

SECRETARY OF LABOR  
WASHINGTON

JUL 29 2011

The Honorable John Kline  
Chairman  
Education and the Workforce Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Kline:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

If you have any questions or would like additional information, please contact Mr. Brian Kennedy, Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 693-4600.

Sincerely,



HILDA L. SOLIS  
Secretary of Labor

Enclosure

SECRETARY OF LABOR  
WASHINGTON

JUL 29 2011

The Honorable Adam Smith  
Ranking Member  
Armed Forces Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman Smith:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

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HILDA L. SOLIS  
Secretary of Labor

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**SECRETARY OF LABOR  
WASHINGTON**

**JUL 29 2011**

The Honorable George Miller  
Ranking Member  
Education and the Workforce Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman Miller:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

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HILDA L. SOLIS  
Secretary of Labor

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**SECRETARY OF LABOR  
WASHINGTON**

**JUL 29 2011**

The Honorable Tom Harkin  
Chairman  
Committee on Health, Education,  
Labor, and Pensions  
United States Senate  
Washington, DC 20510

Dear Chairman Harkin:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

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HILDA L. SOLIS  
Secretary of Labor

Enclosure

SECRETARY OF LABOR  
WASHINGTON

JUL 29 2011

The Honorable Michael B. Enzi  
Ranking Member  
Committee on Health, Education,  
Labor, and Pensions  
United States Senate  
Washington, DC 20510

Dear Senator Enzi:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

If you have any questions or would like additional information, please contact Mr. Brian Kennedy, Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 693-4600.

Sincerely,



HILDA L. SOLIS  
Secretary of Labor

Enclosure

**SECRETARY OF LABOR  
WASHINGTON**

JUL 29 2011

The Honorable Howard P. McKeon  
Chairman  
Armed Services Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman McKeon:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

If you have any questions or would like additional information, please contact Mr. Brian Kennedy, Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 693-4600.

Sincerely,



HILDA L. SOLIS  
Secretary of Labor

Enclosure

**SECRETARY OF LABOR  
WASHINGTON**

JUL 29 2011

The Honorable Carl Levin  
Chairman  
Armed Services Committee  
United States Senate  
Washington, DC 20510

Dear Chairman Levin:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

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HILDA L. SOLIS  
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Enclosure

**SECRETARY OF LABOR**  
**WASHINGTON**

JUL 29 2011

The Honorable John McCain  
Ranking Member  
Armed Services Committee  
United States Senate  
Washington, DC 20510

Dear Senator McCain:

Pursuant to Sections 2834(b)(2) and (3) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84), enclosed please find a report from the Employment and Training Administration. This report pertains to the realignment of military forces from Okinawa to Guam and provides an assessment of the opportunities to expand the recruitment of construction workers in the United States, the ability of labor markets to support the Guam realignment, and the sufficiency and costs of efforts to recruit United States construction workers. The report also addresses the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

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Enclosure



# U.S. DEPARTMENT OF LABOR REPORT TO CONGRESS REQUIRED BY THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2010

## I. STATUTORY REQUIREMENTS

Section 2834(b)(2) and (3) of the National Defense Authorization Act (NDAA) for Fiscal Year 2010 (Public Law 111-84, enacted October 28, 2009), pertaining to the realignment of some military forces from Okinawa to Guam, requires the U.S. Department of Labor (DOL) to submit a report to the Congressional defense committees, the Committee on Education and Labor of the House of Representatives, and the Committee on Health, Education, Labor, and Pensions of the Senate that includes an assessment of:

1. the opportunities to expand the recruitment of construction workers in the United States, including Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, the Virgin Islands, and the Commonwealth of Puerto Rico, to support the realignment of military installations and the relocation of military personnel on Guam, consistent with the requirements of paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009, as added by subsection (a);
2. the ability of labor markets to support the Guam realignment;
3. the sufficiency of efforts to recruit United States construction workers; and
4. the costs to the United States for recruitment plans required by paragraph (6) of section 2824(c) of the Military Construction Authorization Act for Fiscal Year 2009 and a proposed method to cover such costs.

## II. BACKGROUND

**A. Guam Realignment.** Since 2000, the U.S. military has been building up its forces in Guam, for long-term strategic reasons. The factors behind this move include potential contingency and crisis response in Asia and the Pacific, Japan's desire to relocate U.S. forces from Okinawa, and the fact that Guam is the largest and closest U.S. territory to Asia.<sup>1</sup> Guam provides a politically sustainable, and operationally and strategically sound, location for U.S. forces in the Pacific Ocean.

