



**UNDERSTANDING THE CREW COST
METHOD OF WAGE EQUALIZATION AND
THE MEMORANDUM OF
UNDERSTANDING BETWEEN SMACNA
AND SMART**

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OVERVIEW

- Wage Equalization Refresher
- Crew Cost Method Wage Equalization
- SMACNA/SMART Memoranda of Understanding



Backdrop on Wage Equalization

- Article II, Section 2 of the SFUA – obligation of purchaser, or jobsite installer
- Article VIII, section 2 of the SFUA – obligation of fabricator
- Article II – payment of the “prevailing wage” to “their employees engaged in such fabrication”
- Article VIII – “wage scale” that “shall be paid to the employees employed on such work
- No mention of ratios, classifications, pooling



History and Policy

- Incorporation into SFUA
 - Fabricator's obligations go back as far as 1946
 - Installer's obligations traced to 1952 SFUA
- Policy
 - Eliminate the economic incentive that a contractor might otherwise have to subcontract the fabrication of material to a contractor in a lower wage area



Current Scheme and Enforcement

- Inconsistent and Uncertain
- Practices Vary by Local
- Administratively Burdensome



Crew Cost

- Crew of 25, applying ratios, for those classifications that are permitted to do fabrication under agreement
- Journeyman, apprentice and classified worker
- Classifications with progressive pay scales use an average
- Pre-apprentice rate – if permitted to do fabrication under agreement – included in apprentice rate if indentured, and in classified worker rate if not



Crew Cost (cont'd).

- Obligation of Article VIII, Section 2 is satisfied by paying the crew cost differential
- Same amount – differential – is paid to employees, regardless of classification



Crew Cost (cont'd).

Local Union Crew Cost Calculations

Area Crew Cost:

Local Union No.	919
Chapter	516001
Contract Area	516001
Wage Sheet Start Date	9/3/2017
Wage Sheet End Date	3/3/2018

Allowable shop/fabrication ratios for a crew size of 25 bodies

Journeyman	17
Apprentices	7
Classified Workers, Pre-Appr't, Techs	1
total	25

Classification	Total package rates	(times)	#from above for classification	equals	Grand total
Journeyman	\$72.63		17	=	\$1,234.71

Classification/Period	Total package rate					Grand total	
Apprentices (list all periods)							
Period 1	\$32.40						
Period 2	\$34.68						
Period 3	\$46.52						
Period 4	\$49.12						
Period 5	\$51.73						
Period 6	\$54.35						
Period 7	\$56.96						
Period 8	\$59.58						
Period 9	\$62.19						
Period 10	\$64.79						
total	\$512.31						
Number of Periods	10	Total package rates		(times)	#from above for classification	equals	Grand total
Total divided by periods	\$51.23	\$512.31		10	10	=	\$499.80

Classification/Period	Total package rate					Grand total	
Classified Workers, Pre-Appr., Techs (list all periods/classes)							
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
total	\$0.00						
Number of Periods	1	Total package rates		(times)	#from above for classification	equals	Grand total
Total divided by periods	\$0.00	\$0.00		1	1	=	\$0.00

Super grand total	\$1,644.56
Divided by 25 bodies	\$65.78



Crew Cost (cont'd).

	Local #	Location	Crew Cost	Journeyman	Apprentice	Classified Worker
Fabrication	2	Kansas City	\$53.73	\$64.35	\$42.96	\$25.77
Jobsite	36	St. Louis	\$59.33	\$64.63	\$42.56	\$0.00

The difference in crew costs is \$5.60; this is the equalization payment required to all of the fabricator's employees working on the material

Fabrication AFTER Equalization	Kansas City	\$69.95	\$48.56	\$31.37
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SMACNA/SMART Memoranda of Understanding (MOU) on Crew Cost Method for Wage Equalization

Key Aspects of MOUs:

MOUs are available for adoption by local bargaining parties that VOLUNTARILY and JOINTLY AGREE to Negotiate to Adopt the Crew Cost Methodology.

- Reasons Local Areas May Adopt:
 1. May be considered advantageous for local market conditions
 2. May ease administrative burden
- May be agreed to at any time...mid-term in CBA or contract renewal



Key Aspects of Crew Cost MOU

Option for Employers in areas that have adopted the MOU to show that their actual fabrication costs exceed the calculated crew cost for the area. (“Classification and Ratio Method”).

- Where material being fabricated is complex or involves unusual complement of employees (e.g. all journeyman for stainless welded system), and utilizing crew cost method would be more costly, can return to historical, or classification and ratio, method of wage equalization
- Pay package differential for identical classification in jobsite local, according to ratios in jobsite local
- Must provide notice to fabrication and jobsite locals



Key Aspects Crew Cost MOU (cont'd).

Two versions of the MOU will be made available for local parties to consider:

- One version provides employers can choose to pool wage equalization money – individual employers in the area advise if they are going to pool wage equalization money or pay the employees who performed the fabrication.
- The other version does not provide an option to pool wage equalization money. Only employees who perform the fabrication receive the equalization money.



Key Aspects Crew Cost MOU (cont'd).

Grievances against out-of-area contractors (contractors not signed to the grieving local union) automatically by-pass the LJAB and advance to a Panel Hearing.

Intra-Local Union Grievances follow SFUA grievance procedure, including LJAB step unless the local parties modify the CBA to eliminate the LJAB step.



Key Aspects of Crew Cost MOU (cont'd).

Formalizes a process for a fabricating contractor to request a waiver of wage equalization requirements where circumstances warrant.

- Both fabrication local union and jobsite local union business managers must agree to waiver of wage equalization for a job.
- Examples of work that may warrant waiver of equalization:
 - No other union contractors bidding the fabrication work;
 - Work based upon prior customer relationship;
 - Fabrication is not Article I work;
 - Resolution 78 offered on Fabrication



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Next Steps in the Process:

- Beta Test of Forms Contractor Fabricators will use to demonstrate wage equalization has occurred. – Completed December 2017
- Roll-out and Notification to SMACNA Chapters and SMART Local Unions on the Wage Equalization Program – Explanation, MOUs, Forms. – Completed January 10, 2018
- Review of the crew costs for all local CBAs. SMACNA is conferring with Chapter Executives to explain and verify calculations. – Currently Underway
- SMACNA posting of local crew cost numbers on www.smacna.org for access by members. - Goal - April 2018
- Education for local Chapter leadership and negotiating committee members on the decision to adopt the crew cost method for wage equalization. – Goal mid-April 2018
- Education for Contractors who fabricate and travel into different jurisdictions. – Goal end of April 2018

** Contacts for questions on calculations, numbers, forms – Joye Blanscett, Jason Watson



Questions?