FOUNDATIONS

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A Few Words from Aaron

I recently watched the SpaceX rocket launch with my twin 10-year-old boys and was fascinated by the technological skill and progress that had been made over the years. I felt a great deal of pride knowing it was the first US private-made rocket and US soil launch in nearly ten years. Such progress despite the fears and the unknowns was truly motivating. What an exciting and great day for America!

Then I turned back to the reality of our own struggling humanity: The specter of racism and violated civil rights with the killing of George Floyd, watching with my boys wondering how I can ever explain something so horrifying and inhumane. What a tragic and awful day for America.

We are one people and one country. Yet, the reality is we are two countries with two distinct set of rules for different people. This is a weight that should be on all of us as employers, employees, brothers, sisters, sons, daughters, parents, and more importantly, as people.

Trying to process all of this while experiencing a global pandemic is an unprecedented challenge for all of us today, but one we must take on and finally get right. In my attempts to think about how to deal with all these injustices, fears and concerns, I thought about the power of solidarity. The term has always carried a very special meaning for the Labor Unions.

The definition is simple enough – an awareness of shared interests, objectives, standards and sympathies creating a psychological sense of unity of groups. Solidarity refers to the ties that bind people together as one.

The solidarity of Labor Unions has been used to build the foundations of equality and standards for all members in terms of wages, benefits, training, and opportunity. It is based on the basic principles of hours worked, experience and skill, and not color, race, sex, or religion. Labor Unions strive to improve the situation and provide an opportunity for any person to safely build a life and a family on this basis. Yet, as a country we are so far away from achieving this foundation, from valuing the individual's skills, talents, styles, and contributions over their color, race, sex, and religion.

The only way to change the narrative of our nation's culture is to unify together as one people, fighting for fairness, equitable employment, equal representation, and basic inalienable rights. We must not continue to fail and turn a blind eye on our own neighbor. We must do better and start immediately treating each other as people of this one nation, and this one world, by all of us standing in solidarity and demanding change.

In friendship & good health,

Aaron T. McGreevy, CRPS®, AAMS®
Managing Director, Taft-Hartley Services


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Finding the Silver Lining

Now is the time to invest in the future of America.

To say this has been a challenging year would be an understatement. The pandemic has taken a massive toll, and in the US alone, over a hundred thousand deaths can be directly attributed to COVID-19, amounting to twice as many American casualties as during the entirety of the Vietnam War.

Winning the medical battle against this virus is the first priority, but the challenges and devastation go beyond health care. Lockdowns, mass quarantines, and social distancing policies have badly damaged our economy, disrupting business activity in ways we have never seen before.

But our economic system is resilient. Americans understand and believe in the value of hard work, and we believe the economy will recover. In fact, it already has started to, with a little help from government and central banks along the way.

Today, policymakers are continuing to discuss whether more stimulus is needed to get our economy back on track. Politicians often like to sit and wait, resting on the laurels of what they've already done. This would be a mistake.

The US still has enormous capacity to put people to work, do more, and boost economic growth, and we can also do so while fixing long-standing infrastructure needs in the process. Now is the time to act, let's get it done.

Keeping the Financial System Flowing

The pandemic was not something our economic system was expecting, and thus far, our leaders have stepped in to attack the issue from two sides: The Federal Reserve (Fed) via monetary stimulus, and Congress via fiscal stimulus.

The monetary response has been enormous and necessary. As the pandemic worsened, many investors started to freak out, extending the economic devastation into the financial system. Critical financial markets began to seize up and stop working, and for a moment, the panic was looking like 2008 all over again.

In response, the Fed pumped trillions of dollars into the financial system, keeping the plumbing of markets flowing and allowing the banking sector to continue functioning properly. The measures worked. Financial system stresses were alleviated, and markets quickly recovered.

While these efforts were clearly successful at stabilizing the financial system, they have little impact on the economy at large. The Fed's monetary tools are effective at dealing with monetary issues in the financial system specifically, and are not designed to support the entire economy.

Stimulus Intended for the Rest of Us

Directly supporting the economy is why fiscal stimulus is so important. Shortly after the Fed healed the financial system, the Federal government passed an enormous $2 trillion stimulus bill, the largest stimulus package in US history.

The bill provided everything from troubled business loans, to corporate grants, to direct cash payments to individuals. Whereas the Fed's monetary responses were deliberately targeted to the financial sector, these fiscal measures were intended to help Main Street. It even included one-time $1,200 Treasury checks, injecting cash straight into the pockets of the people.