U.S. Department of Defense (DoD) Secretary Robert Gates has characterized Guam's build-up as "one of the largest movements of military assets in decades."<sup>2</sup> It involves the Marines, Navy, Air Force, and to a lesser extent the Army. The Navy announced in 2001 that it would station up to three nuclear submarines in Guam and plans to build a part-year berth to support an aircraft carrier; the Air Force has deployed a wide variety of aircraft to Guam; the Marines will transfer around 8,000 troops plus their dependents from Okinawa to Guam; and the Army will transfer more than 600 soldiers there. Including military forces, their dependents and construction workers, DoD estimated

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<sup>1</sup> Shirley Kan, *Guam: U.S. Defense Deployments* (Washington: Congressional Research Service, May 6, 2011), pp. 5-6

<sup>2</sup> *Ibid.*, p. 1

that by 2014 Guam's population would increase by 79,000 — 44 percent higher than in 2009. Even apart from the temporary construction workforce, DoD estimates that the long-term population increase as a result of the Guam redeployment will be more than 30,000 (a major increase above the current population of approximately 180,000). This includes more than 11,000 permanent military personnel, about 10,000 dependents, more than 1,800 civilian workers, another 1,800 civilian employee dependents, and almost 9,000 other individuals resulting from induced population growth.

In its original estimates, DoD projected the cost of the Marines' realignment at \$10.3 billion (based in part on wages paid in the past on Guam), of which Japan pledged to contribute \$6.1 billion, 60 percent of the total. The U.S. Government Accountability Office in June 2011 estimated the total construction costs, including expenditures by the Federal government, Guam and Japan, at nearly \$23.9 billion.<sup>3</sup> In an agreement with Japan reached in 2006, the U.S. committed to funding the remaining portion of the costs of the realignment. The agreement called for the Marines to be transferred from Okinawa to Guam by 2014, with construction beginning in 2010 (although because of delays the 2014 deadline will not be met).<sup>4</sup> Secretary of State Clinton in 2009 signed the Guam International Agreement, a bilateral treaty with Japan reiterating the same commitment, and in 2010 and 2011 she and Secretary of Defense Gates reaffirmed the agreement in joint statements with their Japanese counterparts.

**B. Guam.** Since Guam's situation is in many ways unique, a basic knowledge of its conditions is essential to understanding and assessing the labor market.

**Location, geography and weather.** Guam is nearly 6,000 miles west of San Francisco (3,800 miles west of Hawaii), and 1,600 miles east of Manila in the Philippines. The island is about three times the size of the District of Columbia, and is 30 miles long and about 4 miles wide (see [map of Guam](#)). Guam is the largest of more than 2,000 islands in the zone of the Pacific Ocean called Micronesia. Several U.S. military bases comprise almost one-third of Guam. The island is comprised of 19 municipalities, commonly called villages.

The closest U.S. territory to Guam is the Commonwealth of the Northern Mariana Islands (major islands include Saipan, Tinian and Rota), which extend from 50 to about 450 miles north of Guam. Given its proximity to Guam and the statutory requirements for this report, this assessment includes information about and comparisons to the Northern Marianas as appropriate.<sup>5</sup>

One of the special construction requirements is the need to build facilities that can withstand hurricanes (which are called typhoons in the Pacific). Guam has a tropical climate with little of the seasonal variations in temperature that commonly cause construction delays elsewhere, but its location in what is dubbed "Typhoon Alley" means that it occasionally faces major storm destruction. Periodic earthquakes have also caused serious damage on the island.

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<sup>3</sup> U.S. Government Accountability Office, *Military Build-up on Guam: Costs and Challenges in Meeting Construction Timelines* (Washington: GAO, June 27, 2011), GAO-11-459R, pp. 11-13 [www.gao.gov/new.items/d11459r.pdf](http://www.gao.gov/new.items/d11459r.pdf)

<sup>4</sup> Ibid, p. 1

<sup>5</sup> For brevity, the Commonwealth is referred to as the Northern Mariana Islands in the remainder of this report.

