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## **Prepared Remarks of Secretary Shaun Donovan at the National Alliance For Fair Contracting Conference**

**Washington Court Hotel, Washington, DC  
Thursday, October 7, 2010**

Thank you, Rocco -- for that introduction and for your leadership on behalf of America's working men and women.

You are all leaders in your communities. But I would like to recognize a few with us today -- our Labor Solicitor Patricia Smith, General President James Boland of the Bricklayers, Terry Sullivan of the Labors, and Joseph Hunt of the Ironworkers.

I also want to say a few words of thanks to the Labor Commissioners here today -- Elizabeth Buck from Iowa, Ron De Julius from Maryland, Laura Fortman who comes to us from Maine, and Coleen Gardner from New York.

And I want to say a special word of thanks to all of the Members of Congress and State Legislatures you have speaking over the next day-and-a-half -- particularly Congressman McDermott, who, like everyone here, understands that workers have a right to organize and control their own economic destiny.

It's a pleasure to represent an Administration that agrees completely.

And so, I'm thrilled to be with all of you today -- with so many members of the union construction trade industry and independent construction contractors. Whether you are carpenters or laborers, painters or masons, electricians or ironworkers, each and every member of this audience knows what an honest day's work means.

### ***A New Era of Partnership Between Organized Labor and HUD***

Today, I want to discuss with you the Obama Administration's commitment to building a strong Middle Class -- and the essential role we see unions playing in building that foundation.

And let's be clear -- in the last century, it was unions that helped create America's vibrant Middle Class, who, as President Obama said, "made the 20th century the American century" and who Vice President Biden said at AFL-CIO's Building Trades convention this year are "the soul of a community's lifeline to jobs."

It was unions that built the backbone of our economy -- and unions who believed we could do better and proved it.

It was unions who believed that everyone deserved dignity in the workplace and a living wage -- that opportunity was not the right of the wealthy or the privileged, but of every single person who was willing to work for it.

Since that time, you have fought for employee rights, for higher standards, greater equality and security in work and retirement -- and helped us build the homes that are the very foundation of stability in our communities.

Unfortunately, so much of the progress we have worked for together has been undermined by a decade of failed economic policies -- and in some cases reversed.

Eight million Americans lost their jobs in the recession -- representing the steepest jobs decline since the Great Depression. It was so bad that when President Obama took office we were losing 753,000 a month -- every month.

But from the minute he did, he made reversing that decade of failed policies and rebuilding America's Middle Class job number one.

Rebuilding the Middle Class is what health care reform was about -- putting an end to insurance companies jacking up your premiums at will and instead giving you more choices and more control over your economic destiny.

Rebuilding the Middle Class is what Wall Street Reform was all about -- putting an end to the bad behavior that sent our economy into the worst tailspin since the Great Depression and giving families the strongest consumer protections in history.

Rebuilding the Middle Class is what President Obama's Recovery Act was about -- putting an end to the era of tax cuts for millionaires and billionaires by cutting taxes for 95

percent of working families, helping American factories re-open and re-invent and putting 3 million people back to work building homes, roads and rails we need to compete in the 21st century.

In effort after effort--rebuilding our national infrastructure, rescuing our nation's auto industry--time and again: President Obama has put his faith in the American worker.

He knows what I know:

That no one ever made a dime betting against you.

The job's not over by a long shot. But it won't be done by government alone. Reversing the effects of a decade of failed policies will require the talent, energy and partnership of a vibrant labor movement.

That's why I've been meeting with people like Rocco, Mark Ayers, and Rich Trumka and other leaders of organized labor.

That's why HUD's been reengaging with our friends in organized labor -- participating in efforts like the Federal Interagency Conference on Project Labor Agreements.

Most important of all, that's why we're providing the new tools and resources we need to invest in families and communities and lay new foundation for our economy.

### ***Building a New Foundation for our Economy***

Over the past 20 months, I have attended groundbreakings in communities across the country and seen for myself how work funded with HUD dollars is employing thousands of people to meet America's housing needs -- greening HUD's housing stock, reviving stalled affordable housing projects and stabilizing neighborhoods wracked by foreclosures.

With the help of so many of those represented in this room today, through the Recovery Act, we have renovated over 315,000 homes and 18,000 new homes are under construction -- many to green standards with energy efficient improvements, saving money for residents and owners alike.