While the stimulus bill has certainly had its issues—such as a $600 unemployment boost that was so large that it discouraged many from returning to work—the overwhelming size of stimulus helped keep business activity from completely drying up. Many companies were able to survive the three-month shutdown, helping put the US economy in a better position upon reopening.

Still, we believe more stimulus is needed. And, unlike with the last bill, we hope that policymakers do a better job ensuring the money goes into the right places. There is still a massive amount of unemployed people, as well as a major infrastructure deficit all across the country, and the next stimulus bill should target both of those issues at the same time.

Now is the Time for Change

The infrastructure deficit in this country has been well documented. If policymakers can simply conjure up hundreds of billions out of thin air to directly hand to people—if not several trillion dollars when including Fed stimulus as well—then why can't we also allocate one-time funding toward our crumbling roads, bridges and other long-ignored projects?

Additionally, the best time for the government to step in and help with these projects is when the economy is at its weakest. At the time of publication, the unemployment rate in the US remains in double-digits. There are tens of millions of Americans out of work and unable to find jobs.

Investing in infrastructure puts people to work and creates hugely positive downstream economic effects. For example, spending millions of dollars to fix a dam puts hundreds of people to work in that region, boosting all sorts of economic activity. Local restaurants, shops, and many other businesses would all stand to gain from a sudden influx into the area.

Infrastructure spending allows us to fix what is broken, upgrade what can be improved, and give a boost to a much needed, essential part of our economy. Put more directly, it could kill two birds with one stone: jumpstarting the US economy in the short-term and simultaneously investing in ourselves for the long-term.

Now is the Time for Action

On the heels of the worst employment crisis in nearly 100 years, now is the time for action. Once the medical community has its arms comfortably around the pandemic, we should be quick to immediately provide a necessary boost to the core of America.

There has been tremendous pain and suffering brought on by this pandemic, but when we think about the long-term economic implications, we hope we are able take today as an opportunity to invest in the future of America. Now is the time.

Trade Talks

Aaron Hilger
President, Builders Exchange of Rochester

We had the opportunity to chat with Aaron Hilger, President of the Builders Exchange of Rochester. Our conversation consisted of an array of topics including how the coronavirus pandemic is affecting the construction industry, the ways in which women are engaging in the trades, how the work of trustees benefit union members, the future of recruitment, and more.

**Comments have been edited for length and clarity*

You are currently serving as the President of the Builder's Exchange of Rochester. What are some advantages to joining a builders' exchange?

The Builders Exchange of Rochester was formed in the 1880s, so it's one of the older trade associations of New York. Our founders were interested in dealing with the "new-fangled" idea of labor unions and helping contractors collaborate with organized labor. They were also interested in developing best practices, sharing information, and developing standards of the industry. We still do all of these things today.

We offer dozens of education programs to help people manage their businesses better and improve their workforce. We do a tremendous amount of communication with our members about what the government standards of the industry are. Currently, we are sharing information on what reopening during a pandemic will look like (although many of us didn't close to begin with). We do a great deal of government relations work and advocacy in Albany. Our members enjoy taking part in shaping how the industry grows in New York. We also support national associations with federal legislation.

We also have a strong demand for members to meet and talk to each other. Associations like ours do a great job bringing people together, whether it's golf tournaments, clambakes, or networking events like happy hours that bring people together. During the pandemic we are seeing members engage in different ways. Members that would normally attend events in person are now attending them virtually.

While construction is seen as a male-dominated trade, we are seeing an increase in the number of females in the industry. How are you seeing women engage in the trades?

The first way we are seeing women engage is through office jobs such as estimating and project management. Construction management degrees and programs have really increased the number of women entering the workforce into those careers. Historically, project managers were people who worked in the field and got involved in a management role or became a superintendent through a more traditional career path. That has changed, not just for women, but also for men. You have people graduating with a construction management degree who have never built anything as part of the field workforce and are now managing a project. It's not a good or bad change, it's just different. It opens up a lot of opportunities for women who may not have gone down the traditional path.

Fieldwork is still more of a difficult path for women. There is the barrier of physical strength in some trades, which hasn't changed and a perception that construction careers are not welcoming to women. We have to figure out ways to overcome that. Now we install many products that are a lot lighter and easier to work with than they were 20 or 30 years ago, which reduces the physical requirements of some trades. We also have technology that makes some products a lot easier to install. That not only opens the jobs up to more women, it opens it up to more men who may be intimidated by the work.

