



News Release

NEW STUDY EXPOSES UNION SLUSH FUNDS

Contact: Gail Raiman, (703) 812-2073
Gerry Fritz, (703) 812-2062

For Immediate Release
April 2, 2009

WASHINGTON, D.C. – Associated Builders and Contractors (ABC) today announced the results of a new study, conducted by George Mason University’s John M. Olin Institute for Employment Practice and Policy, showing that from 2000 to 2007, construction labor unions spent more than \$1 billion in union wages to underbid nonunion contractors in a practice called “job targeting.”

In job targeting programs, also known as market recovery funds, organized labor officials collect fees from union members and then funnel that money to union contractors – and in a few cases, nonunion contractors – to compete on projects on which they would otherwise not be competitive.

“The study documents the lengths to which unions have gone to hide these slush funds, raising serious questions about how their contributions are being treated for tax purposes and, consequently, whether these programs may be adversely affecting tax revenues at the federal, state and local levels,” said Jim Elmer, ABC 2009 chairman-elect and president of James W. Elmer Construction Co., Spokane, Wash.

“There is no reason on earth why unions should be able to use job targeting programs – which are nothing short of using kickbacks from a slush fund – to give them an unfair advantage over their competition,” said Elmer. “The bottom line is that job targeting hurts U.S. workers, taxpayers and the economy, and it’s a practice that should be stopped.”

The Olin Institute study, “Job Targeting and Marketing Recovery Practices of Construction Unions: Their Apparent and Hidden Costs,” revealed:

Job targeting programs needlessly increase public construction costs. Job targeting artificially inflates wages because it masks the difference between what unions may claim an employer is paying workers and what workers are actually being paid. The higher rate is used to set the prevailing wage standard for the area. As a result, the public is unknowingly paying a much higher cost to build police stations, hospitals, schools, roads, libraries and numerous other publicly funded construction projects – or not building them at all.

Job targeting programs give unions an unfair advantage. The law currently allows a union to pay money to a company for the purpose of putting another company out of business and taking jobs away from that other company’s workers. If a nonunion construction company engaged in the same conduct as a labor union, it would be prosecuted for violating antitrust laws.

(More)

Job targeting programs are unknowingly funded by taxpayers. The dollars union members contribute to fund job targeting are not legally deductible on their individual tax returns. However, the study found the amount of monies being paid for job targeting plus the degree to which unions masked their payments to contractors strongly suggest that some – if not a significant portion – of these wage payments are improperly being deducted as union dues, thereby reducing the amount of income taxes that should have been paid.

The study concludes that “job targeting can only work in areas of protected monopoly, and succeed only if it drives nonunion competitors from the field completely, and in perpetuity.” In addition, the study raises serious public policy questions about the government’s current policy of allowing unions to engage in job targeting and whether that policy should be allowed to continue.

“At a time when our country is experiencing serious economic difficulties and many union pension programs are severely underfunded, it is difficult to understand why financial expenditures like this are permitted to continue,” said Elmer. “More than 84 percent of construction workers do not belong to a union and deserve every opportunity to support their families and get this country moving again – to the benefit of the vast majority of taxpayers, not just a few.”

####

Associated Builders and Contractors (ABC) is a national trade association representing 25,000 merit shop construction and construction-related firms in 79 chapters across the United States. Visit us at www.abc.org.