



# Statement of the U.S. Chamber of Commerce

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**ON: THE DRAFT EXECUTIVE ORDER  
ON PROJECT LABOR AGREEMENTS**

**TO: SENATE COMMITTEE ON LABOR  
AND HUMAN RESOURCES**

**DATE: APRIL 30, 1997**

**BY: R. BRUCE JOSTEN**

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The U.S. Chamber of Commerce is the world's largest business federation representing an underlying membership of more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 71 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- numbers more than 10,000 members. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 78 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. Currently, some 1,800 business people participate in this process.

**STATEMENT**  
**on**  
**THE DRAFT EXECUTIVE ORDER ON**  
**PROJECT LABOR AGREEMENTS**  
**before the**  
**SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES**  
**by**  
**R. Bruce Josten**

**April 30, 1997**

Good morning, Mr. Chairman. I am R. Bruce Josten, Senior Vice President of the U.S. Chamber of Commerce, the world's largest business federation representing an underlying membership of more than three million businesses and organizations of every size, sector, and region. The U.S. Chamber of Commerce was founded in 1912 as President Taft urged that a national chamber of commerce be established to ensure business concerns were represented in Washington, D.C. Founded on the principles of our free enterprise system, the U.S. Chamber has been the definitive voice of a wide diversity of businesses for more than eight decades.

It is in this capacity that I come before you today -- to voice the deep concern and bitter disappointment of the business community at-large regarding the President's draft executive order that would virtually require project labor agreements (PLAs) to be utilized for all federal and federally funded construction projects. This draft executive order is a transparent overture to organized labor that will have a negative impact on the economy, business, millions of non-union employees, and taxpayers.

We strongly urge the President to reconsider issuing such an executive order and that the

Congress take action to ensure that it is not implemented. Our reasons for such action are compelling. First, the executive order will interfere with the practice of full and open competition for the \$60 billion spent annually by the federal government on construction. By requiring PLAs, the number of companies that will be eligible for award of these contracts will be significantly reduced. Granted, any company can bid on a proposal, but unless they can meet the requirements of the PLA, they will not win the award.

The Chamber continues to be an active and vocal leader of the small business community regarding the proposed rewrite of Part 15 of the Federal Procurement Regulations which, if implemented as previously published, will change the basic tenets of the procurement process. The requirement to use PLAs for federally funded construction contracts will result in further erosion of the competitive process and will almost guarantee a shut out of a number of large and small businesses that cannot compete in a PLA environment. Full and open competition for government contracts assures that competitive market forces are alive and that the taxpayer receives the biggest bang for the buck.

The suppressive effect of PLAs on the market will necessarily drive the price of such construction projects upward. In addition, because the PLAs essentially require these construction projects to be union projects, labor costs will also increase. Since there will be little real competitive bidding on these contracts, there will be no constraints on wage demands by the unions, making the cost of these projects rise again dramatically. Non-partisan General Accounting Office studies show "union-only" project agreements cause construction costs to increase 17 to 20 percent. In real numbers, the Employment Policy Foundation has estimated that the requirement that all federal construction be performed under PLAs would increase

project costs by as much as \$4.8 billion a year. Or, alternatively, there would have to be a 30 percent reduction in construction to accommodate the additional PLA costs. Now, this "gift" will result in suppressed market forces, higher construction costs, and higher wages.

While we understand that higher wages mean more dues to the unions, it also means an adverse impact on competition, the economy and the American public in general. Let's look at the American public first. As we speak, Congress is considering legislation to assist with the flood clean-up in North Dakota and other areas of the country. Additionally, President Clinton is proposing to increase the amount of funding that communities could use for the construction or rehabilitation of school buildings. Further, cities and states have joined with business to develop programs for moving welfare recipients off the government tab and into the workforce.

It is your responsibility as lawmakers to examine how the President's executive order will impact these pressing priorities of the American public. But clearly the executive order would raise the cost of clean-up projects and education construction. Consequently, the federal dollar will not go as far as it will currently to assist the flood victims and school children. Additionally, the higher construction wages that will result from the PLAs will effectively preclude the hiring of unskilled or lesser experienced welfare workers on these new projects. The biggest loser of all will be the American taxpayer.

Equally compelling is the fact that the executive order is a slap-in-the-face to 81.5 percent of American construction workers who have chosen, as is their right under federal law, not to belong to a union. These workers will be almost completely shut-out of government-funded construction work. They, too, will be victims of the President's executive order.

Most importantly, the executive order bypasses the lawmaking powers of the Congress --

the body constitutionally vested with the authority to pass laws on such a critical and wide-sweeping policy issue. Both the Competition in Contracting Act and the Federal Acquisition Reform Act indicate a firm Congressional commitment to full and open competition in federal procurement.

Since 1935, Congress has provided statutory guidance in the labor relations area. In 1995, the President attempted to circumvent the lawmaking powers of the Congress through an executive order barring government contracts to companies which hired long-term striker replacements for workers engaged in an economic strike. In a suit brought by the U.S. Chamber -- U.S. Chamber of Commerce v. Reich -- a federal appellate court struck down the executive order, declaring that the President cannot issue an executive order to override a law passed by Congress. By limiting government-funded construction to PLAs, the President is again disregarding and bypassing the lawmaking authority of Congress and interfering with the protections afforded by Congress in the federal procurement arena.

Existing federal labor laws are designed to minimize government's role in labor relations and the collective bargaining process. The executive order will virtually require unprecedented overbearing government involvement in collective bargaining in the construction industry. Unions will be dealing directly with government agencies on important contract matters such as wages, hours, employee benefits and working conditions. Thus, collective bargaining in this industry sector will be hampered by government interference to the detriment of labor relations generally.

We have seen no rational justification for the executive order. There is no hue and cry from taxpayers that such a step is needed. Its sole purpose is to give organized labor a monopoly

in a significant portion of an entire industry -- to the detriment of the American taxpayer. Most importantly, the executive order cuts against bipartisan efforts to further reduce the reach of the government.

Our mission at the U.S. Chamber of Commerce is to advance human progress through an economic, political, and social system based on individual freedom, incentive, initiative, opportunity and responsibility. A presidential executive order on project labor agreements for federally funded construction contracts would be contrary to our mission and the interests of business owners, employees and the American taxpayer.

The U.S. Chamber commends the committee's responsiveness on this critical subject, and we look forward to working with you on policies that truly enhance the U.S. economy and prepare us for the challenges of the 21st century.