

Report on Wrecking or Demolition and Building Raising or Moving Special Industry Classification Procedures Study

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Wrecking or Demolition and Building Raising or Moving Special Industry Classification Procedures Study

Introduction

The WCIRB reviewed the *Special Industry Classification Procedures for Wrecking or Demolition and Building Raising or Moving* found in Part 3, *Standard Classification System*, Section IV, Rule 7, of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) (*Wrecking or Demolition* procedures) to clarify the procedures for assigning the following classifications in connection with wrecking, demolition, raising or moving operations: Classification 5606, *Contractors – construction or erection – executive level supervisors*; Classification 5610, *Contractors – construction or erection – all construction subcontracted*; and Classification 8227, *Construction or Erection Permanent Yards or Shops*. Questions have been raised about whether these classifications can be assigned in connection with wrecking, demolition, raising or moving operations. Additionally, the procedure for determining the classifications assignable to the deconstruction and removal of building materials to facilitate reconstruction, remodeling or repair operations, sometimes described as “soft demolition,” is not as clear as it could be. The objective of this study is to clarify the assignment of these classifications.

Classification Analysis

The *Wrecking or Demolition* procedures provide direction for determining which of a specific subset of construction classifications apply to raising or moving buildings or structures and to wrecking or demolition work, including raising or moving floors or walls, removing and loading debris, concrete foundations, sidewalks or floor slabs, and welding or cutting operations. With only three exceptions,¹ these operations are assignable to the following *Construction or Erection* classifications based on the type of structure that is being demolished, raised or moved: 5403/5432, *Carpentry – N.O.C.*, 5213, *Concrete Construction – N.O.C.*, 5057, *Iron or Steel Erection – N.O.C.*, 5027/5028, *Masonry*, and 6003(2), *Wharf Building*. As these classifications are listed in Appendix I, *Construction and Erection Classifications*, they are subject to the *Special Industry Classification Procedures for Construction or Erection Work*, found in Part 3, Section IV, Rule 2, of the USRP (*Construction or Erection Work* procedures).

Within the *Construction or Erection Work* procedures, Rule 2d, *Executive Level Supervisors*, details the procedure for determining the application of Classification 5606, *Contractors – construction or erection – executive level supervisors*, to construction and erection operations. Classification 5606 applies to executive level supervisors who oversee construction operations through a second level supervisor or who work on jobs where all construction is performed by licensed subcontractors. The *Wrecking or Demolition* procedures do not specifically state whether Classification 5606 can be assigned to executive level supervisors on wrecking or demolition jobs.

Classification 5610, *Contractors – construction or erection – all construction subcontracted*, applies to job site clean-up, debris removal and post-construction warranty operations on construction jobs where all operations are conducted by licensed subcontractors. The *Wrecking or Demolition* procedures specify that wrecking or demolition operations include the removal and loading of debris; however, they do not specify how to classify job site cleaning, security, traffic control and similar ancillary operations when wrecking or demolition is conducted by licensed subcontractors.

Classification 8227, *Construction or Erection Permanent Yards or Shops*, applies to permanent yards or shops maintained by contractors in support of a construction or erection project. Rule 2f, *Shop, Yard or Storage Operations*, of the *Construction or Erection Work* procedures provides additional direction on how to classify shop, yard or storage operations when more than one construction or erection classification is assignable. The *Wrecking or Demolition* procedures do not provide specific direction as to

¹ These exceptions are Classification 7219(3), *Mobile Crane and Hoisting Service Contractors*, Classification 7219(1), *Trucking Firms*, and the assignment of the appropriate construction classification to the rebuilding of structural members in connection with raising or moving buildings or structures.

how to classify the shop, yard or storage operations of a contractor that performs wrecking or demolition work, as well as other construction or erection operations.

Additionally, operations involving the deconstruction and removal of building materials, including but not limited to wallboard, floor coverings, carpentry, electrical work or plumbing fixtures in connection with repair, reconstruction or remodeling are not specifically described in either the *Construction or Erection Work* procedures or the *Wrecking or Demolition* procedures. However, it has been a long-standing practice to assign these operations, often described as “soft demolition,” to the *Construction or Erection* classification(s) that describes the installation of the material that is being removed or deconstructed.

Impact Analysis

As existing USRP provisions do not address the classification of executive level supervisors, ancillary support employees and permanent yard operations in connection with wrecking or demolition operations, it is unclear to what extent these employees and operations have been assigned to the classifications referenced in the *Wrecking or Demolition* procedures instead of to Classifications 5606, 5610 or 8227. The objective of this study is to clarify and align procedures for classifying *Wrecking and Demolition* and *Construction and Erection* operations. The WCIRB does not anticipate that current classification practices will materially change as a result of the clarifications proposed in this study. Operations involving the deconstruction and removal of building materials in connection with repair, reconstruction or remodeling have historically been classified as proposed in this study, so no impact is anticipated.

