

**Testimony of**  
**Jeffrey Soth**  
**International Union of Operating Engineers**  
**Environment and Public Works Committee**  
**Public Hearing**  
**Water Resources Development Act:**  
**Growing the Economy and Protecting Public Safety**

**September 20, 2012**  
**Washington, DC**

Chairman Boxer, Ranking Member Inhofe, distinguished members of the Environment and Public Works Committee; it is an honor to join you today. My name is Jeffrey Soth. I am the Assistant Legislative and Political Director of the International Union of Operating Engineers (IUOE).

The International Union of Operating Engineers represents approximately 400,000 men and women in the United States and Canada. Operating Engineers are one of the key occupations directly employed in the construction and maintenance of the nation's ports and waterways, locks, and dams. In fact, the heavy and civil engineering segment of the construction industry – that subsector associated with investments in the Water Resources Development Act (WRDA) – relies heavily on the skills of the four largest trades in the subsector: laborers, operating engineers, truck drivers, and carpenters, in that order, according to the Bureau of Labor Statistics. Every day across the United States thousands of IUOE members are building the nation's locks and dams and dredging the nation's key navigation channels.

My testimony today relates to the direct employment and job opportunities connected with the investment in America's ports and waterways. The essence of my message today, Senators, is that a strategic investment in the nation's navigation network can have a dramatic direct-employment effect on the hardest hit segment of the economy, while simultaneously delivering substantial medium- and long-range benefits to the country's global competitiveness, as you will hear from other witnesses.

Most of the Operating Engineers engaged in this segment of the industry run bulldozers, backhoes, cranes, and excavators – the traditional heavy equipment operated by members of the union. Members of the Operating Engineers union receive extensive craft training through on-the-job apprenticeship training; I'll say more about that workforce system in a moment. But work opportunities around the nation's waterways and ports also require specialization within the Operating Engineer craft. In fact, one local union within the

International Union Operating Engineers, Local 25, performs nothing but marine work; other local unions perform extensive marine and inland water work within their jurisdictions.

Allow me to return to the workforce model in place for Operating Engineers. The International Union of Operating Engineers, in partnership with employers, trains tens of thousands of apprentices and journey-level workers at over 100 facilities around the country. With over 1,000 instructors at the IUOE's training programs, the union possesses extensive workforce-development capacity and competence. Most importantly, this expertise is reflected in the skills and productivity of members of the Operating Engineers union.

Apprenticeship is the industry-accepted training model for Operating Engineers and other craftworkers within the construction and dredging industries. Through a system of on-the-job and classroom training, workers acquire the skills necessary to excel in careers as Operating Engineers. Generally, Operating Engineers training programs within the construction and dredging industries are regulated by the Department of Labor's Office of Apprenticeship or through State Apprenticeship Councils.

There are key benefits to the training model for the worker and the employer. For workers, the apprenticeship brings progressive wages over the term of training (typically a three-year or four-year duration); nationally-recognized, portable credentials upon completion; higher earning potential and greater financial security; more opportunities for future training and advancement; and many programs offer college credit. The skills that Operating Engineers acquire through this rigorous training command some of the highest earnings in the private sector. For employers, the apprenticeship model delivers skilled workers trained to industry specifications and needs. Employers jointly manage the programs with members of the union and develop the curriculum to ensure that the skills that workers possess are the same skills the employers demand in the workplace. The system of apprenticeship provides a pipeline of new skilled workers for employers, and perhaps most importantly, the system delivers reduced costs due to worker productivity and safety.

After that introduction into one of the key occupations employed by private-sector employers in this largely publicly funded industry, please allow me to turn to the current labor market conditions in the construction sector, with special attention to the subsector most closely connected to WRDA investments – the heavy and civil engineering subsector.

As you can see in the first chart in my testimony, the unemployment rate in construction dropped to 11.3% in August, reaching a 46-month low. Unemployment in the industry peaked at 27.1% in February 2010. You can understand why, when the unemployment reached over 25%, the Associated General Contractors said that while the rest of the country suffered a deep recession the construction sector suffered a depression.

