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Merit pay doesn't really pay

John Topp

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The phrase "merit shop" was coined by John Trimmer, an officer with the Associated Builders and Contractors, more than 25 years ago. He termed the phrase to describe a company whose hiring and advancement policies are based on independent criteria and qualifications determined by the employer.

At first blush, this might sound like a decent idea, one that allows employers to pay fairly and laborers to have unlimited earning potential independent of any industry standards. Workers and management could work together to negotiate a fair wage that rewarded more experienced workers. In theory, these are good ideas.

Unfortunately, the merit system today doesn't work that way. In an analysis of four major Milwaukee-area crafts, only 2.23 percent of the hours were above the negotiated rate, and these were above by less than 1 percent. The average hourly rate for the four crafts was just \$19.50, which is 75 percent of the union wage for the same job.

Benefits paid by merit shops are even more dismal. The average benefits paid by union employers for the four crafts is \$10.54 per hour, while the average merit shop pays just \$2.83 per hour per employee. You don't have to be a benefits expert to realize that amount isn't going to go far to cover health and dental insurance, paid time off or retirement benefits.

The bottom line? Either the merit shop contractors don't hire meritorious workers who are actually worthy of earning a higher wage, or they are simply choosing not to.

Any way you look at it, everybody loses.

John Topp is the executive director of the Construction Labor Management Council of Southeast Wisconsin Inc. and the Building Advantage initiative.