These successes reflect President Obama's commitment to making green building an engine of economic growth, jobs

and opportunity in communities across the country -- creating a new generation of professionals, ready to build, install, repair and maintain these technologies, from mechanics and electricians to plumbers and construction workers.

Critical to these efforts is our ability to enforce prevailing wage requirements.

When President Obama was inaugurated, most construction and maintenance work performed using HUD dollars was already subject to prevailing wage requirements.

But the Recovery Act gave these efforts a real boost. Of the \$13.6 billion HUD received under the Recovery Act, more than \$10 billion of that funding for 11 HUD programs was subject to Davis-Bacon requirements.

In all, HUD's Davis Bacon workload increased by 75 percent when you include Recovery Act funding.

With all this new funding subject to Davis Bacon, it's absolutely critical that every contractor has the information they need to do the right thing by their employees.

That's why we're updating our Contractor's Guide to support employer compliance and ensure that every contractor who does business with HUD understands how they can uphold their responsibilities.

But let's be clear:

If they don't, we're going to hold them accountable.

As HUD Secretary, I take my responsibility seriously to enforce the law when it comes to wages, wage restitution and underreporting of earnings.

That's why we are committed to doing a better job of monitoring prevailing wage compliance -- in headquarters, in the field and by ensuring that our 5,000 local partners on the ground, including Indian tribes, share that commitment.

To date, more than \$2.1 million in wage restitution has paid to more than 3,500 workers who had been underpaid.

It's why we're stepping up our efforts to monitor construction contractors who classify their employees as "independent contractors" to avoid paying payroll taxes -- and which often goes hand in hand with prevailing wage underpayments.

Underpayments not only cheat the taxpayer -- they also hurt workers who are often willing to take substandard wages just to have a job.

That's not right.

Getting this right is a priority for the Administration and Vice-President Biden and leaders in Congress like Congressman McDermott.

And it's why we're working more closely with sister agencies like the Department of Labor and the IRS -- sharing information and referring potential wage violations so that when it comes to holding employers accountable, the Federal government is working together and speaking with one voice.

### ***Project Labor Agreements***

These successes are important -- but they are only a start to our work helping rebuild America's Middle Class.

Nowhere is the opportunity clearer than project labor agreements.

I know this audience recognizes how important PLAs are -- the Obama Administration does as well.

For HUD, it's simple. Construction employers typically do not have a permanent workforce. And with construction projects often involving multiple employers, it doesn't take a genius to understand that a single labor dispute involving one employer can delay an entire project.

Project Labor Agreements have proven to be extremely effective at ensuring projects are completed efficiently and with high quality workmanship because they establish upfront the terms and conditions of employment and a framework for cooperation.

Still, we all know the history -- how the previous administration banned PLAs.

With President Obama's Executive Order, we put an end to that shameful era -- now we need to encourage and reeducate grantees about their importance.

PLAs are an important vehicle for helping our partners fulfill their Section 3 obligations to provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

We increased Section 3 reporting by 55 percent in 2009 -- ensuring that public housing residents and members of the community have the same access to employment from businesses receiving HUD contracts as anyone else.

PLAs can also help promote apprenticeship programs to public housing and Housing Choice Voucher residents -- which is particularly important, given that not everyone has the expertise necessary to perform so-called "journey-level" construction.

That's why HUD is promoting the expanded use of apprenticeship programs, which have historically provided highly competent, safe and comprehensive occupational training needed to produce workers of exceptional caliber.

At the Portland Housing Authority in Oregon, you can see how a strong commitment to Section 3 and apprenticeships is making a difference. Their Evening Trades Apprenticeship Preparation program, established during the Clinton Administration, prepares low-income residents for apprenticeship in the building trades.

Over the last decade, HUD has provided Hope VI and Resident Opportunity for Self-Sufficiency grant support to step up their efforts -- which have graduated over 250 residents of public housing, 70 percent of whom are minorities and more than a quarter of whom are women.

Over the past two years, this Administration has helped the Housing Authority expand a budding partnership with the Portland Community College, which works with the Portland Building Trades to make sure that pre-apprenticeship graduates continue in the union apprenticeship program and become carpenters, painters, welders, cement masons, electricians and ironworkers.

And with the average age of participants in this program 36 years old, these efforts are helping ensure that these residents get the start to a second career so many people need in this economy.