**Population.** Guam (whose people are called Guamanians) had an estimated population of 181,000 in 2010,<sup>6</sup> and it is the most populous of the islands in this area of the Pacific. The indigenous population is Chamorro (roughly two-fifths of the population), but with a considerable mixture of ancestries from both Spain and the Philippines. In 2000, individuals with Philippine ancestry constituted 27 percent of the population. Reflecting the impact of the U.S. military on Guam, 4.4 percent of the 18 and older population in 2000 were in the military, and another 9.0 percent were veterans.

The estimated population of the Northern Marianas was 48,000 in 2010. In contrast to significant population growth in Guam, the Northern Marianas population has fallen by almost one-third since the peak of 71,000 in 2005.<sup>7</sup> Almost 90 percent of the Northern Marianas population lives on the capital island of Saipan.

**History.** Settled for thousands of years, Guam was conquered by Spain in the 16<sup>th</sup> century and remained a Spanish colony until it was ceded to the U.S. in 1898 after the Spanish-American War. Taken by Japan and fiercely fought over during World War II with significant destruction to the island, Guam became and remains a major U.S. military base. Guam is an unincorporated U.S. territory, although there have been periodic efforts by the population to alter this status to either commonwealth or independence. The U.S. Navy was responsible for the administration of Guam until 1950, when the Department of the Interior assumed this role.

**Mobility.** There is a tremendous amount of mobility: half the population was born outside Guam, and only one-third of the population has parents that were both born in Guam. Of the residents older than 4 in 2000, one-sixth of them had lived outside Guam five years previously.<sup>8</sup> Similarly, in the Northern Mariana Islands 58 percent of the population was foreign-born, and in 2000 nearly two-fifths of the population had lived outside the islands five years previously.<sup>9</sup>

**Language.** Only 38 percent of Guam's population older than 4 in 2000 spoke solely English at home (only 11 percent in the Northern Mariana Islands). Guam's two other most prominent languages were either a Filipino language or Chamorro (equally common).<sup>10</sup> The latter is the native language of Guam and the Mariana Islands, although it now includes many Spanish words. The use of Chamorro has significantly declined in Guam, although it remains common in the Northern Marianas. Chamorro and English are both official languages in Guam.

**Education and educational attainment.** In the 2000 Census for Guam, among individuals aged 25 or older, 76 percent possessed at least a high school diploma and 20 percent had at least a bachelor's degree. In comparison, 84 percent of U.S. adults aged 25 and over were high school

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<sup>6</sup> The Census Bureau will release the 2010 census demographic profile for Guam in Spring 2012.

<sup>7</sup> Census Bureau, Statistical Abstract, 2011, estimated population of U.S. island territories:

<http://www.census.gov/prod/2011pubs/11statab/outlying.pdf>

<sup>8</sup> Guam 2000 Census, Tables 15, 17 and 19 ([www.census.gov/prod/cen2000/phc-4-guam.pdf](http://www.census.gov/prod/cen2000/phc-4-guam.pdf))

<sup>9</sup> Northern Mariana Islands 2000 Census, Tables 15 and 17. Note that the Census Bureau will not issue 2010 decennial census data for the island areas (including Guam and the Northern Mariana Islands) until Spring 2012, and this census included no questions on employment, earnings, migration or language.

<sup>10</sup> Guam 2000 Census, Table 21

graduates and 26 percent had at least a bachelor's degree.<sup>11</sup> Educational attainment was higher in Guam than in the Northern Mariana Islands, where 69 percent were high school graduates and 16 percent completed a bachelor's degree.<sup>12</sup> The Guam public school system had 32,000 attendees in 2000, plus DoD's school system with 2,500 attendees. Postsecondary education is offered by the University of Guam, Guam Community College, and Pacific Islands University (a small Christian liberal arts school).

**Economy, earnings, and income.** Guam's principal industry is tourism and the island draws more than a million visitors annually (mostly from Japan), but its second largest source of income is the U.S. military. In 1999, median earnings for those who worked full-time, year-round—the most advantaged workers—were just under \$27,000 for men and just over \$23,000 for women, which is about \$13 hourly for men and just over \$11 hourly for women.<sup>13</sup> The poverty rate among Guamanians in 1999 (the most recent data) was 23.0 percent, nearly double the 11.9 percent rate for all Americans that year.<sup>14</sup> Corresponding earnings in the Northern Mariana Islands were less than half those in Guam, and the poverty rate was 46 percent.<sup>15</sup>

### III. LABOR MARKET ANALYSIS<sup>16</sup>

#### A. Ability of Labor Markets to Support the Guam Realignment

The NDAA did not define the scope of the term "labor markets," which has no strict definition and can refer to areas varying widely in size. Given the statute's clear preference for the hiring of U.S. workers, DOL defined the primary labor market as Guam itself, the secondary labor market as the Northern Marianas, and the tertiary labor market as U.S. workers in all other areas.