Construction has consistently endured the worst job picture of any industry sector during the Great Recession. That is still true today.

In August, construction employers added a meager 1,000 workers to their payrolls. Employment levels in the sector have changed little in the last two years. Construction employers have dropped 2.1-million workers from their payrolls since the start of the recession, as you can see in the second slide attached to my testimony. There are currently 923,000 unemployed construction workers in the nation.

Employers in the “heavy and civil engineering” sector of the construction industry added just 2,800 workers to their payrolls in August. The subsector has grown slightly in the last twelve months, though it still possesses over 16% fewer jobs than it did before the start of the recession.

As I mentioned, the skill levels developed through the system of apprenticeship lead to higher wage-levels than other private-sector employment. Wage estimates for production and nonsupervisory workers in the heavy and civil engineering subsector of the construction are \$25.03 an hour. That compares to \$19.75 an hour for production workers in all of the private sector. And it is worth mentioning that 88% of the employers in the heavy and civil engineering are private-sector establishments.

Should policymakers choose to invest in the movement of waterborne traffic, there are significant opportunities for the economy in both the short and long term. Let me be clear, the Operating Engineers union sincerely appreciates the leadership of the Environment and Public Works Committee to enact the highway and transit bill, MAP-21. The legislation added significant value to the transportation program and improves policy in a wide range of areas, including in freight mobility, yet much more needs to be done in all modes of transportation if the country is going to lead the world in global competitiveness in the long term and immediately affect the jobs crisis in the short term.

As you will in other testimony today, the American Society of Civil Engineers (ASCE), just produced an important economic analysis called “Failure to Act” that charts the current trends in investment in airports, inland waterways, and marine ports. This timely report makes plain that the funding gap that exists in WRDA-related investments threatens the global competitiveness of the nation. Congressional leadership is necessary to address this dramatic need.

ASCE’s report, “Failure to Act,” says that according to the Army Corps of Engineers, to merely maintain existing levels of service, where frequent delays already occur, will require almost \$13 billion in cumulative investment needs by 2020. Current funding levels can support only \$7 billion by 2020. The report says that, in order to accommodate growth in trade in the nation’s waterways and ports, “...total public investment needs are

expected to exceed \$30 billion by 2020.” A funding gap of \$16 billion has been identified through the end of the decade.

As I said earlier, by filling this funding gap, Congress can serve a critical purpose in meeting the short-term needs of the construction industry and America’s job shortage, while laying the foundation for the long-term vitality of the national economy. Capital improvements to the nation’s inland waterways and ports can drive job growth in the anemic construction sector.

It is clear from the economic analysis of other types of infrastructure that roughly 30,000 job-years are created for every billion dollars of investment. Roughly 15,000 jobs are created directly by this funding, and more than 1/3 of those jobs are targeted in the construction industry. Roughly \$430 million dollars of the investment ends up in the pockets of construction workers as income.

