

2023 Annual Labor Report

Annually, SMACNA conducts the Annual Labor Report Survey (formerly, the State of the Industry Survey) which serves to enhance our understanding of labor relations in local areas and throughout the country. The survey and report initially started in 1989 and was conducted by the Construction Labor Research Council. Over time, the number of questions posed by the survey grew. In 2013, after consultation with a committee of chapter executives, SMACNA conducted a revised survey that was significantly shortened, and which has remained largely the same since.

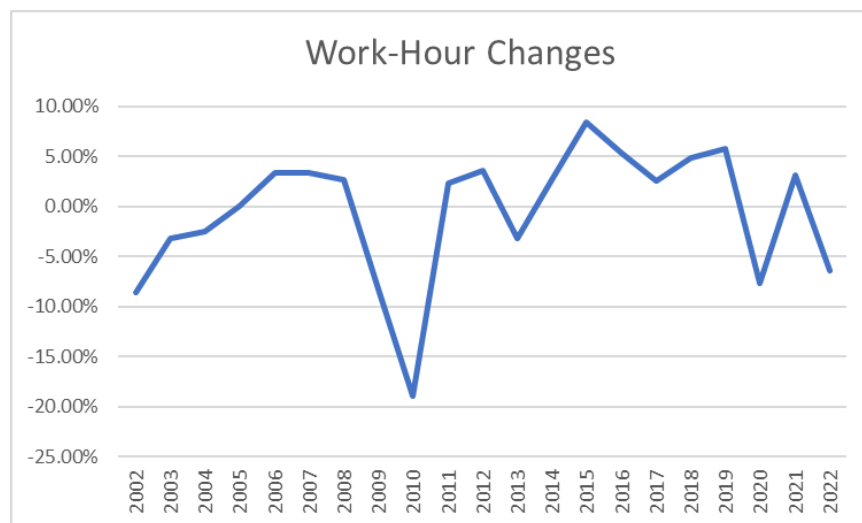
Thirty-three chapters responded to the 2022 Annual Labor Report Survey. The following is an overview of the survey results as compiled by SMACNA's labor relations staff:

2022 Year in Review

When comparing IFUS/Dues work-hours reported to SMACNA by local chapters in 2021 with work-hours reported in 2022:

- There was a 6.43% decrease in work-hours reported.
- The Southern Region saw the largest percentage of increased hours reported, followed by a similar increase in the Midwest Region. The East and West regions both saw a decline in work-hours reported.

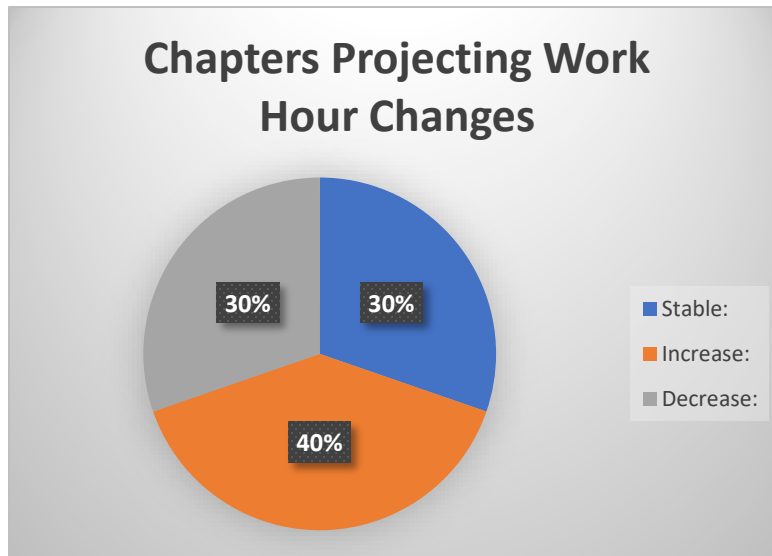
The chart below shows work hours have been increasing since the massive dip in 2010 but the 2022 work-hours have dropped from 2021.



