

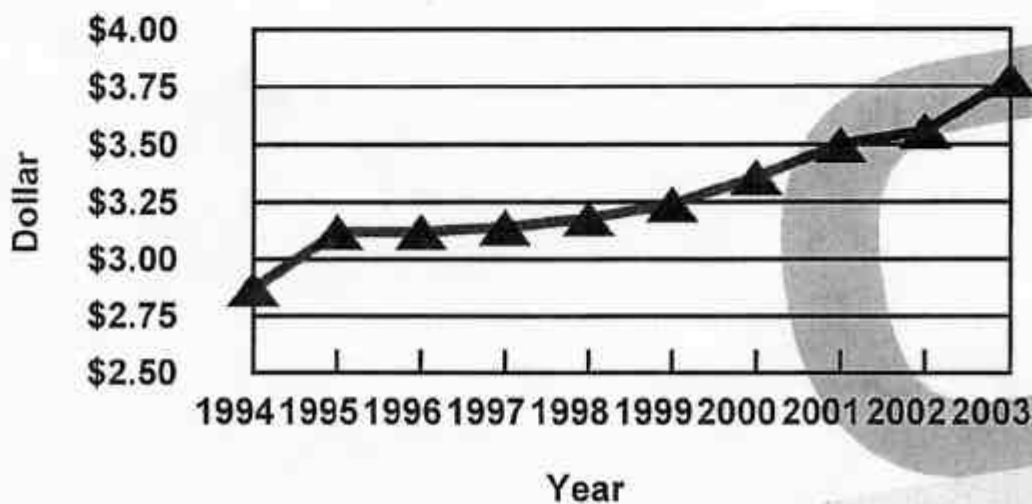


Health care costs are currently undergoing one of their increasingly frequent periods of rapid escalation. Soaring health care costs have been and are expected to continue to be a major problem for the economy and all employers who provide this coverage to their workers. In this environment, many health and welfare programs are experiencing a reduction in assets because of costs and reduced returns on investments. Added stress is being added to contract negotiations as a result of the need to increase contractor's contributions to the health and welfare fund.

The unionized construction industry is one of the few in which health care premiums are totally paid by the employer. This coverage is for the worker and family members. Only 15 percent of employers in all industries paid all family health care costs in 1999 with an even lower percentage likely now.

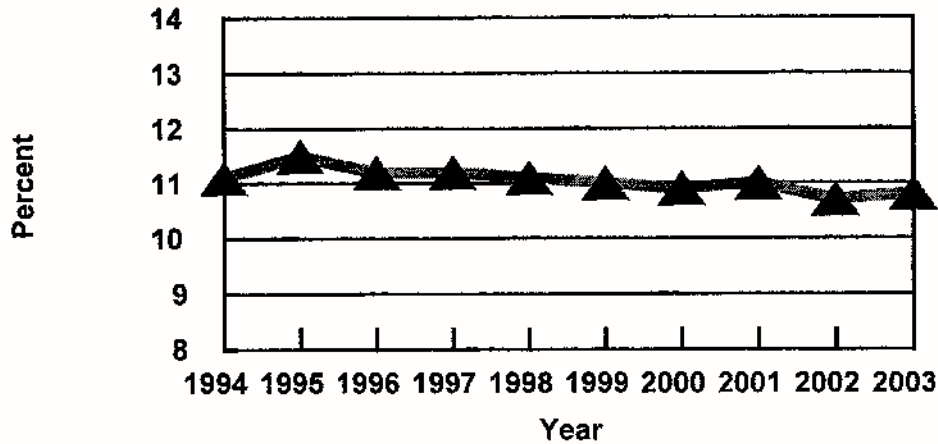
Contractors in the unionized construction industry will contribute over \$8 billion in 2003 into multi-employer health and welfare plans to provide coverage for their craft employees. This makes health and welfare the single most expensive fringe benefit provided by union contractors in collective bargaining agreements. Health and welfare funds are virtually universal in unionized construction.