Broadly speaking, there have been great programs developed for women in the industry. The carpenters have a program called, "Sisters in the Brotherhood" that is a deliberate mentoring program that takes women who join the industry as a first-year apprentice, pairs them with an experienced female member. The mentors help to get women involved and encourage their success. Twenty years ago there were no programs like this – for men or women. You showed up and worked, and if you survived, you developed a career in the industry. We have come a long way and there is still more to do!

As a trustee on several union plans, can you share some of the important things that trustees do to benefit union members?

Trustees are tasked with managing various plans, but that doesn't mean we manage the day-to-day operations of the plan. We maintain legal compliance by making sure we're sending all the notices and information to members that we're required to do from a regulatory perspective. We also hire and manage the staff who runs the benefit funds. And we're tasked with things like helping to manage the investments and making sure the policies that the funds live by are consistent with regulatory guidance. We also actively manage healthcare plan design.

The typical union member really isn't going to interact with a trustee too much. Most of the member's interaction will be with the funds office and the staff. There's always this odd sort of nexus and frustration of what the participant might want, and what's legal that we're able to do. Sometimes the trustees get blamed for that, sometimes the government gets blamed for that, and sometimes the funds manager takes the brunt of a union member's frustrations with the fund's limitations.

I think it's become harder to find trustees because we are doing a lot more compliance work today than twenty years ago. That work doesn't necessarily add a lot of benefit to the average participant, but if we don't do that work, we can't have a fund. The complexity has increased for trustees, which really does not relate to the benefits the members receive.

Which areas of the construction industry are seeing the greatest impact from the coronavirus pandemic? Are there aspects of the industry that you believe will change permanently, post-pandemic?

In the short-term in New York, which will be different than what other states experience, everybody was affected because we shut down large groups of projects. Many "essential" projects continued to operate and now, a few months later, we're talking about re-opening. Jobsites look and feel different because we have changed work processes to enhance safety. At a fundamental level, the day-to-day work that has to get done doesn't change, but how you're doing it may change. For example, a crew of 30 people could be working on staggered shifts so 10 start at 5am, 10 start at 6am, and 10 start at 7am. You're seeing the use of personal protective equipment (PPE) increase. How long those types of changes will last is hard to determine right now. I don't think we fully understand the virus' progression. If we have a second wave, third wave, or fourth wave, what do those kinds of things look like? And how do they affect our industry in particular?

In the longer-term you will also have significant market changes. Broadly speaking, across the country the construction industry was having a strong bull run. That was starting to slow down in some markets, not in others. In Upstate New York we were seeing some slow down before the crisis, with both the public and private levels of spending slowing. This seems to be led by people leaving the state. A crisis like this accelerates some of those trends.

The construction industry typically does not see dramatic changes right after a crisis. You see them a couple of years later because the projects that are already in process during the crisis are finished, which puts a short-term floor in employment. Where you see the gap is in projects that would have joined the queue now for work a year and a half from now. Construction unemployment in Rochester reached it's low in 2010 after the 2008 financial crisis. I would expect somewhat of a similar pattern here.

I think there will be some long-term structural changes in terms of what we build in the future – especially what an office environment looks like. What are the types of buildings we are going to build for commercial use? Are we going to build as many offices in the same way that we did? There will be more thoughtfulness around how you can mitigate how a virus spreads through an HVAC system design. It could be adding UV lighting and anti-virus/anti-contaminative techniques to it, or it can be totally different venting patterns. And the open concept layout goes away. I think you'll see groups of changes if you're in the remodeling market. There's now a sudden demand for home offices so you'll see a spike of work for that group of contactors. We're also seeing a lot of designers work from home. That facilitates cloud-based design. How you exchange and move documents around is probably going to look different as well.

At the beginning of this year, many construction firms struggled to fill jobs due to a number of factors including attrition, retirement, and a misperception of skilled trade work. What do you think recruitment will look like going forward? (Could it actually get easier, given the staggering levels that unemployment is currently at?)

The demographics don't change. Boomers are aging out of the workforce, regardless of a pandemic. It could even accelerate if people decide they don't want to go back to work. The question becomes, what is the demand function? We know we are going to need a lot of workers right away. We have projects that we started before the pandemic and we need to bring in workers to complete these projects – both new people and existing people. But the question becomes, how many people do you bring in? The worst thing you can do is bring in too many people, have them start their apprenticeships, and then two years down the road there isn't any work for them.