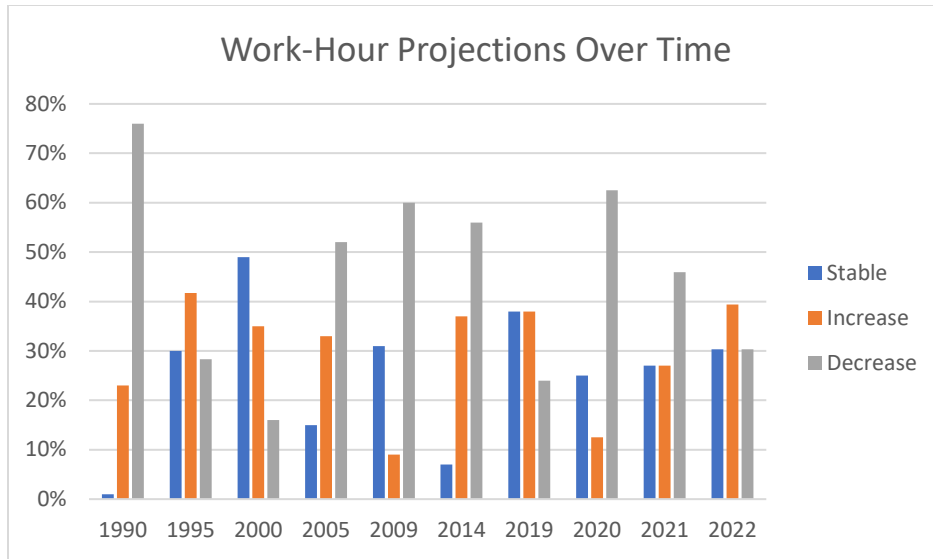
2023 Work-Hour Projection

Overall work-hours are predicted to decrease by 0.39% in 2023. Almost 40% of responding areas are projecting an increase of work-hours for 2023. Of the remaining chapters, 30% of areas are projecting stable work-hours and 30% are projecting a decline in work-hours.

While the Southern Region is projecting a 4.43% increase of work-hours, the Midwest Region is projecting stable work-hours and the West and Northeast Regions are both projecting declines. The largest projected decline is in the Western Region, with a projected 4.52% decrease in work-hours, followed by the Northeast with a 1.35% decline in work-hours.



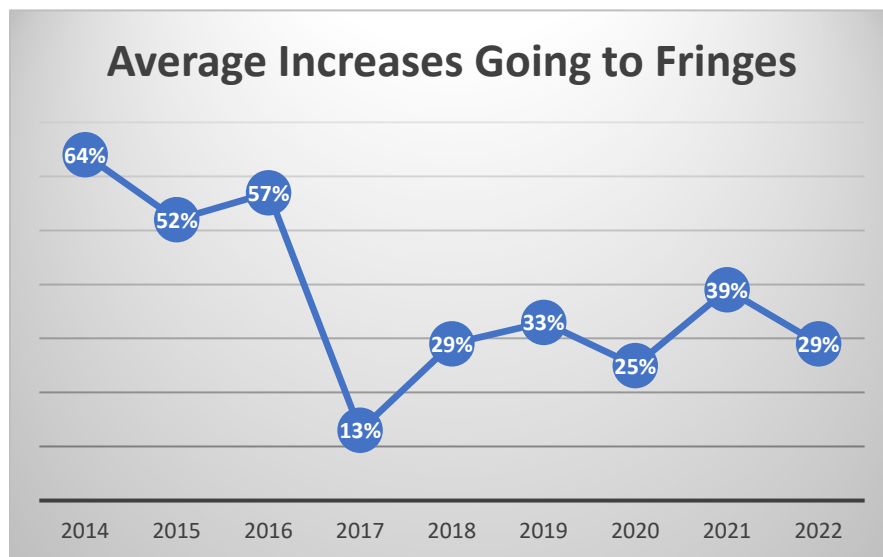
When this survey began in 1989, the vast majority, 76% of areas, projected a decrease in work-hours. By 1994 things seemed to turn around when 71% of reporting areas projected an increase in or stable work hours. However, by 2005, the projections turned negative again with 52% of areas reporting a projected decrease in work-hours. The trend of the majority of regions projecting a decrease in work-hours continued until 2019 when 38% of respondents projected an increase in work-hours and another 38% projected work-hours to stay stable. However, due to COVID-19 the areas projecting a decline in work-hours grew to a majority or near majority in 2020 and 2021. In 2022, 40% of areas are projecting an increase in work-hours for 2023. While 30% of areas are still projecting a decline and 30% of areas are projecting stable work-hours, the percentage of areas expecting an increase in work-hours is higher than it has been since 1995.

