FEATURE

Progress, price and the evolution of bargaining

by MARK BRESLIN

COLLECTIVE BARGAINING as a running battle between labor and management is dead. The age-old exercise in gamesmanship with labor and management has run its course. What it has left us with is a conglomeration of agreements that rarely are relevant either economically or operationally. Many times these agreements are 50-100 page legacy documents that bear no relevance to growth strategy. At their core, collective bargaining agreements are just a pricing and value document for construction end users to evaluate where they should spend their dollars.

Construction as a business is highly price-sensitive. Thus any owners, from Sally the senior citizen who needs work done on her home to Shell Oil as a major industrial owner, are going to evaluate value and price as a main driver of their decision to use union versus non-union construction services. If we look at collective bargaining through this filter you can quickly see what we are really engaged in: a joint effort to give customers what they are willing to pay for.

Instead, traditionally, every three years labor and management sit down and negotiate. Most of the time they think they are negotiating with or against each other, but they're not. They're developing a joint proposal to hand to Miss Sally or Mr. Oil Company CEO or any other public or private owner. It is not the union or the contractor who decides if you have a good or bad agreement; it is the owner paying the bill. And based on the agreement's joint pricing and operational proposal (compared to other options available in the market), labor and management are either rewarded or punished with market share gains or losses.

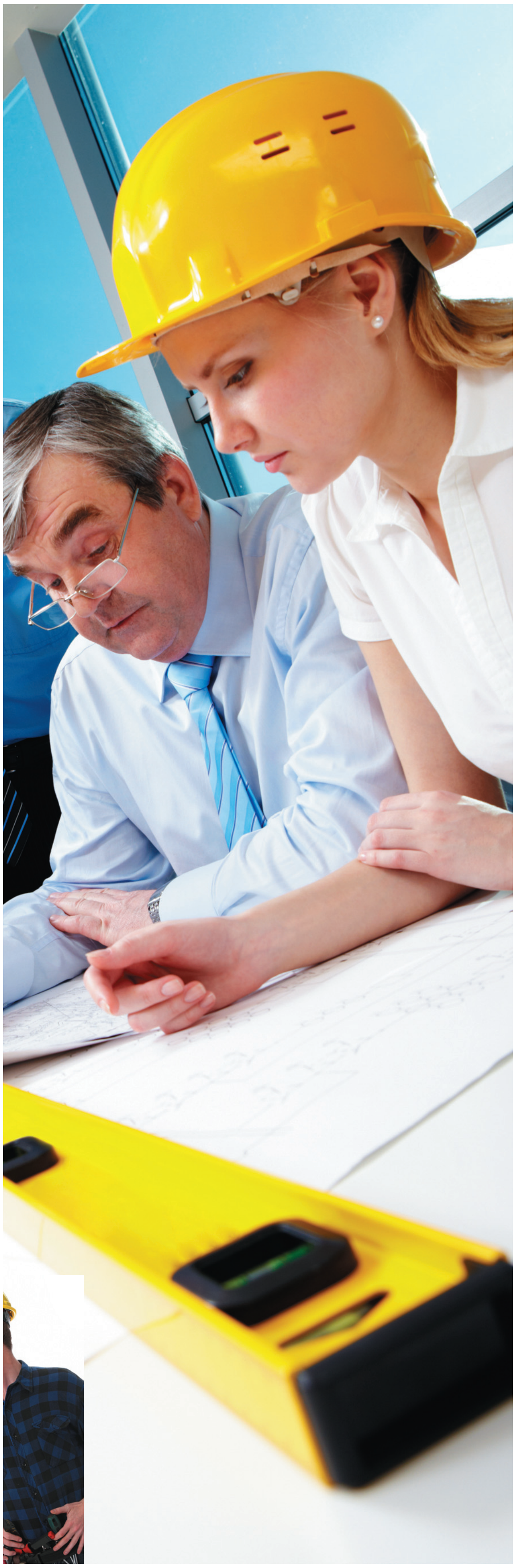
What has been lacking on the way down (while going from 85% union national market share to 15% today), is the willingness to recognize bargaining as a market-driven process. What are the owners willing to pay for? It doesn't matter what we think since it's not our money being spent. Do our agreements make sense from a business standpoint? Are we under or over the price point in our market?

Now, when it comes to asking the owner what they need and want, I already know what will be said: We don't want "a race to the bottom." Well folks, if losing 30-70% market share in every market in North America is not already a race to the bottom, then I don't know what is.

Simple rules govern almost all business and pricing decisions, and it is time we took a hard look at the choices we are making at the negotiating table.

1. Price in large measure determines market relevance.
2. Variable pricing (giving the customer options) generally improves market relevance.
3. Competition and supply and demand (should) always influence price.
4. Increasing prices without adding value reduces market share.

So the really interesting question that labor and management have to ask is this: Based on these principles and your market conditions, which construction owners are willing to accept your price proposals?



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How many are going to take the proposal from the non-union bidder? When the economic and operational difference between these proposals influences the owner's decision to "go the other way," there are four choices for labor and management:

1. Do nothing. Allow market conditions and competition to set market share and then hope, pray and be reactive later.
2. Introduce variable pricing and proposals. Examine multiple levels of pricing for classifications; reconsider the "one size fits all" models and markets approach.
3. Try to introduce or retain price stabilization models such as PLAs or prevailing wage laws to create benchmarks for market conditions.
4. Reduce price proposals to retain or gain markets where our price point has exceeded relevance.

Each of these options is tempered by a number of variables: Proactive versus reactive strategy. Trust between the parties. Supply and demand of construction services. The level of engagement and education of union members. Political willpower. Leadership. What is very clear, though, is that the market is demanding more from labor and management. There is an excess of labor supply in the market. The competition has reduced pricing while union construction costs continue to increase. Influencers such as PLAs are dependent on political capital and are meeting pushback in some places. Reduction or modification of terms or pricing is controversial with union member constituents who may have unrealistic (or uninformed) expectations of their leaders. Many claim to want no change, even though 30-40% may be unemployed and sitting on the bench.

In summary, the future of bargaining has to be market relevant. It takes real research to know where you are and where you want to go. It is going to take a sincere effort by both labor and management to educate union members to obtain their support for necessary change or innovation. It is going to take bolder leaders with more vision and a real willingness to embrace innovation and risk.

The majority of the construction owners really don't care if we thrive or stumble. Our challenges and problems are largely irrelevant to them. Our relationship with them is economic. They are waiting to reward or punish us with their construction dollar. They are asking a vital question: *What do you have for me to evaluate as I make my choice?* Labor and management must answer that question more effectively in the future, or accept the market consequences of the status quo. ■

Mark Breslin is a strategist and author who focuses on improving organizational performance, leadership and work ethic. Known for his blunt and uncompromising style, he has addressed more than 500 audiences and well over 200,000 leaders, managers and craft workers. He is the author of Survival of the Fittest, Million Dollar Blue Collar, *and* Alpha Dog: Leading, Managing & Motivating in the Construction Industry. *Read more about him at www.breslin.biz.*