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Testimony before the Board of Examiners of Sheet Metal Workers

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I am Executive Director of the Beacon Hill Institute and Chairman and Professor of Economics at Suffolk University. I thank you for this opportunity to testify. I am going to focus my testimony on the proposal to set the ratio of journey persons to apprentices at 3:1, for commercial projects and large residential projects, and to expand the training requirements of apprentices. I speak for myself, not Suffolk University.

These changes are, by any account, a step in the wrong direction. The national unemployment rate for construction workers currently stands at 19%. The prevailing wage law creates rigidities in construction wages that already make it impossible to relieve this problem by reducing labor costs for public projects. This new regulation will simply increase labor costs and thus further aggravate the current unemployment problem in construction.

The regulation will have adverse long-run effects as well. It effectively restricts labor supply for sheet metal workers at a time when experienced workers are reaching retirement age in greater numbers than before. By attempting to shift the composition of the workforce from younger to older workers, the regulation promises ultimately to invite labor scarcities and escalating labor costs.

To take an example of how the regulation will affect labor costs, consider a hypothetical construction company that currently employs eight sheet metal journeymen and four

apprentices on a job. Suppose, conservatively, that the cost of a journeyman is twice the cost of an apprentice, and suppose that a journeyman is 25% more productive than an apprentice. If the 3:1 ratio is implemented, ACME will be forced to replace an apprentice with a journeyman to become compliant. Its unit labor costs will rise by 3%.

Besides raising labor cost, the rule will worsen the effects of a demographic shift that is taking place, as the availability of more experienced declines relative to that of less experienced workers. The problem has surfaced for electrical workers in Ontario, Canada. According to the *Daily Commercial News and Construction Record*, the same 3:1 ratio proposed here is making it hard for electrical contractors there to get the work force they need and for apprentices to find work.

There, at least, union leaders have mostly dropped any pretense that the 3:1 ratio has anything to do with the public interest. They have admitted that the purpose of the regulation is to protect “older electricians.”¹ The problem is that this protection of older workers comes at a cost to younger workers and to construction owners.

The proposal to extend the training time for apprentices will further worsen the labor supply problem by discouraging young workers from pursuing apprenticeships. The requirement that apprentices get 750 hours of class time is more than seven times the requirement for getting a bachelors degree at Suffolk University. It amounts to another blatant effort to create an artificial barrier to entering the trade, all in order to prop up the earnings of older workers.

These restrictions will drive up the cost of sheet metal work and, as a result, drive down the demand for construction work and employment opportunities for other construction workers. Just when we should be doing everything possible to expand infrastructure and create jobs for construction workers, we will be taking a step in the opposite direction.

The proposed regulations stem from a growing desperation on the part of union officials to justify their positions and salaries to their members. Currently, only about 20% of Massachusetts private construction workers belong to unions. Nationally, the fraction is 16%. Over the years, construction wages have declined relative to all wages and union construction wages have declined relative to nonunion construction wages.

The reason has to do with changes in construction technology and the cost savings that accrue to contractors who have the flexibility to use apprentices rather than journey persons for tasks that require less skill and experience.

The real purpose of this regulation is to prop up the wages of a minority of workers at the expense of the majority of workers and of the general public and to do so by narrowing the competitive advantage of nonunion contractors. I urge the Board to see these regulations for what they are, rather than for whatever high-minded purpose they are supposed to serve.

¹ Ian Harvey, *Daily Commercial News and Construction Record*, “Ontario’s apprentice ratio dispute continues to be split along union, non-union lines”, Latest News, Internet, available at <http://dcnonl.com/article/id31946>, January 6, 2009.