Based on its plan to mitigate potential adverse impacts on Guam's civilian infrastructure, DoD has developed a notional estimate of almost 19,000 off-island construction workers required by the peak year of 2015, almost triple the level employed in Guam in early 2011.<sup>17</sup> Thus, the total construction workforce will likely be more than double the previous peak in 1992, and most of it will necessarily emanate from outside Guam.

**Guam Labor Market.** Due to fluctuating demand, employment in the construction industry is generally volatile, and this is especially true in Guam. During the past quarter century, construction industry employment in Guam has varied from a low of 2,600 in 1985 to a peak of 12,500 in 1992.

<sup>11</sup> Guam 2000 Census, Table 25; <http://www.census.gov/hhes/socdemo/education/data/cps/2000/p20-536.pdf> for the entire U.S. population

<sup>12</sup> Northern Mariana Islands 2000 Census, Table 25 ([www.census.gov/prod/cen2000/phc-4-cnmi.pdf](http://www.census.gov/prod/cen2000/phc-4-cnmi.pdf))

<sup>13</sup> Guam 2000 Census, Table 43

<sup>14</sup> Guam 2000 Census, Table 51; <http://www.census.gov/hhes/www/poverty/data/historical/hstpov2.xls> for the entire U.S. population

<sup>15</sup> Northern Mariana Islands 2000 Census, Tables 43 and 51

<sup>16</sup> To facilitate understanding of the labor market issues, DOL presents its analysis in an order slightly different from the order identified in the statute. Except where otherwise indicated, DOL's analyses and proposals pertain to the entire United States, including American Samoa, the Virgin Islands, and the Commonwealth of Puerto Rico.

<sup>17</sup> U.S. DoD, *Final Environmental Impact Statement: Guam and CNMI Military Relocation* (Pearl Harbor, HI: Joint Guam Program Office, July 2010), Volume 7, p. 2-48, Table 2.3-2 at [http://www.guambuildupeis.us/documents/final/volume\\_7/Volume\\_7\\_Proposed\\_Mitigation\\_Measures\\_Preferred\\_Alternatives\\_Impacts\\_and\\_Cumulative\\_Impacts.pdf](http://www.guambuildupeis.us/documents/final/volume_7/Volume_7_Proposed_Mitigation_Measures_Preferred_Alternatives_Impacts_and_Cumulative_Impacts.pdf).

Due to DoD's build-up on the island, unlike the rest of the U.S. construction industry, employment has generally risen on Guam since before the recession, growing from 4,500 in 2006 to just over 7,000 in June 2010. The latest available data (for March 2011) indicate that nearly 6,400 employees worked in the construction industry. The industry constitutes a greater share of the total number of employees on Guam than in the entire U.S.: 10.3 percent vs. 4.0 percent, respectively, for March 2011.<sup>18</sup>

Guam's Bureau of Labor Statistics does not regularly collect unemployment data: the latest available rate was 9.3 percent for September 2009, and the next unemployment survey will not be available until later in 2011. In September 2009 some 6,500 individuals were officially counted as unemployed, and more than 6,000 others indicated that they wanted a job but didn't look for work. Guam does not collect information on unemployment by industry or occupation, but just over 2,500 of those who were officially counted as unemployed were men aged 18-44, the demographic group most likely to work in construction.<sup>19</sup> Since 1995, unemployment rates on Guam have not dropped below the 7 percent level, and have often been 9 percent or higher, which strongly suggests that Guam realignment construction could provide a significant source of employment for Guamanians.<sup>20</sup>

For construction *occupations*, three sources provide detailed information on construction wages (and for one source, employment), as shown in the chart below (for employment) and in Appendix Table 1 (for wages). All three sources indicate that Guam's hourly construction wages are far lower than that for the entire U.S. — only 61 percent as much according to DOL's Bureau of Labor Statistics (BLS) Occupational Employment Statistics program. If total compensation (i.e., including benefits) were compared, the ratio would likely be less than half, as fringe benefits appear to be the exception for Guam's construction workforce, and there is no unemployment insurance system on the island.<sup>21</sup>

