recently, you think a lot of the

Northeast and a lot of union activity there. Places like Boston and New York State, New York City even, and those areas, had some of the lowest increases.

Their pay rates, the rate of pay, how much their total packages, is high in a lot of instances, but the increase amount was below the national average at 3.8% if you go to the New England area and 4.1% into the northeast area. I find that interesting as well that those union strongholds were below the national average while the western area of the US was above average.

Kirk: That is fascinating. The Pacific Northwest, you mentioned Washington and Oregon doing different from Boston and New Jersey, the other side. That's a fascinating dichotomy. I blame Todd Mustard if he's listening, a former TAUC employee that now is over there in NECA. You know Todd, but I blame Todd Mustard. That's what's going on in Portland.

We have this first end of year report for 2023, and then we have this next, first big one coming up in April. I bring all that to say we have our big conference every year in May. It's our construction leadership conference, but this year we're doing something different. We're actually having one of the world's top negotiation specialists coming in and doing this big, long two-hour workshop in teaching some of the best negotiation tactics in the world. Me personally, and we generally are really excited about being able to offer this to our membership of teaching them to really have an edge in negotiation.

Obviously, we're teaching them these negotiation tactics. I'm personally very excited to get to watch that workshop. I'm a big fan of this individual's work, but my question is—there's a couple of ways we can answer this—how do these numbers in these settlement reports empower the membership? The people that have this report, how does it better put them at the negotiation table? How are these numbers useful to them when they enter the bargaining table?

Carey: To some extent, it probably keeps them out of the ditches. By ditches, I mean outliers. I was in Florida last week with a group. This person was management and said, when we get together to bargain, I take your report, and I show it to labor. That sets the groundwork for where we're going to go. They may show their regional data cut. They probably focus on that if it's lower than the national average. If it's not, then they probably go the national average.

Sometimes people can pick the numbers that they like. Either way, that's the table for where we're going to go with this. I think it pulls people toward the mean and keeps them out of the ditches. Again, by ditches, I mean outliers.

I will say this also, CLRC outside of this report, which is at no cost to anyone that gets it, by the way, it's paid for by TAUC and 11 other sponsor associations for CLRC. They're funding it.

We also do many other reports that people often order, chapters. Occasionally, a union will order a report, but usually it's a management chapter of one of our other sponsoring associations like MCAA or NECA, and they're getting ready to bargain. I got an email this morning from a

SMACNA chapter for sheet metal.

We do other reports. One of them is called the union non-union wage and fringe benefits comparison. It simply does what it says. In the title, it compares the union pay to the non-union pay. Union pay, of course, would be higher. It codifies that.

We do another report called the benchmark report. We have one called contract costing, and we've done this for TAUC, by the way, on the NMA a few years ago, just to look at the costs of language in the contract. A new one from a couple years ago is called the contractor's cost conundrum. I didn't go into detail on all those, but these are other reports.

It's data that people can bring to bargaining to give them a grounding as to, what does the market bear? What is happening out there in society? Instead of just coming in unknowing, where should we start? Is it half a percent? Is it 10%? You don't even have a grounding in that. Our reports provide a data grounding. They don't tell the parties what their settlement should be, but they sure give them some education and guidance as to where they might want to go in their bargaining.

Kirk: You absolutely just answered this beautifully. I really don't think I'm describing any of our members or the people listening, I'm describing myself 100% owning that. If I'm entering one of these negotiation tables, and I take one of these negotiation situations, and I've got this report in front of me, what's the number I'm looking at?

I look at numbers and my brain goes blank. I look at these charts and these graphs. If there was one takeaway, what is the one thing? Do you look at your region? Do you look at your craft? What is the single takeaway, the important piece of data that is the crowning jewel for each individual that they could grab from this report?

Carey: You wanted one, I'm going to do three. I'm sorry. You can send me an email later about how I didn't answer your question right. It's our first exhibit. Exhibit 1.1 in the settlements report is the big picture. That's a good one to have.

When you're bargaining in Peoria, Illinois with electricians, then that means you want to go to the mid of the East North Central region. That's where Peoria is. You want to look at what electricians are averaging. Those three data points in a nutshell is where you'd want to look for a starting point.

Kirk: Awesome. Big picture, your craft, your region Again, I truly think that everyone out there using this understands that, but I just wanted to boil it down.

Carey: I'm a percentage guy. I like to look at the percentages, but I know contractors and owners. They might like to look at the dollar amount. Everything I mentioned, one chart will have the percentage. I guess that numbers people look at the percentage. I know I do, but I totally get it. You can look at the dollar amount as well and be quite satisfied with that.

Kirk: That absolutely makes sense to me as well. I really appreciate you coming on every quarter and talking to us. Is there anything else? Any other big takeaways that we need to be aware of before we talk again in April? Anything that tells us moving forward, that we can look at this report? This report for the record, anyone listening, you can grab it off our website as well as we send it out to our membership, as well as to the other boards that help pay for the report. Anything to know before April?

Carey: I don't want to belabor. The points, I think we've covered it very well. You've got good questions to pull out those answers of what's important. I would just say we're very appreciative of TAUC and all the support they give to CLRC.

If any of your members have questions, I'm more than happy to answer them. They can contact me. I'm Carey Peters, Executive Director of CLRC. You can go to our website and find out contact info. We're here to help your members and the members of all of the associations that we enjoy their participation with us in this work.

Kirk: Awesome. We also make sure that those links and that stuff is all in the show notes. Wherever you're listening to this podcast, we make sure those links are pretty, pretty easy to find. Wonderful. Thank you so much for your time. I'm looking forward to our chat in April.

Carey: Okay. Thank you, Kirk. Appreciate it.

Kirk: Thank you. Bye.