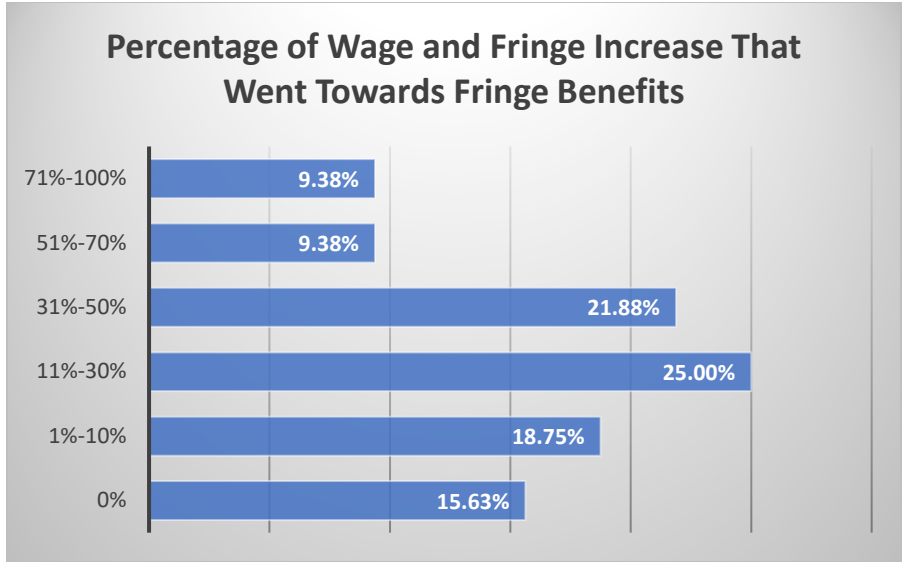


Fringe Benefits

Over the last several years there has been a trend from a small number of responding chapters indicating that no portion of their negotiated increase was allocated to fringes, with several others allocating less than 10% of their increase to fringes.

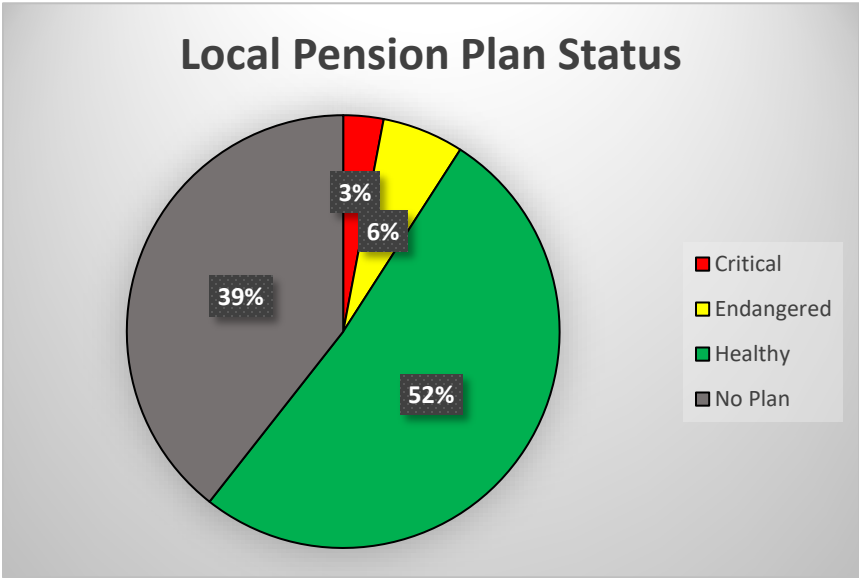
The average percentage of increase allocated to fringes in 2022 dropped from 39% to 29%. Of the responding chapters that received an increase to their wage and fringe package in 2022, approximately 19% allocated more than half of their area's increase to fringes and about 34% of areas allocated 10% or less of their area's increase to fringes.





Funded Status of Local Pension Plans

Thirty-nine percent of responding chapters do not have a local pension plan. Of those that have a local pension plan, 85% of areas' local pension funds are Healthy (green zone plans), which is up almost 20% from last year when 66% of chapters with pension plans were in the green zone. Only 10% of areas reported their pension plans to be endangered and the remaining 5% were in critical condition.