I'm proud of this investment in Portland's local workforce -- and similar investments we are making in communities like in Tacoma, Philadelphia and San Francisco.

We do this out of respect for the American worker. And we owe it to them.

In keeping with the President's Executive Order, we are vigorously promoting PLAs with Housing Authorities, redevelopment agencies and city governments -- and are close to PLA agreements in cities like Boston which is undergoing one of the biggest housing rehabs in the country, greening 29 housing developments using \$60 million in Recovery Act funds.

At the same time, we are also educating partners, housing authorities and localities on the benefits of these workforce development partnerships. HUD hosted a workshop on PLAs and Section 3 at our National Fair Housing Conference in New Orleans this summer and is convening an orientation session with practitioners and HUD Field Office personnel to discuss best practices regarding the use of PLAs in federally-assisted projects.

### ***Transforming Rental Assistance***

At the same time we are making the most of existing authority to create the strong, healthy Middle Class that America needs to compete in the 21st century, this economic crisis has forced us to think about the steps we need to take to ensure we never get into a crisis like this again.

Here again, the Recovery Act has provided a critical platform for changing the way we do business.

One of the most important Recovery Act investments was the \$4 billion in public housing capital funds provided to over 3,000 public housing authorities throughout the nation.

This program created or saved more than 10,000 jobs in 2010 alone.

With the Recovery Act, we proved that green affordable housing construction and rehabilitation can be a powerful engine for job creation.

But of course, the Recovery Act was a one-time investment. And today--even after 8 straight months of private sector job creation--too many families across the country are still struggling as a result of the 8 million jobs we lost in this crisis.

For opportunities to create more good-paying construction jobs, we need look no further than our public housing system, which faces between \$20 and \$30 billion in capital needs.

No one seriously expects Congress will be able to provide these funds in the current fiscal climate -- and yet we estimate there is \$25 billion of private and other public capital sitting on the sidelines, waiting to be invested in these properties.

Antiquated rules developed nearly a half century ago prevent anyone but the Federal government from financing improvements to public housing.

These antiquated rules haven't just stood in the way of building housing. They have also stood in the way of building anything around that housing -- the grocery stores, schools and retail businesses that any community needs to thrive...and that are the bread and butter of our nation's construction industry.

That's one big reason that the Obama Administration is proposing our Transforming Rental Assistance initiative.

Instead of being a problem for neighborhoods, with TRA, this housing can be an asset to our communities and a real anchor for comprehensive community investment -- bringing public housing into the 21st century and creating hundreds of thousands of jobs. Good jobs that can't be outsourced.

HUD estimates that in the first year alone TRA would create nearly 90,000 construction jobs -- 312,000 jobs in all, and in the communities that need them most.

The Recovery Act has shown that at the same time we put people to work, we can create more sustainable communities.

By Transforming Rental Assistance, we can build on those successes, change the way we do business and create more than 300,000 of the good paying jobs we need to lay a new foundation for a 21st century economy.

For those of you who have already come out in support of this effort -- I thank you.

For those who haven't yet, I'm asking for your support -- to let your representatives know how important TRA is, not just to your jobs, but to building the economy America needs to thrive and prosper in the 21st century.

### ***Building a New Foundation***

And so, we have an ambitious agenda.

And frankly, it starts at the top. During his campaign, President Obama said his Administration would weatherize a million low-income homes per year -- and through the Recovery Act, HUD and the Department of Energy are well on our way toward meeting that goal.

I know how much this work means to your industry right now. With nearly one in five construction workers unemployed, no one's been hit harder -- no one is struggling more to put food on the table or new clothes on their children.

And just as we didn't get into this crisis overnight -- we won't get out of it overnight either.

But we will get out of it.

I know because I've seen what the American worker is capable of.

I've seen it in Houston's Kennedy Place Redevelopment.

In the Forest Square development in Cincinnati and Benedict Park Place in Denver.

I've seen it in Anchorage Alaska, in Kansas City and in countless communities across the country I've been to over the last 20 months where Americans are rebuilding not only our homes, but our economy -- brick by brick, block by block.

That is what your members are doing -- and that work is just beginning.

As ambitious as the President's goal is--and as central as it is to building a new foundation for our economy--in the coming days and the coming months, by working together, in partnership and in common cause, I have no doubt we can rise meet it. Thank you.