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Building Union With Pension Money

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Building Union With Pension Money

Abstract
[Excerpt] Walton then approached the trustees of the jointlymanaged union pension fund, and showed how the fund could act as both developer and banker and could invest in major construction projects which would be built 100% union. The management trustees initially balked at the idea, but the persistent and forceful Walton eventually had his way.

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● Building Union With Pension Money

When Dennis Walton was elected Business Manager of Operating Engineers Local 675 in Pompano Beach, Florida, in the late 1970s, few labor leaders could envy his situation. Construction unions had claimed 90% of the work in Broward County in 1972, but by 1978 they were down to 10%. New non-union contractors were coming into the lucrative South Florida area every week. Union contractors claimed they couldn't compete with the labor costs of the non-union contractors, and many of them began to operate non-union. Bitterly and reluctantly, the proud and militant building trades unions in the region began the vicious cycle of concession bargaining.

At the urging of their international union leaders, local unions were encouraged to set up joint Labor Management Committees (LMCs) to explore ways in which the unionized construction industry could survive. At the meetings of the LMCs, union leaders were shown how labor costs and union work rules were aiding and abetting the non-union contractors. Walton saw management's problem, but he also saw that no matter how much the unions agreed to give back, it would never be enough because the non-union contractors would simply reduce their employees' wages. Walton looked for an alternative.

His first step was to research all aspects of the local construction industry. He found that the role of real estate developers and access to adequate financing played a far more important role than did labor costs. Walton then approached the trustees of the jointly-managed union pension fund, and showed how the fund could act as both developer and banker and could invest in major construction projects which would be built 100% union. The management trustees initially balked at the idea, but the persistent and forceful Walton eventually had his way.

That was in 1979 and the local's pension fund was worth about $11 million and had a 3.4% annual return on investment. The fund is now worth more than $40 million. But more important, the fund's investments have created over $400 million in union construction, encompassing 6.5 million hours of construction work.

The Local 675 Pension Fund is now generally considered the finest and most astute real estate developer in Florida. Says the outspoken Walton, "We just threw out the middle man and took charge of our own destiny. And the funny thing about it is that because our union understands the industry better than anyone in pinstripe suits, we're performing better than they are."