Health & Welfare Contributions Hourly Amount



April 2003

Health & Welfare Contributions As Percent of Total Package



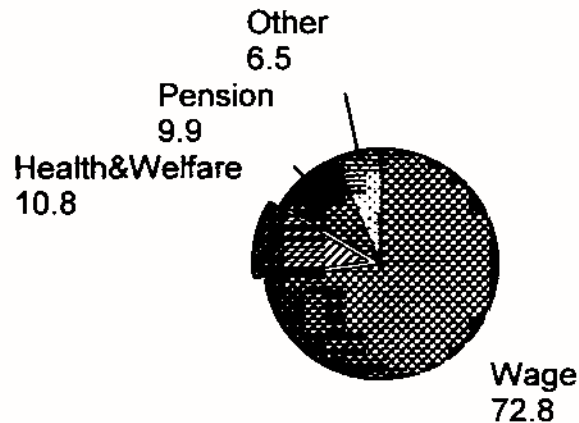
The current hourly contribution to health and welfare funds is \$3.78. During the past 10 years health and welfare contributions have increased at about the same rate as total wages plus benefits, but more rapidly than wages. Health and welfare contributions account for close to 11 percent of wage and fringe costs.

Health and welfare plans are jointly administered multi-employer programs to pay the medical expenses of workers. Frequently, when labor and management begin to bargain, they have already been informed by fund trustees that a specified amount of money will be needed as an increased contribution to the fund. It has also become more common in multi-year agreements in which increases have already been allocated to have to redistribute more of a scheduled increase to the health and welfare fund.

Further strain on a fund's financial integrity exists in periods of economic downturns, such as the industry is now experiencing. As hours of work decline, so do fund contributions. Many workers maintain eligibility for benefits for some time while unemployed when they have the time and motivation to secure postponable medical care. The result is a period of declining fund income and higher claims.

There is wide variation in the hourly contributions into health and welfare funds measured as dollars or as a percentage of total package. Over half of hourly contributions are between \$2.50 and \$4.00 with those outside of this range likely to be higher. Similarly, over half are between 8.0 and 11.0 percent with higher percentages also common.

Composition of Wage Plus Benefit Package



Total = \$35.46

Regional Variation

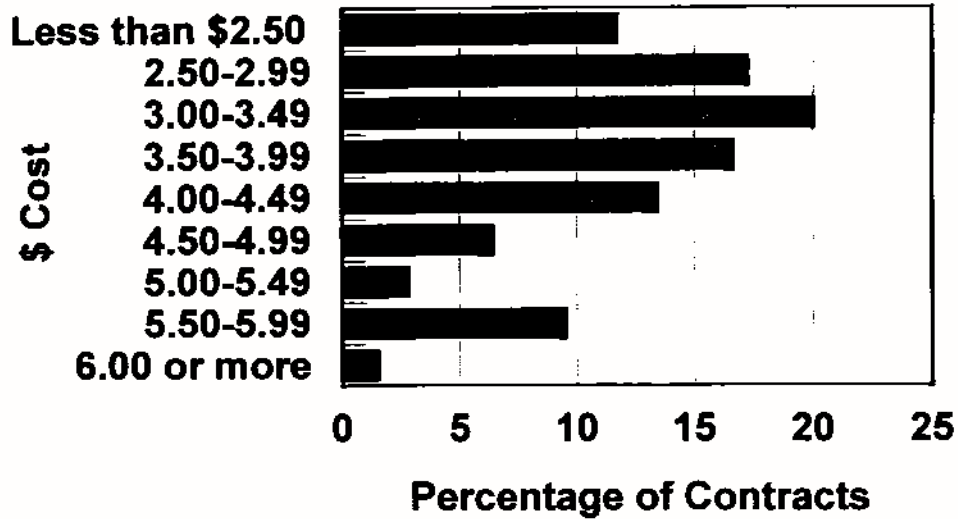
There is a sizeable range of contribution levels between regions. The rate in the lowest region, south central (\$2.30) is less than half that of the highest, middle atlantic (\$5.00). Almost half of the agreements, nationally, with hourly contributions of at least \$6.00 are in the middle atlantic region. National figures are strongly influenced by the middle atlantic and east north central regions with the largest number of workers.

The region with the highest health and welfare contribution, middle atlantic, also allocates the largest portion of total package to this benefit. The reverse is true for the south central with both the lowest dollar and percentage amount associated with health and welfare obligations.