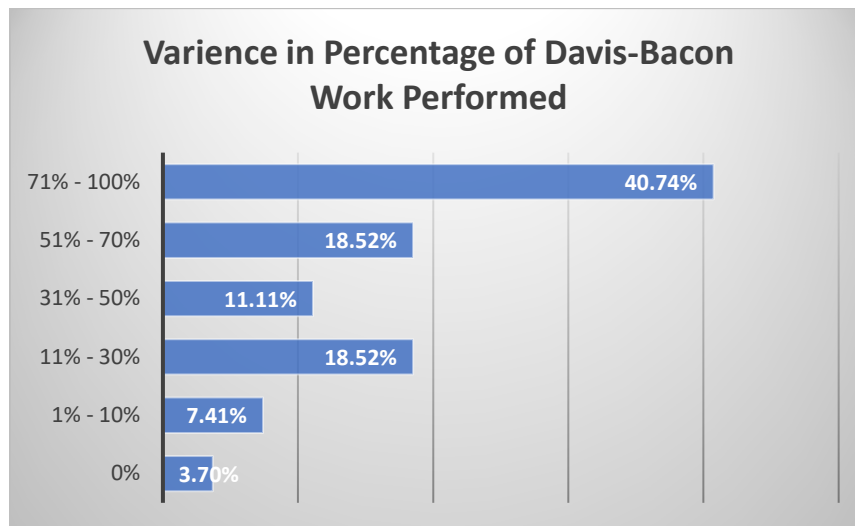
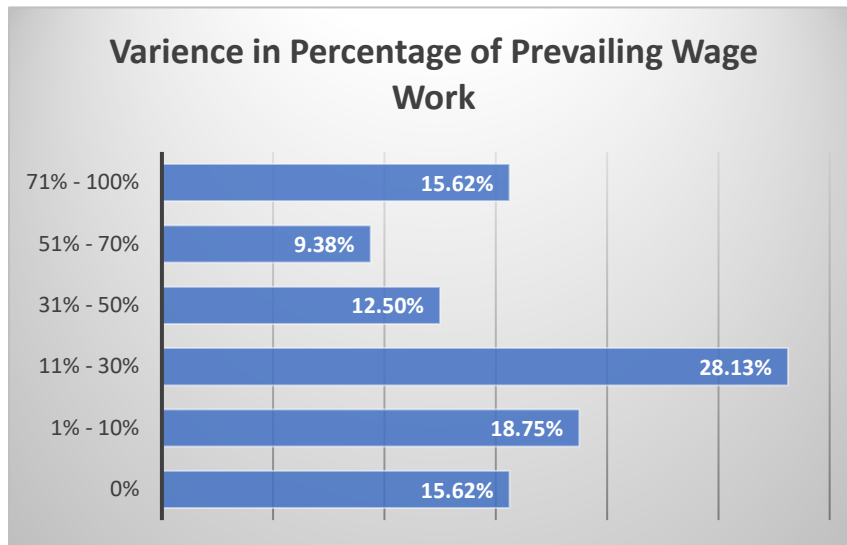
Grievance Activity

Twenty-seven percent of areas in this year's survey indicated that there were issues locally that were likely to result in grievance activity. Reasons that areas cited included travel pay, out-of-town contractors not complying with the local Collective Bargaining Agreement, and other trades claiming sheet metal work on jobs.

Davis-Bacon Work

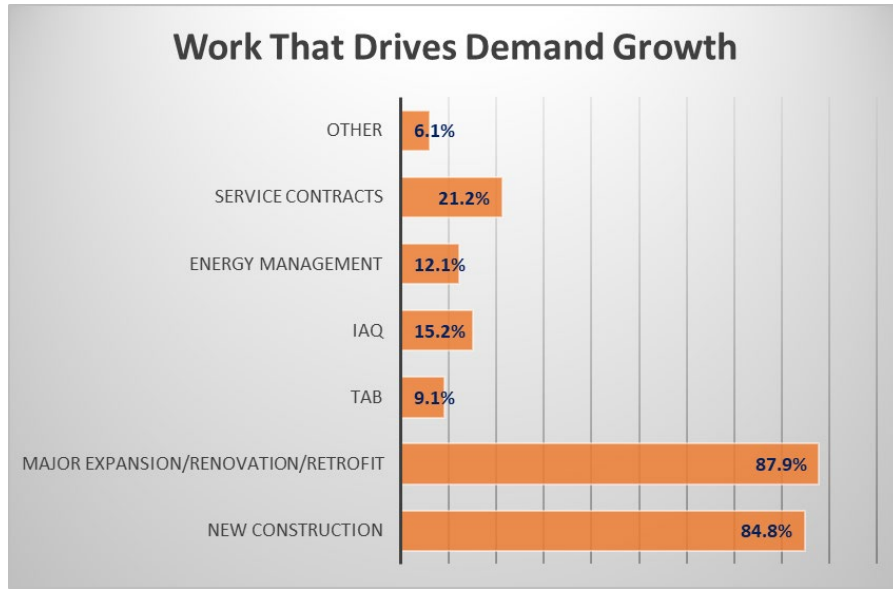
Prevailing wage work continues to be a market sector for most chapters. Just over 15% of responding areas indicated that they did not perform any prevailing wage work in 2022. The same number of respondents, 15%, reported that prevailing wage work accounted for more than 70% of total work.