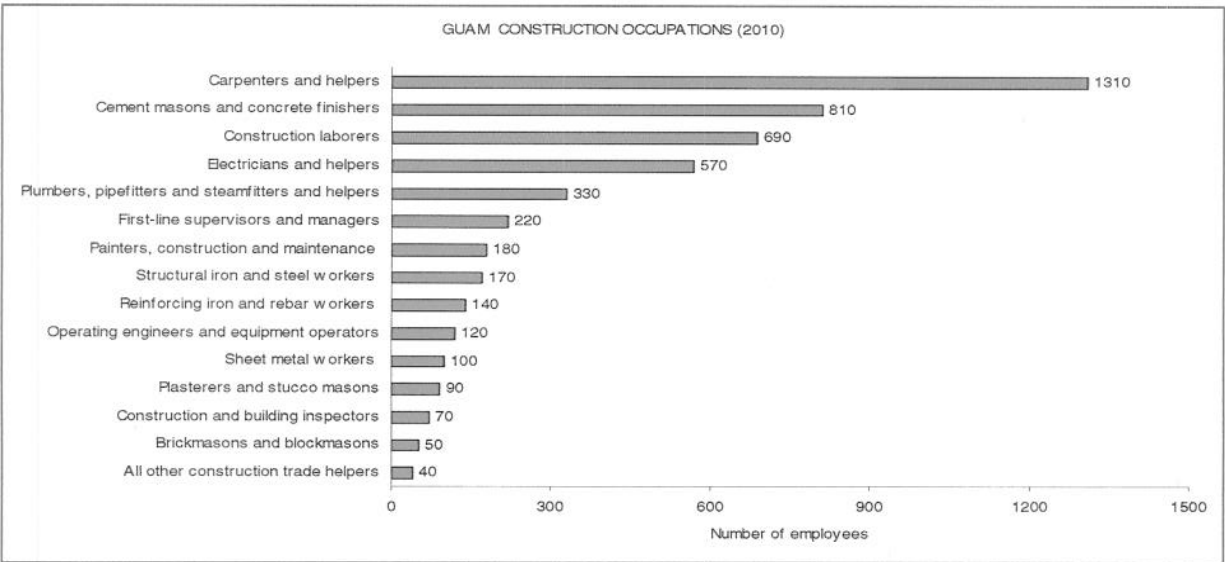
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<sup>18</sup> U.S. industry employment was calculated from <http://data.bls.gov/pdq/querytool.jsp?survey=ce>, the source which best corresponds to Guam's data (not seasonally-adjusted). Guam industry employment is at <http://www.dol.guam.gov/BLS/cesmar11.pdf>. Note that Guam's data pertain to employees, and do not include the self-employed.

<sup>19</sup> Guam BLS News, "The Unemployment Situation on Guam: September 2009," December 18, 2009, pp. 1-3 [www.dol.guam.gov/BLS/Sep\\_2009\\_Unemployment\\_121809.pdf](http://www.dol.guam.gov/BLS/Sep_2009_Unemployment_121809.pdf)

<sup>20</sup> Guam BLS, "Unemployment Situation of Guam: 1975-2007," June 12, 2008, p. 1

<sup>21</sup> Sources for Guam's occupational wages are a) the BLS Occupational Employment Statistics (OES) program (covering all Guam employees) at [www.bls.gov/oes/current/oes\\_gu.htm](http://www.bls.gov/oes/current/oes_gu.htm) (for 2010); b) Guam's published H-2B rates for construction guest workers only; and c) a special Davis-Bacon Act survey conducted in 2010 covering only non-H-2B employees. OES data for all U.S. occupations are at [www.bls.gov/news.release/pdf/ocwage.pdf](http://www.bls.gov/news.release/pdf/ocwage.pdf) (for 2010). The Davis-Bacon Act survey indicated that virtually no Guam construction employer paid any fringe benefits that were not legally required.