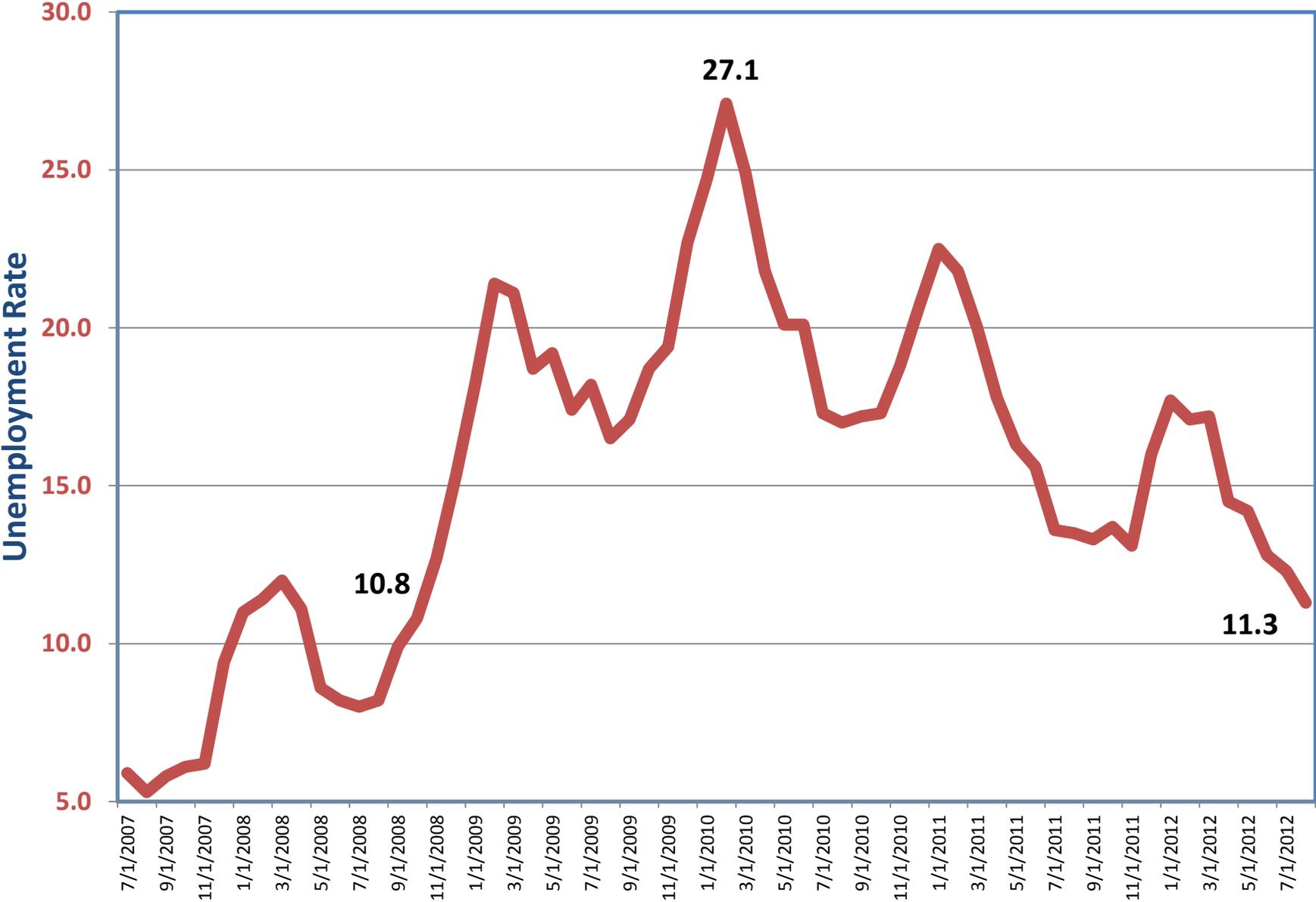
As the committee considers reauthorization of the Water Resources Development Act, there are several policy changes that the International Union of Operating Engineers support, such as establishing upfront funding for major capital projects and providing a five-year construction program for deep-draft navigation projects. But one thing is certain: Congress should maximize the investment levels to put Operating Engineers and other construction workers back on the job.

Please allow me to summarize. The construction sector has endured the worst unemployment of any industry. The job picture has been largely stagnant the last two years. Family-sustaining, American jobs in the heavy and civil engineering subsector of construction are created at higher than average wages through investments in the nation’s waterways. Capital investments in this type of infrastructure can have a dramatic effect on the short-term direct employment of Operating Engineers and other construction workers. And a huge funding gap exists just to maintain current, inadequate service levels.

The International Union of Operating Engineers believes that timely, targeted investments in the nation’s inland and marine waterways can change the course of the construction sector’s economic recovery and lay the foundation for future prosperity.