The average age of an apprentice is now a lot closer to 30 than 20. This is because a lot of people may have gone to college or tried other jobs first and they didn't find the right thing. They discover construction and find great salaries and benefits. Maybe we will find a few more people who have had those experiences. I think recruiting does change on a fundamental level in the sense that you're not going to go to job fairs anytime soon. You're not doing large face-to-face recruiting events. We have a very large recruiting fair that we had to cancel that would have had 600-700 students at it, so we are going to have to rethink how we do all of those different types of interactions. Some of those students would start working for our members this summer, and now we have to find a way to reach them!

Recruitment for state-regulated apprenticeship programs is incredibly controlled. The Department of Labor weighs in on everything you do. That structure needs to change because people aren't showing up at offices to fill out an application. You need a permission form to be able to fill out applications online, which seems ridiculous in 2020. The level of state control is a barrier to effective recruiting.

In the last six months to a year we've seen high school guidance counselors and principals who are more interested in talking about careers that don't involve going to college. They're still being measured by how many kids go to college so by a certain extent, but they're at least interested in talking to our industry. You could have someone who has $100,000 worth of college debt and is working at a coffee shop. That doesn't make a lot of sense and education professionals are starting to recognize this. Having a career in the construction industry, you get paid to train, paid to work, you don't develop a lot of debt, and you make a pretty good salary – that's a pretty attractive package. And you can transition on to manufacturing, welding, or other crafts that could require education but don't necessarily require traditional college education. Sometimes construction folks can be considered anti-college or anti-education, but that can't be further from the truth.

What are some of the greatest ways that technology is re-shaping the industry?

First, let's look at the design community and sharing of documents. Instead of having large files on their desk top, they have large files in the cloud and are collaborating from wherever they are. The cloud-based technology is a giant change in terms of how we store, manage, and share information. It's a huge shift in an industry that still likes paper. We still sell thousands of copies of blueprints to members each year because, in part, paper is easy to look at. You can easily pull it out at a construction site. But we are also getting more friendly with being able to pull these large files up on an iPad.

Another substantial change technology brings is in products and product development. For example, a lot of masonry work you see right now is not actually bricks and mortar. It looks like masonry but it's a panel which is a lot easier to install. Modular design is also now more broadly accepted. We can see skyscrapers being built now that actually look like a Lego set. They are boxes that get installed together that are pre-plumbed and pre-wired. It makes construction more like a manufactured product than a custom build, but it's efficient and easier to do on the job site, which opens up more opportunities to those in the industry. Also, if we can't find enough workers for a project, we can do offsite fabrication to make on-site work easier. I think we will see a lot more of this over time, particularly in more dynamic markets with labor shortages.

There's also technology that's making our work easier. If you look at the industry today, there are products being developed like the Mule. The Mule will picks up an 80-pound block and puts it in position for installation. So, if you have to spend your entire day picking up blocks, filling them with mortar and setting them down, you now have a machine that will do half of that process for you. That dramatically increases productivity and reduces the physical strength requirement, which then opens the job up to more people to be able to do it. Technology that makes work easier and safer for workers is something that we will continue to see develop.

Turning Back the Clock

Acting on the Lessons from 2008

The market volatility in the first half of 2020 has given investors déjà vu. The downturn and subsequent rally were abrupt and severe. We haven't seen volatility this extreme since the 2008-09 Global Financial Crisis.

Today and the financial crisis were very different situations, but the feelings of fear and uncertainty are the same. That is why we believe comparing and contrasting these two major meltdowns can provide useful perspective for weathering the storm.

Different Sparks

The financial crisis was sparked by problems within the financial system. Too much leverage, too many people buying houses they couldn't afford, and Wall Street turning a blind eye to systemic risks formed a bubble that was bound to burst.

Once the housing crisis struck in earnest, dominos started falling throughout the system. While the crisis stemmed from issues within the financial system itself, the problems didn't stay contained. Banks failed, people lost jobs, and cratering home prices brought the economy to a halt.

The cause of this year's market selloff, a global pandemic, is obviously much more external. Before the pandemic hit, the stock market was at an all-time high, unemployment was at a fifty-year low, and the economy was on a historically long expansion streak.

While there were areas of concern, such as high debt levels, the economy was still on very solid footing before the virus spread. Sometimes, out of nowhere events can shock the system.

Similar Conditions

The causes of the two crises were very different, but just before the events hit, their market backdrops were actually very similar.