Source: BLS Occupational Employment Statistics for Guam ([www.bls.gov/oes/current/oes\\_gu.htm](http://www.bls.gov/oes/current/oes_gu.htm))

**Northern Mariana Islands Construction Labor Market.** The Guam realignment project is likely to produce some but not many applicants from the Northern Mariana Islands, because of the islands' limited and falling population, and the limited likelihood of a significant construction workforce currently in the Northern Mariana Islands. From 1978 to 2009, the Northern Mariana Islands used its authority to administer its own immigration system, and admitted so many foreign workers that they constituted a majority of the islands' labor force and outnumbered U.S. workers in most industries. However, the cessation of the local textile manufacturing industry and difficult conditions for the primary remaining industry, tourism, have resulted in a declining population since 2005, as many guest workers returned to their home countries.<sup>22</sup> The enactment of the Consolidated Natural Resources Act of 2008 effectively eliminated the Northern Mariana Islands' immigration authority, and established Federal control of the islands' immigration as of November 2009.<sup>23</sup> The Northern Mariana Islands now have little more than one-fourth of Guam's population level. The diminution of the population there makes it unlikely that a significant construction workforce remains.<sup>24</sup>

**General U.S. Construction Labor Market.** There is no question that a large supply of underutilized construction workers exists in the U.S. economy. Throughout 2009 and 2010, the unemployment rate for construction workers was about 20 percent — nearly as high as overall unemployment rates during the Great Depression. A monthly average of nearly 2 million construction workers were unemployed in 2009 and 2010, not counting those who are not currently

<sup>22</sup> U.S. Government Accountability Office, *Commonwealth of the Northern Mariana Islands: DHS Should Conclude Negotiations Finalize Regulations to Implement Federal Immigration Law* (Washington: GAO, May 2010), GAO-10-553, p. 1 [www.gao.gov/new.items/d10671t.pdf](http://www.gao.gov/new.items/d10671t.pdf)

<sup>23</sup> Pub. L. No. 110-229, Title VII, 122 Stat. 754, 853 (May 8, 2008).

<sup>24</sup> The U.S. Government Accountability Office reported that the construction industry received temporary relief due to the American Recovery and Reinvestment Act, Federal tsunami relief, and the decennial census. U.S. Government Accountability Office, *American Samoa and Commonwealth of the Northern Mariana Islands: Employment, Earnings, and Status of Key Industries Since Minimum Wage Increases Began* (Washington: GAO, June 31), GAO-11-427, p. 66 [www.gao.gov/new.items/d11427.pdf](http://www.gao.gov/new.items/d11427.pdf)

looking for work because they believe no jobs are available for them.<sup>25</sup> Current unemployment rates in construction and related occupations are almost triple the level of the most recent low point reached in 2006.<sup>26</sup>

Construction unemployment rates for more detailed occupations are only available on a quarterly and annual basis, and among the largest construction occupations ranged from 13 to 35 percent in the first quarter of 2011 (Table 1 below). Even first-line supervisors and managers, who experienced a 2.5 percent unemployment rate in early 2007, now have a 12.9 percent unemployment rate.

*Table 1. Construction unemployment by industry and detailed occupation, 2011 vs. 2007*

Unemployment (U.S.)	Unemployment rate (%)		Number unemployed (000's)	
	2011 (1st quarter)	2007 (1st quarter)	2011 (1st quarter)	2007 (1st quarter)
<b>Total (includes experienced unemployed only)*</b>	8.8	4.5	13,386	6801
<b>Industry</b>				
Construction	19.2	8.4	2,048	1081
<b>Occupation</b>				
<i>Construction and extraction total</i>	21.7	9.5	1,884	986
construction laborers	29.0	13.9	483	270
carpenters	20.0	8.2	319	167
first-line supervisors & managers	12.9	2.7	91	25
brick, block, & stone masons	35.0	16.7	62	44
carpet, floor, & tile installers & finishers	22.3	7.1	50	22
cement masons, concrete finishers & terrazzo workers	29.8	14.8	32	19

\* This means unemployed individuals with previous work experience.

Source: U.S. Bureau of Labor Statistics unpublished data from the *Current Population Survey*

<sup>25</sup> Individuals in this category are popularly referred to as “discouraged workers.” BLS does not calculate alternative measures of labor underutilization (some of which include discouraged workers) for former workers by occupation or industry, so data on this subject do not exist. For the entire labor force, the broadest alternative measure of labor underutilization is nearly double the official unemployment rate.

<sup>26</sup> Except where otherwise indicated, data in this section come from U.S. BLS published or unpublished tables (as shown at the bottom of the tables). Unemployment in construction and extraction occupations can be calculated from [www.bls.gov/Webapps/legacy/cpsatab13.htm](http://www.bls.gov/Webapps/legacy/cpsatab13.htm).

The latest available regional and state unemployment rates for construction occupations are for 2009, and thus more than a year old. These ranged from 14 percent in the Middle Atlantic states to 24 percent in the Pacific and East North Central states (Table 2 below). Despite this disparity, in every region of the U.S. a surplus of construction workers existed.