For just over 65% of responding areas, prevailing wage work accounted for 30% or less of overall work, with 28% of responding areas falling into the 11% to 30% range.

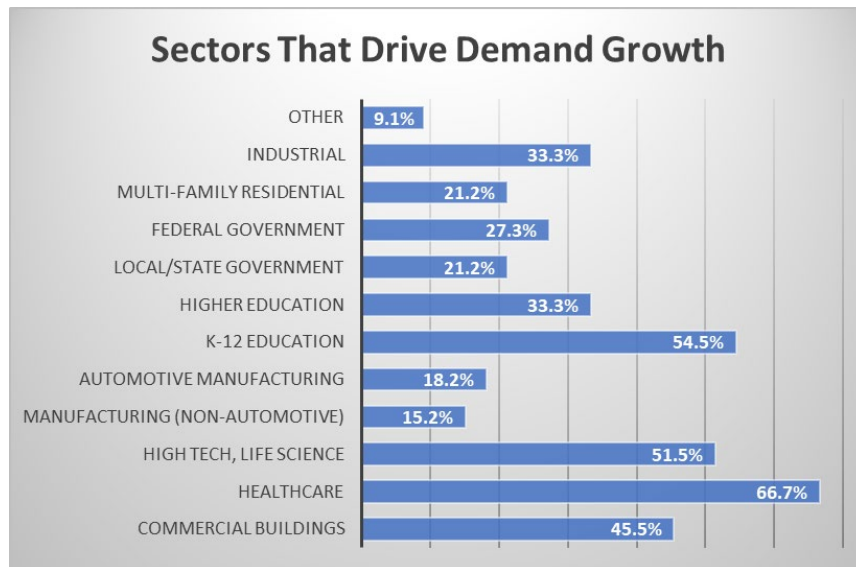


Demand Growth

100% of areas surveyed indicated that major expansion/renovation/retrofit work and/or new construction drove demand growth in their area. New service contracts, IAQ work, energy management and TAB work drove demand growth to a lesser extent.



More than 50% of respondents cited K-12 Education, High Tech/Life Science and Healthcare as the sectors driving the most growth, followed by more than 30% of respondents indicating that Industrial, Higher Education, and Commercial Buildings are bolstering demand.



Contractors

While most respondents did not report a loss of contractors from their chapter in 2022, just over a quarter of areas lost one or more contractors. Of those, the majority were firms that ceased to operate, with only one contractor becoming non-union. The number of areas reporting the loss of contractors declined from 2021, when over a third of responding areas lost at least one contractor.

Negotiations

Approximately 39% of respondents indicated having negotiated in 2022. Another 33% of respondents expect to negotiate or reopen their contract in 2023. Of the areas that negotiated in 2022, or plan to negotiate in 2023, some innovative contract language or programs include:

- Paid sick leave as a health and welfare benefit
- Light Commercial Agreements
- Reducing percentage of fringe benefits of the total package
- Revisions of apprenticeship programs from 5 years to 4 years
- Increased funding to the LMCC

Ninety percent of responding areas reported that a shortage of qualified workers is one, if not the greatest, challenge faced in 2022. Obstacles encountered included difficulty finding skilled workers, competition from non-union contractors, and other crafts competing for the same work.

Recruitment and Retention/Diversity and Inclusion

More than 70% of local areas are experiencing difficulties recruiting and/or retaining qualified workers. Similarly, 60% of respondents reported that their greatest challenge is a shortage of union apprentices.

Approximately 24% of responding areas have implemented diversity and inclusion efforts to attract or retain women, minorities, or persons with disabilities to the trade. Many local areas use grants and incentives to recruit and retain a more diverse group of workers. Targeted recruiting has focused on community-based organizations, schools, and community colleges, as well as women's groups.

Lasting Impact of COVID-19

51% of responding areas have indicated that COVID-19 will have little to no impact on their upcoming work for 2023, 12% of the respondents have said that they believe there will be a positive impact on their work in the upcoming year, and the remaining 24% of respondents indicated that they believe that COVID-19 will continue to negatively impact work in their area. Vaccine requirements are still in place in about 30% of the responding areas, but the remaining 70% said their area no longer has vaccine requirements.