In the years before the housing crash, markets were rising, and many investors were taking on more risk than they should. Even sophisticated investors ignored warning signs in the housing market, mortgage market, and more. Conditions were ripe for a downturn when things began to unravel.

At the start of this year, financial markets heading into the tenth year of a bull run. Stocks were expensive, and corporate profits were steadily rising. Low interest rates and quantitative easing at central banks all across the world helped juice market performance too.
With so much optimism about the future, investor expectations became very high. The market was susceptible to weakness should something bad happen, like the pandemic. Different sparks caused the two crises, but risky conditions set them both up for a selloff.

Unpacking the Results

Social distancing, self-quarantining, and job losses and furloughs have resulted in millions of Americans being forced to cut back on spending. But, unlike in 2008, the market has recovered much, much faster.

One key difference powering today's sharp market rebound has been a massive central bank response. For example, the Federal Reserve (Fed) has clearly learned from prior crises, and they have poured vast amounts of stimulus into the financial system. Swift policy reaction to do whatever it takes made a huge difference this time around.

Still, like other economic downturns, unemployment has spiked, and many companies are fighting for their survival. For many, job insecurity is causing people to focus on protecting assets. People are hunkering down, spending less, and saving more. Even though central banks have helped markets recover sharply, it remains to be seen if 2020's broader economic devastation will be as bad as in 2008.