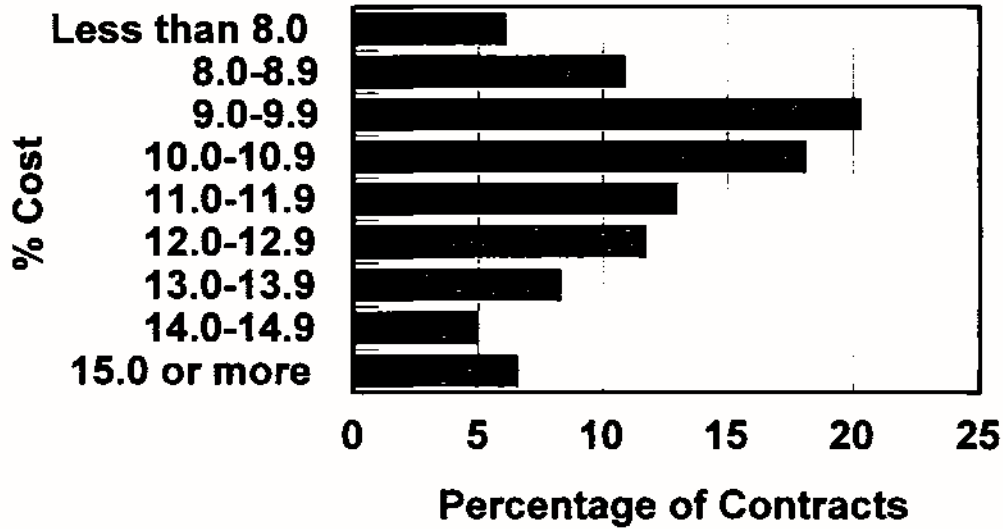
Craft Variation

With some exceptions, average health and welfare contribution, by craft, is clustered. A majority of crafts have an average health and welfare contribution between \$3.43 and \$4.14. This narrower range is likely to reflect the independence of medical care costs and occupation.

Distribution of Health & Welfare Contributions Hourly Amounts



Distribution of Health & Welfare Contributions As a Percentage of Total Package



As an hourly contribution, most crafts are above the all crafts average of \$3.78. This is because carpenters and laborers, the crafts with the most workers, have the smallest amounts going toward health and welfare. Their total wage plus fringe rate is also below the all craft average. Almost all contracts calling for health and welfare contributions of at least \$6.00 are with the electricians, ironworkers or plumbers/pipefitters.

Other Factors

While the rapid escalation of hourly contributions has been the dominant characteristic of health and welfare costs in recent years, it is only part of the overall situation. Fund income per person is dependent not only upon the hourly contribution rate, but the number of hours worked per year. Annual contributions per person may vary more widely than hourly contributions.

Cost is dependent upon benefits provided. Related factors are the union's ability to obtain coverage and eligibility requirements for coverage. Additional factors are the number of workers covered by the plan and its administrative costs. Geographic area can also have a significant effect on the cost of any level of benefits.

A further upward pressure on health care funding is retiree health costs. Generally, health and welfare plans cover expenses of retirees – fully up to age 65 and incrementally after they qualify for Medicare. As there will be more and earlier retirements in the coming years, health outlays by plans are likely to increase faster than the rate of increase of individual services.

Note: All rates are as of January 1, 2003.

Health & Welfare Contributions
Regions

	<u>Health & Welfare</u>	<u>Percent</u>
New England	\$3.73	9.9
Middle Atlantic	5.00	12.1
Southeast	2.54	10.1
Eas North Central	3.79	10.7
West North Central	3.20	9.8
South Central	2.30	9.0
Mountain-Northern Plains	2.83	10.5
Southwest Pacific	3.60	9.8
Northwest	3.29	9.2

Selected Crafts

	<u>Health & Welfare</u>	<u>Percent</u>
Boilermakers	\$3.88	10.1
Bricklayers	3.53	9.7
Carpenters	3.16	9.6
Crane Operators	3.97	10.8
Electricians	5.36	12.6
Elevator Constructors	5.78	13.7
Ironworkers	3.99	10.3
Laborers	3.24	11.8
Painers	3.43	10.0
Pipefitters	4.14	10.4
Sheet Metal Workers	3.83	9.6