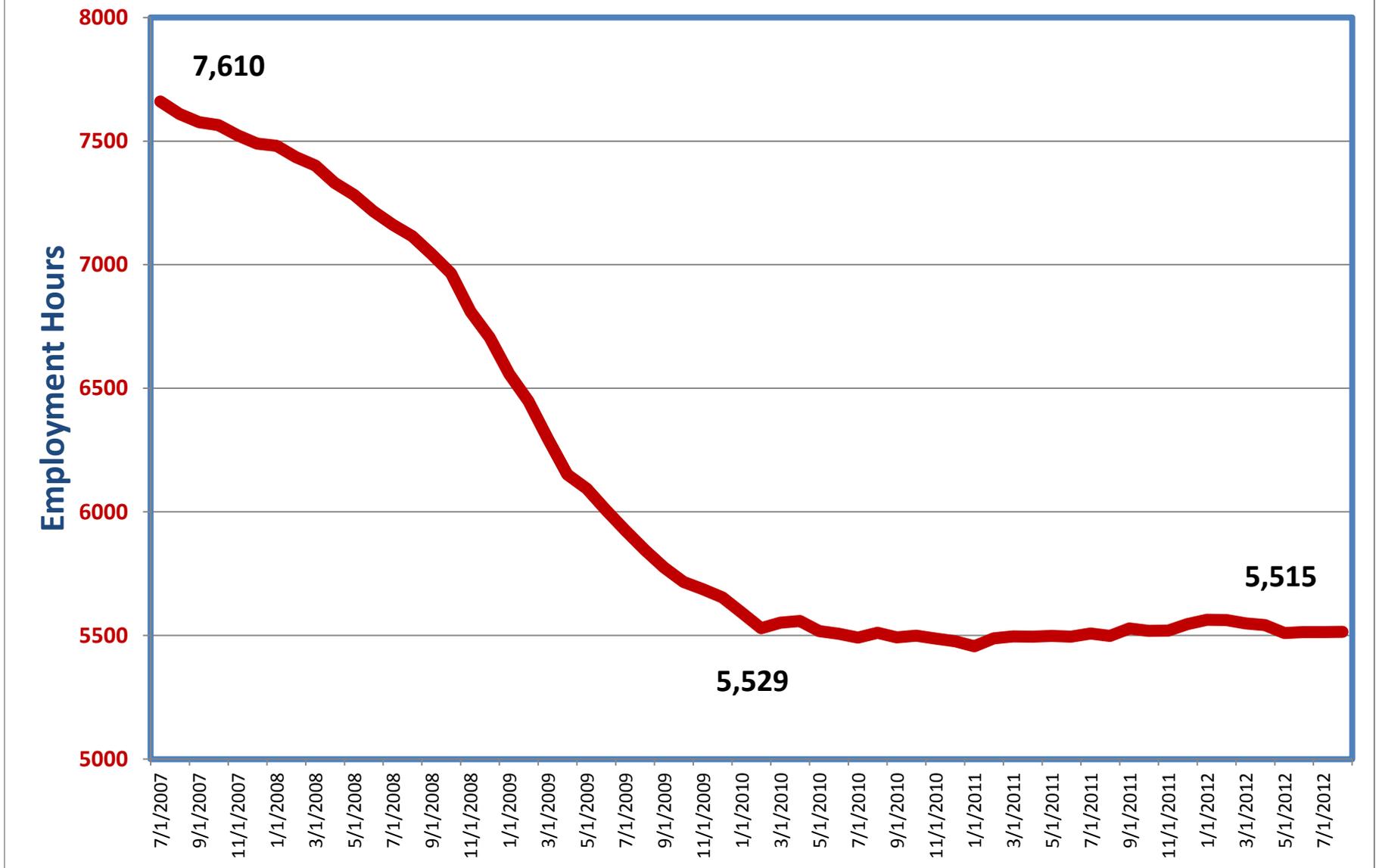
Thank you for the opportunity to comment.

