



February 4, 2021

The Honorable Nydia M. Velázquez
Chairwoman
U.S. House Committee on Small Business
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer
Ranking Member
U.S. House Committee on Small Business
Washington, D.C. 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 69 chapters representing more than 21,000 members, I write to comment on today's U.S. House Committee on Small Business hearing "State of the Small Business Economy in the Era of COVID-19." We appreciate the opportunity to provide insight on the state of small construction businesses and the construction industry a whole, nearly a year into the COVID-19 pandemic.

The construction industry is fueled by small businesses. The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. This is consistent with the SBA's findings that the construction industry has one of the highest concentrations of small business participation. Some of ABC's large member companies not only contract directly with the federal government to successfully build large-scale projects that are subject to federal acquisition regulations but also subcontract work to qualified small businesses and meet federal agency small business goals.

Snapshot of the State of the Construction Industry in the COVID-19 Era:

According to [ABC's analysis](#) of recent data released by the U.S. Bureau of Labor Statistics, the construction industry added 51,000 net new jobs in December 2020 – a month the nation lost an estimated 140,000 jobs. Of those jobs added in the construction industry, nonresidential construction employment gained 29,000 net jobs in December 2020. Nonresidential specialty trade contractors added 18,300 jobs for the month, while heavy and civil engineering added 15,000. Nonresidential building was the only subsegment that experienced a net loss in jobs, contracting by 4,300 positions.

During the last eight months, the construction industry has added an impressive 857,000 jobs, recovering 79.1% of the jobs lost during the earlier stages of the COVID-19 pandemic. However, the construction unemployment rate rose to 9.6% in December 2020 from 7.3% in November 2020 and is up 4.6% from the same time last year. In December 2020, unemployment across all industries remained unchanged at 6.7%.

[ABC's Construction Backlog Indicator](#), a forward-looking, national economic indicator that reflects the amount of work already under contract but not yet performed by commercial, industrial and heavy highway/infrastructure contractors, found that backlog rebounded modestly to 7.3 months in December 2020, an increase of 0.1 months from November's reading. The backlog is 1.5 months lower than in December 2019.

However, for smaller construction businesses – classified as those with annual income less than \$30 million - the backlog fell from 7.4 months in November 2020 to 6.8 months in December 2020. With an already smaller backlog among all company sizes measured, smaller construction businesses saw a 0.6 month decline over the past month - the sharpest decline. In fact, the backlog grew for every other category, except for the \$30-50 million category, which only saw a 0.1-month decline. These data

indicate that small construction businesses need additional help to grapple with the lingering affects of the pandemic.

Further – ABC’s [Construction Confidence Index](#)¹ readings for sales, profit margins and staffing levels increased in December 2020. The sales index climbed above the threshold of 50, indicating contractors expect to grow sales over the next six months, however, the index reading for profit margins remained below that threshold. The staffing level index increased to 56.3 but remains well below its December 2019 reading.

According to ABC’s most recent backlog and confidence readings, many contractors are entering 2021 with significant trepidation, as many projects have been postponed, while others have been cancelled. As new bidding opportunities have become rarer, pushing backlog lower, the prospect of additional state-driven lockdowns has not helped with the uncertainty to bring the next generation of commercial projects to market. In all - 2021 will be another challenging year for many contractors, including smaller contractors.

Continue Aid for Small Businesses in the Construction Industry:

Small businesses in the construction industry have been significantly aided by the fact that in many states, the industry is deemed essential, and for the most part, jobsites have remained open. Small construction businesses have also been buoyed by some of the programs created by Congress, including the Paycheck Protection Program.

According to the most recently available [SBA data](#), small businesses in the construction industry have accounted for 13.39% of all PPP loans, totaling more than \$65 billion – the third largest total of any industry sector. As the construction industry continues its essential work during the COVID-19 pandemic, measures like the PPP will keep more Americans employed while preserving important business operations that will assist in the recovery of our economy and country.

ABC has supported other critical efforts to protect and support our nation’s businesses and hardworking Americans, and appreciates the work of Congress to include critical relief in the latest COVID package in December, including:

- Ensuring Paycheck Protection Program loans are tax deductible.
- Improvements to the Employee Retention Tax Credit to better fulfill its goal of keeping workers connected to their jobs during this crisis.
- Expansion of PPP loans for 501(c)(6) organizations

Additional Congressional Action:

ABC believes that, in a subsequent effort beyond the measures passed so far in response to COVID-19, Congress should support liability protections related to the COVID-19 pandemic that would safeguard businesses, non-profit organizations and educational institutions, as well as healthcare providers and

¹ CCI readings above 50 indicate an expectation of generally improving conditions in the U.S. nonresidential construction industry, while readings below 50 indicate expectations of deteriorating conditions.

facilities, from unfair lawsuits so that they can continue to contribute to a safe and effective recovery from this pandemic.

Additionally, ABC urges Congress to consider investing in America's infrastructure, and ensuring that small construction businesses are not excluded from the competitive bidding process for federal infrastructure projects. Most small businesses in the construction industry are not signatory to a construction union. When governments mandate Project Labor Agreements on a federal or federally assisted taxpayer-funded project, small businesses are disproportionately harmed, as they drive up the cost of construction projects by [12% to 20%](#) and discriminate against the [87.3%](#) of U.S. construction workers who choose not to join a union.

Further, ABC has apprehensions about the regulatory agenda of the Biden administration, which is already showing the potential to make operations harder for small businesses that are struggling to maintain operations during the pandemic. While we must support thoughtful and necessary regulations that ensure the safety and health of our communities, we must ensure they do not place an undue burden on these businesses, but instead allow them to continue to grow and provide jobs to hardworking Americans.

Congress should steer away from policies such as the Protecting the Right to Organize Act, which would limit the opportunities for small businesses to compete and recover from the pandemic. The PRO Act is being reintroduced this Congress, which would enact harmful [policy changes](#) that would eliminate right-to-work protections in 27 states, violate employees' privacy, upend the business community and devastate the economy at a time when small businesses and the economy as a whole are struggling to recover from the COVID-19. ABC members urge Congress to reject this bill and its devastating policies.

We thank you for your leadership and look forward to working with you to address the critical needs of our nation during this difficult time.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristen Swearingen". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

Kristen Swearingen
Vice President, Legislative & Political Affairs