

THE ACADEMY OF ELECTRICAL CONTRACTING

Paper presented by

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What Will The National Electrical Contractors Association
Be Like In 1987?

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(2)

following: (1) MONEY, (2) ELECTRICAL CONTRACTORS, and (3) LABOR.

MONEY

How has money changed in the past several years and how has this affected we electrical contractors? First of all it costs more. 18% is today a reasonable rate for electrical contractors to pay. This represents an increase of nearly 150% over the past five years. This new rate will be with us for some time because it results from several events. These events are the removal of regulations on savings rates which has created a more competitive market for money, which directly increases the Lending Institutions cost of funds and thus the rate charged to us. The size of the National Debt and the necessity to roll it over, creates T bill rates in the range of 14%. This acts to hold up the marketplace cost of money.

Electrical construction industry is characterized by low equity / high leverage (a large part of working capital provided by borrowed money) and low margin.

These characteristics are not compatible with 18% interest rates.

You cannot process work fast enough at present margins to pay the interest at present rates.

ELECTRICAL CONTRACTORS

1. Rapidly increasing number of non-union contractors.
2. Rapidly reducing marketplace controlled by union.
3. Proclivity of non-union contractors to join or form independent groups or associations.
4. American Subcontractors Association seems to attract some electrical contractors.

WHAT WILL THE NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION BE

LIKE IN 1987?

We view our National Association (The National Electrical Contractors Association) with respect and pride. Respect because we recognize it as the premium association working within the construction industry. Pride because we helped guide its destiny and shape its structure over the past six or so decades. The concept and development of the CIR, the concept and development of the labor manual, the concept and development of field staff people, the concept and development of educational programs, design library, and many, many others, not the least of which is the concept and development of this Academy. So it seems appropriate for this Academy to put on its thinking cap for the basic purpose of assuring the continuance of NECA's usefulness and status within the construction industry. Lets focus on five years from now in the year 1987, less time than it takes to build a nuclear project.

A number of years ago on a sunny day, I was standing on a street corner when an obviously pregnant woman walked by. The remark from the person standing beside me was "coming events cast their shadows before". This quotation has stuck in my mind and perhaps it is appropriate for us to see if we can identify trend lines based upon these shadows, cast by what has happened in the last several years. These shadows which would, could or should affect the future shape and direction of the National Electrical Contractors Association.

The purpose of this paper is not to draw conclusions, but rather to stimulate thinking in broad categories. I would like to focus on the

(4)

10. NECA prepared data shows that the number of electrical contractors in the U.S. increased from 33,189 to 43,249 between 1972 and 1980. In the same period, IBEW contractors dropped from 12,421 in 1972 to 10,308 in 1980, and the non-IBEW contractors increased from 20,768 to 32,941. These changes represent a 13% swing. A 13% reduction in IBEW contractors and a 13% increase in non-IBEW contractors. The resulting change in the work force reduces the apparent marketplace enjoyed by IBEW contractors and IBEW labor to 44%, which of course is less than half.

From these thoughts, what trend lines can we develop?

TRENDS FROM MONEY

The high cost of money will delay or at the least dampen the housing markets, thus continuing the competitive pressure from that traditionally non-union area.

The high cost of money may make more selective future projects simply because the cost to benefit, or cost to payout ratio, must reflect the added cost.

The past characteristics of the electrical construction industry of low equity, high leverage, low margin, are at variance with high interest rates. Trends necessary to succeed in today's market place:

- a. Increase margin on jobs
- b. Increase money turnover
- c. Reduce retention
- d. Change traditional subcontractor relationships with owners or general contractors.

(3)

5. Those contractors previously engaged in the housing market have moved into commercial and industrial, thus increasing competition and because the housing work is to a large extent non-union, this is perhaps an added driving force toward more work going non-union.

LABOR

1. The influence of the IO over local unions is lessening and conversely, the authority of the local unions is increasing.
2. The percentage of electrical labor installed by union members is deminishing quite rapidly.
3. The wage rates are so high that there is great incentive for men to work for less.
4. The ability of unions to control the marketplace is reducing.
5. Labor is less productive year by year.
6. Internal local politics tend to inhibit rational discussion and agreements.
7. Increasing means to become electricians other than through the standard four-year apprenticeship program. An example in our state is that we have a State Law requiring all journeymen electricians to be licensed. This law was sponsored by the electrical unions in the State and passed. As examination for journeyman license was drafted and is now given several times a year. A number of trade schools now have classes to prepare for the journeyman exam and thus many non-union people have State Licenses as journeymen. As such, they can do any electrical work in the State.
8. Increasing size of non-union labor force.
9. Technicians being trained in the electronic-computer industry.

(5)

TRENDS FROM ELECTRICAL CONTRACTORS

The IBEW contractors will continue to decrease and conversely the non-IBEW contractors will increase. More trade associations independent of NECA will form. An increase in the housing market will slow the decline of IBEW contractors.

TRENDS FROM LABOR

Continuing the rate of decline to 1987, IBEW's share of electrical construction labor will be 35.5%. Conversely, the number of non-IBEW electricians will increase.

And now we get to the purpose of this paper.

Do these trends cast their shadow on the present policy and procedure of NECA?

Will the changing marketplace from IBEW to non-IBEW require changes to NECA?

Can NECA attract and keep non-union contractors as members?

Can NECA truly represent IBEW and non-IBEW members?

Are some of the resulting stresses, i.e., Sacramento, non-NECA industry fund problems, Board of Governors unrest, etc., caused by union/non-union differences?

Should NECA prepare a plan for the future to accommodate these clear changes?

As you also direct your thought processes to the really important problems of NECA's future, you in your own way can enlarge on or change what I have started. The importance now is to have a good discussion from you Academy members. I have great faith in the ability of intelligent people to plan for their future if there

(6)

exists as it does within this group, a free exchange of ideas.

And of course, the punchline has to be, how do you perceive the problem? What do you perceive a program to address your perceived problem?

Or can we collectively determine an Academy perception of future direction for NECA so that it will continue to more effectively represent the Electrical Construction Industry in future years?

Thank You