# Construction Unemployment Rate



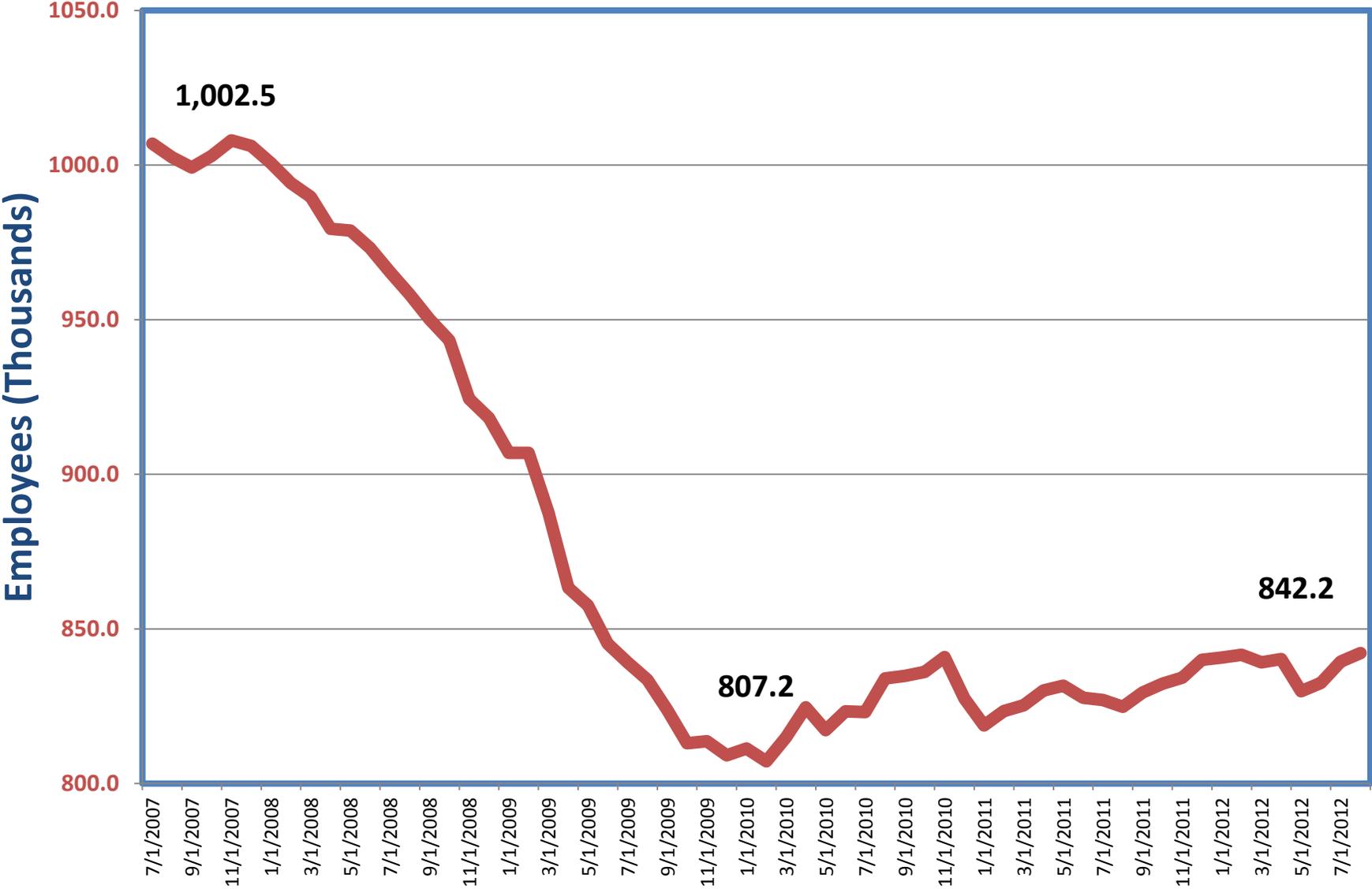
Source: Bureau of Labor Statistics, Current Population Survey, August 2012 (Not Seasonally Adjusted)

## Construction Payroll Employment



Source: Bureau of Labor Statistics, Current Employment Statistics Survey, August 2012 (Seasonally Adjusted)

# Heavy Civil and Construction Payroll Employment



Source: Bureau of Labor Statistics, Current Employment Statistics Survey, August 2012 (Seasonally Adjusted)