

REAL ESTATE WEEKLY

MAY 5, 2011

PAINTERS UNION COMES TO AGREEMENT ON WORK RULE CHANGES AND WAGES

BY DANIEL GEIGER

The city's biggest painters union has reached an agreement with the contractors that employ its members to cut labor costs and make their services more competitive against encroaching non-union labor at a time when the construction business has dramatically slowed down.

The Association of Master Painters of New York, a trade group that represents commercial painting contractors, and District Council No. 9, the painters union, reached a deal on Wednesday for a new four-year labor contract that included modest increases in total compensation while instituting more flexible work rules that contractors said would yield savings. The agreement also included steep wage cuts for residential projects outside of Manhattan, in what appears to be a bold move by union contractors to win back a segment of the construction market ceded to non-union labor.

"We agreed to a modest wage increase over the four years, but we saved money overall," said Peter Cafiero, owner of the painting contractor Island Painting and one of the chief negotiators in the deal the contractors struck with the union.

Union painters earn roughly \$60 an hour, a compensation package that includes wages and employer healthcare and pension contributions. In the deal, contractors agreed to modestly increase that compensation to \$65 after four years, an annual growth rate of just under 2%. Cafiero said that the contractors received concessions in return. The painters union agreed to work for \$22 an hour in total compensation on residential jobs in the boroughs and work rule changes that will reduce overtime costs by at least 20 percent.

"We know that the guys have to pay their mortgages and buy gas, we weren't looking to nickle and dime them over a few dollars in wages," Cafiero said. "The reduction in overtime costs is a

major breakthrough. We needed something to sell to customers to show them how union labor is now more affordable. It's simple. Rents that were \$100 per s/f two years ago in commercial buildings in Manhattan are \$60 per s/f today, so we have to cut the costs for our work to stay inline with the economy."

The labor agreement was the first to be renewed among a number of union contracts set to expire in either June or July. Contractors hope that the other labor deals will arrive at a similar resolution in which concessions are granted by the unions.

With about 3,000 members in the city, District Council No. 9 is far from the largest union, however, and it's not clear what influence its agreement will have on the negotiations involving other unions. All told, unions representing about 60,000 workers in the various buildings trades are currently at the negotiating table with the construction contractors that employ them, making this negotiation cycle a potential turning point for an industry still struggling in the aftermath of the recession.

Contractors have said that union labor must cooperate in reducing costs in order to hold off non-union competitors from gaining market share and stoking business during a period where continued frugality and caution have put a dent in construction spending. Lou Coletti, president of the Building Trades, a trade group for contractors that isn't directly involved in the negotiations but has observed the talks, estimated that about 20% to 30% of union workers were unemployed because of the lack of work.

"The painters agreement is the culmination of a great deal of leadership and courage by both the contractors and the labor leaders," Coletti said. "It's the heart and soul of what we're trying to do to protect the unionized industry. Both parties should be congratulated."