Classification History

Presented below is a timeline of the significant changes to the scope and application of the relevant classifications:

- **1961:** A comprehensive review was conducted on Classification 5701, *Wrecking or Demolition of Buildings or Structures*, Classification 8204, *Building Material Dealers – second-hand*, and Classification 8204, *Pipe Reclaiming*, partially due to the upward trend of the rate for Classification 5701. As a result of the study, Classification 5701 was amended to include “the salvaging and disposing of materials, incidental excavation and grading, store and yard employees; drivers, chauffeurs and their helpers...”
- **1969:** An editorial change was made to Classification 5701, *Wrecking or Demolition of Buildings or Structures*, to remove the phrase “all operations” and change it to “all employees.” The original intent of the classification was not to include a bona fide yard away from the wrecking site.
- **1977:** At a Manual Subcommittee meeting, staff discussed the rate for Classification 5701, *Wrecking or Demolition of Buildings or Structures*, which had reached \$71.79.
- **1978:** Classification 5701, *Wrecking or Demolition of Buildings or Structures*, was eliminated and a Special Rule was added to the Manual to explain the procedure for classifying wrecking or demolition operations.
- **1991:** Classification 5703, *Building Raising or Moving*, was eliminated due to limited credibility. It was recommended these operations be reassigned to the appropriate construction classification in accordance with the provisions of Special Rule II, *Wrecking or Demolition*.

Other Jurisdictions

Similar to the WCIRB, the National Council on Compensation Insurance, Inc. (NCCI) assigns a specific subset of construction classifications to wrecking or demolition operations, none of which specifically include permanent shop, yard or storage operations. However, the NCCI has alternate wording describing the wrecking operations for each of the classifications:

- 5213, *Wrecking – Buildings or Structures – Not Marine – All Operations – Concrete or Concrete Encased Buildings or Structures*
- 5022, *Wrecking – Buildings or Structures – Not Marine – All Operations – Masonry Buildings or Structures*
- 5403, *Wrecking – Buildings or Structures – Not Marine – All Operations – Wooden Buildings or Structures Including Those Designed For Dwelling Occupancy*

- 5057, *Wrecking – Buildings or Structures – Not Marine – All Operations – Iron or Steel Buildings or Structures*
- 6003, *Wrecking – Marine*

The NCCI does not have a rule that prohibits the use of Classifications 5606, *Contractor – Project Manager, Construction Executive, Construction Manager or Construction Superintendent*, or 5604, *Construction – Executives, Supervisors or Foreman Overseeing Jobsites – Not performing actual construction work*, in connection with wrecking operations. Classification 5606 applies to supervisory employees of construction or erection operations that qualify, even when “all employees,” “all other employees,” and “all operations to completion” appears in the construction or erection classification phraseology, as is the case with these wrecking classifications.

In contrast, Massachusetts, New Jersey, New York and Texas assign Classification 5701, *Wrecking – Building or Structures – Not Marine – All Operations*, to the wrecking and demolition of all non-marine buildings or structures, regardless of the material involved. This classification directs that drivers be separately rated to Classification 8204, *Building Material Yard*. While California classifies “soft demolition” operations based on the materials that are deconstructed or removed, these jurisdictions assign interior building “strip outs” to carpentry construction classifications without regard to materials.

Findings

Based on staff’s review, the WCIRB determined:

1. In connection with wrecking, demolition, raising or moving work, the *Special Industry Classification Procedures for Wrecking or Demolition or Building Raising or Moving* do not provide sufficiently clear direction regarding the assignment of Classifications 5606, *Contractors – construction or erection – executive level supervisors*, 5610, *Contractors – construction or erection – all construction subcontracted*, or 8227, *Construction or Erection Permanent Yards or Shops*.
2. The long-standing procedure for determining the applicable classification(s) for “soft demolition” operations is not currently specified in the USRP.

Recommendation

Based on these findings, the WCIRB recommends the following:

1. Amend the *Special Industry Classification Procedures for Wrecking or Demolition and Building Raising or Moving* to clarify the procedures for the assignment of Classifications 5606, *Contractors – construction or erection – executive level supervisors*, 5610, *Contractors – construction or erection – all construction subcontracted*, and 8227, *Construction or Erection Permanent Yards or Shops*, and for clarity.
2. Amend the *Special Industry Classification Procedures for Wrecking or Demolition and Building Raising or Moving* to clarify the procedure for determining the applicable classification for soft demolition operations.
3. Amend the *Special Industry Classification Procedures for Construction or Erection Work* to cross-reference the *Special Industry Classification Procedures for Wrecking or Demolition and Building Raising or Moving*.

Recommendation

Amend Section IV, *Special Industry Classification Procedures*, Rule 2, *Construction or Erection Work*, to cross-reference the *Wrecking or Demolition and Building Raising or Moving Special Industry Procedures*.