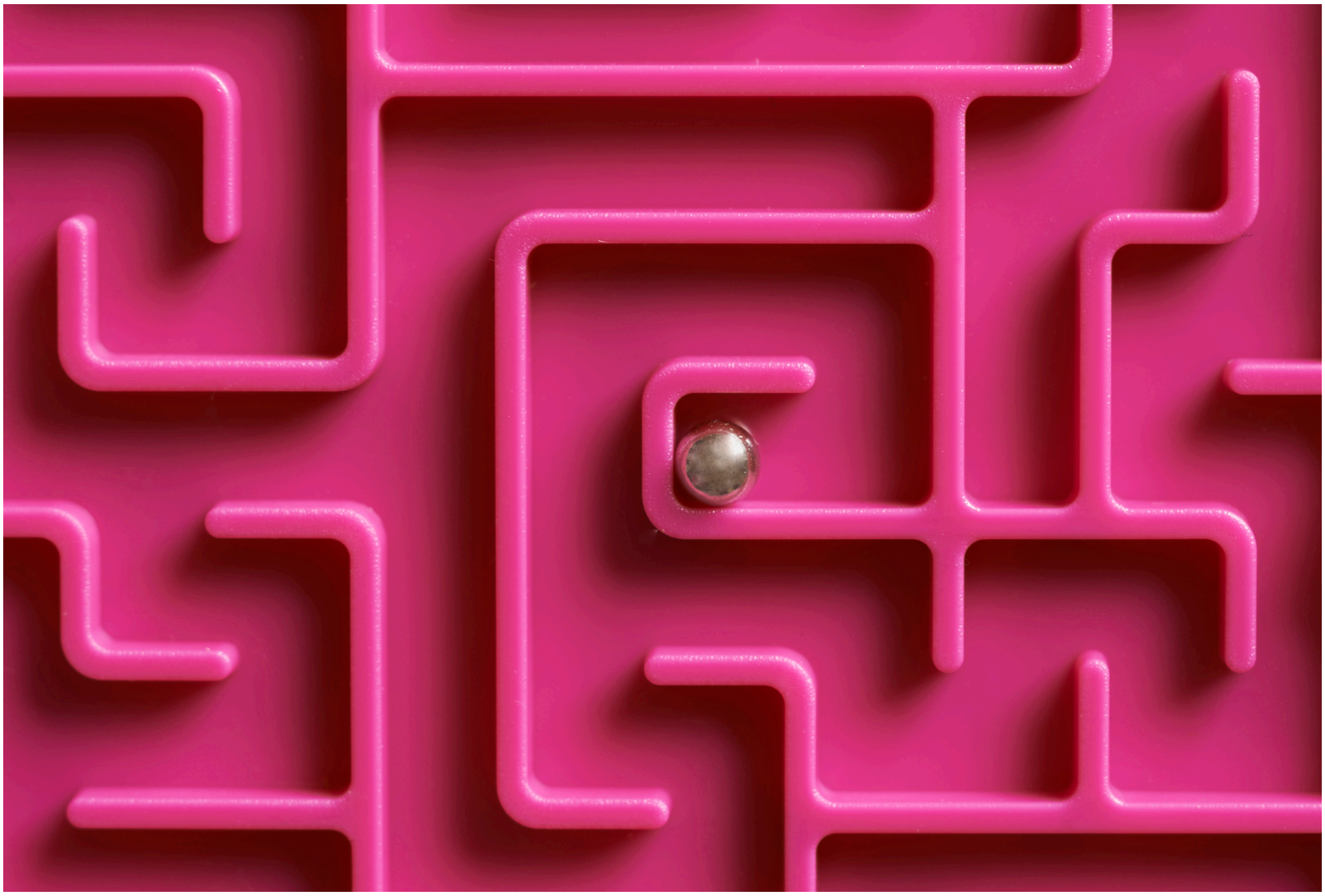
The Lessons of 2008 & What We're Doing

Bear markets are always painful and challenging, and long-term investors could witness up to a dozen bear markets over the course of a lifetime. As difficult as they may be, investors need to keep a long-term perspective.

Most individuals and organizations should be focused on long-term results. And in order to achieve those results, investors must avoid making mistakes. They should stick with their financial plan, especially during market downturns.

Our investment solutions and strategies are designed to deliver the results clients need over the long-term. For example, during the first half of this year, we upgraded client portfolios and increased risk as we found compelling opportunities at attractive prices. We believe our long-term perspective helped give us the confidence to actively capitalize on these opportunities.

We encourage investors to recognize that market selloffs will happen. Understand why sticking with your plan is important, even if it feels painful, and you'll be better able to survive another bear market.



Controlling Your Controllable

Three simple way you can gain the upper hand on your finances.

This year has already proven to be incredibly stressful for investors. With nearly daily developments in the waves of the pandemic, you should expect more volatility in the months to come.

So much of what has happened was sudden, unpredictable and far outside of investors' control. No one knows for sure what the virus will do next, and no one knows for sure what the market will do next. But that doesn't mean there is nothing you can do. Take a break from watching the news to consider these tips that may give you some peace of mind.

Stay Invested

You have heard it before and will hear it again as market volatility continues: Leave emotion out of your investment portfolio. The idea sounds easy, but with today's 24/7 news cycle, even the most seasoned investor can begin to feel an overwhelming sense of uncertainty.

To be clear, there is still tremendous uncertainty ahead of us, yet key investing principals remain as important as ever. When we look at other historical moments of change, they were filled with volatility in the moment, but markets still performed well over time. Occasional selloffs are a normal part of investing, which is why it is important for investors to think in terms of years, not months.

So what should you be doing with your money? You might hear from various commentators that now is the time to either be 'all-in' or 'all-out'. The reality is that investing is never about trying to time the market by swinging from one extreme to the other. Stick to your financial plan and recognize that a long-term commitment matters most in the end.

Control Your Expenses

It is common to have financial worries during a recession. Unemployment rises, and companies hire more slowly, making job loss during a recession a scary potential event.

Shift your focus away from daily economic updates, and instead, focus on what you can do now. Adjusting and preparing your finances today can help keep you calm later if something bad happens. Develop or expand your emergency savings. Most experts recommend you have three to six months' worth of expenses saved in cash. Having these funds prepared can provide much more peace of mind.

Now might also be the time to examine your spending and make some more conservative decisions. Hold off on large purchases and take a closer look at non-essential expenditures to see where you can save. There can be recurring costs you didn't know about. Above all else, recognize that drawing on long-term investment holdings when the market is low can seriously impair your ability to meet long-term objectives.

Think About Refinancing

The Federal Reserve substantially lowered interest rates, and loan rates have fallen in response. Now is an excellent opportunity to look at any outstanding debt and consider whether it makes sense to refinance.

Analyze your current debts and evaluate the worth of refinancing. Traditionally, when looking at mortgage rates, if the new rate is one to two percent lower than your current one, it is worth considering refinancing. This is a terrific way to take advantage of today's economic situation, and it will save you money in the long-run.

Additionally, look at any other debt you may have. You want to be saving during recessions. If possible, reducing expenses and adding savings to your investment portfolio when markets are off their highs is ideal.

As we continue to move through the rest of 2020 and into next year, it's important to stay focused on long-term goals. Markets may remain volatile, and if you have questions on whether you are on track, you should reach out to your financial advisor.

This publication was originally published in August 2020. The data, views, and examples provided are as of that date unless otherwise noted.

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