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2. Construction or Erection Work

This Rule applies to the construction and erection classifications listed in Appendix I, *Construction and Erection Classifications*. Division of payroll shall be made for each separate and distinct type of construction or erection operation that is specifically described by a classification, provided separate records of payroll are maintained and provided the use of any such classification in connection with a separate job or location is not restricted by classification phraseology or footnotes. When the operations at a job or location are classified on a divided payroll basis, the remuneration of any one employee may be divided between two or more classifications provided the employer has maintained complete and accurate records supported by original time cards or time book entries which show separately, both by individual employee and in summary by operations performed, the remuneration earned by such employee. Operations for which separate records of payroll are not maintained shall be assigned to the highest rated classification applicable to the job or location if payrolls are kept separately by job within the policy period; otherwise, the highest rated classification shall be assigned based on the entire policy period. Operations that normally prevail in connection with a classification shall not be subject to division of payroll, but shall be assigned to such classification, whether or not separate records of payroll are kept.

Wrecking or demolition work where a building or structure is razed or where a floor or exterior wall is removed, the raising or moving of buildings or structures, and the deconstruction or removal of existing construction materials, including but not limited to wallboard, floor coverings, wall framing, electrical work or plumbing fixtures in connection with reconstruction, repair or remodeling operations shall be assigned in accordance with Section IV, Rule 7, *Wrecking or Demolition and Building Raising or Moving*.

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Recommendation

Amend Section IV, Rule 7, *Wrecking or Demolition and Building Raising or Moving*, to clarify the procedures for the assignment of Classifications 5606, *Contractors – construction or erection – executive level supervisors*, 5610, *Contractors – construction or erection – all construction subcontracted*, and 8227, *Construction or Erection Permanent Yards or Shops*, and the procedure for determining the applicable classification for soft demolition operations.

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7. Wrecking or Demolition and Building Raising or Moving

- a. In classifying wrecking or demolition work where a building or structure is razed or where a floor or exterior wall is removed, ~~the entire~~ all operations performed at the wrecking or demolition site, including ~~the removal and loading of debris~~ welding or cutting, breaking up concrete foundations, sidewalks, or floor slabs, and ~~the welding and cutting operations conducted in connection with the wrecking or demolition work~~ removing or loading debris, shall be assigned to one of the classifications listed in (1) through (5), below.

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- b. The deconstruction or removal of existing construction materials, including but not limited to wall-board, floor coverings, wall framing, electrical work or plumbing fixtures in connection with reconstruction, repair or remodeling operations where a building or structure is not razed or where a floor or exterior wall is not removed shall be assigned to the *Construction and Erection* classification applicable to the installation of the same materials.

- ~~b-c.~~ In classifying the raising or moving of buildings or structures, all operations involved in the raising or moving of such buildings or structures, including incidental shoring and the removal of walls, foundations, columns, piers or other structural members, shall be assigned to one of the classifications listed in 7a(1) through 7a(5), ~~above~~.

- ~~c-d.~~ All wrecking, demolition, raising or moving work not specifically described in the classifications listed in 7a(1) through 7a(5), ~~above~~, shall be assigned by analogy to one of those classifications. No other classification is applicable.

~~d-e.~~ Exceptions

- (1) If executive level supervisors oversee the operations described in 7a through 7d, and no less than two levels of supervision are retained, or all actual wrecking, demolition, raising or moving operations, including equipment operation and debris removal, are subcontracted to licensed subcontractors, such executive level supervisors shall be assigned to Classification 5606, *Contractors – construction or erection – executive level supervisors*, in accordance with Section IV, Rule 2d, *Executive Level Supervisors*.
- (2) If all work described in 7a through 7d, including equipment operation and debris removal, is performed by licensed subcontractors, employees who perform job site cleaning, security, traffic control or similar support operations shall be assigned to Classification 5610, *Contractors – construction or erection – all construction subcontracted*.

(3) Shop, yard or storage operations maintained by wrecking, demolition, raising or moving contractors assigned to one or more construction or erection classification shall be assigned in accordance with Section IV, Rule 2f, *Shop, Yard or Storage Operations*.

~~(1)~~(4) With respect to the raising or moving of buildings or structures, the rebuilding of walls, foundations, columns, piers or other structural members shall be assigned to the appropriate construction classification.

~~(2)~~(5) If a subcontractor is engaged to conduct mobile crane operations in connection with a wrecking, demolition, raising or moving job, and performs no other type of work on the job, the mobile crane operations of said subcontractor shall be assigned to Classification 7219(3), *Mobile Crane and Hoisting Service Contractors – N.O.C.*

~~(3)~~(6) If a subcontractor is engaged for the hauling of debris from a wrecking, demolition, raising or moving site, and performs no other type of work on the job, such hauling operations shall be assigned to Classification 7219(1), *Trucking Firms*.

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