*Table 2. Construction unemployment by Census Division (2009)*

2009 Regional Construction & Extraction Occupations (annual average)	Unemployment rate %)	Number unemployed (000's)
New England	17.7	74
Middle Atlantic	14.3	161
East North Central	24.3	300
West North Central	17.0	98
South Atlantic	19.9	355
East South Central	19.9	120
West South Central	14.5	185
Mountain	22.9	179
Pacific	24.2	351

Source: U.S. Bureau of Labor Statistics ([www.bls.gov/opub/gp/pdf/gp09\\_04.pdf](http://www.bls.gov/opub/gp/pdf/gp09_04.pdf))

Hawaii, the closest state to Guam, experienced 23.3 percent unemployment in construction occupations in 2009 (the latest data), and the states bordering the Pacific had similarly high rates: Oregon (28.1 percent), California (24.3 percent) and Washington (22.5 percent).<sup>27</sup> Although more recent industry data are not available at the state level, overall unemployment rates for these states have either remained constant or risen between 2009 and 2010.<sup>28</sup>

Historically, construction workers have been much more likely to experience short unemployment spells than the average worker, but this did not occur in the most recent recession. In 2010, nearly three-fifths of construction workers were unemployed for at least 15 weeks (almost four months) — more than two-fifths were out of work for more than half a year.<sup>29</sup> This suggests that if the compensation package is sufficiently enticing, many unemployed U.S. construction workers might consider work on Guam.

## **B. Opportunities to Expand the Recruitment of Construction Workers in the United States, Including Territories**

To expand recruitment opportunities, DOL recommends widespread notification of Guam realignment job openings to alert the greatest potential proportion of unemployed U.S. construction workers. DOL believes that, as expressed in the NDAA, this burden should be borne primarily by contract employers, with additional support provided by both DOL and the Guam DOL. To provide

<sup>27</sup> Table 17, States: employment status of the experienced civilian labor force, by occupation, 2009

[http://www.bls.gov/opub/gp/pdf/gp09\\_17.pdf](http://www.bls.gov/opub/gp/pdf/gp09_17.pdf)

<sup>28</sup> Over-the-Year Change in Unemployment Rates for States, 2009-10 <http://www.bls.gov/lau/lastch10.htm>

<sup>29</sup> This data understates the length of unemployment spells, because it counts the duration of unemployment at the time of the survey, not completed unemployment spells (for which data are unavailable from BLS).



Congress with the necessary context, we first summarize the existing rules governing employer recruitment of U.S. workers for employment in Guam.

**Rules for Federal contractors.** DOL's Office of Federal Contract Compliance Programs (OFCCP) enforces the equal employment opportunity requirements applicable to Federal government contractors. The rules enforced by OFCCP apply to Federal contractors in the United States, including those in Guam. Among other things, OFCCP's rules require qualifying employers to immediately list job openings with the appropriate local office of the state employment service, although this requirement may be satisfied by listing the openings with the state workforce agency's (SWA) job bank. Furthermore, OFCCP regulations implementing Executive Order 11246 require qualifying construction contractors to provide written notification to minority and female recruitment sources and to community organizations when the contractor or its unions have employment opportunities available.

**Rules for H-2B non-agricultural workers.** Unlike the rest of the United States, the Governor of Guam rather than DOL is responsible for the determination of temporary labor certifications for H-2B temporary or seasonal nonimmigrant workers in Guam. The H-2B nonimmigrant visa category is the category normally used under U.S. immigration law to seek to import foreign construction workers temporarily to fill positions which themselves are temporary in nature. Under Guam's temporary labor certification regulations and guidelines, in order to obtain an H-2B non-agricultural worker certification in Guam, an employer must 1) advertise job openings for at least three consecutive days in Guam's largest daily newspaper; 2) place a job offer with the appropriate Guam job referral service at least 30 days prior to the commencement of employment; 3) conduct appropriate recruitment in other areas of the United States if sufficient U.S. construction workers are not available on Guam (the Governor may require the job order to be placed more than 30 days in advance); 4) report to the appropriate agency the names of all U.S. workers who applied for the position, indicating those hired and the job-related reasons for not hiring; and 5) offer all special considerations, such as housing and transportation expenses, to all U.S. workers who applied for the position, indicating those hired and the job-related reasons for not hiring. Although the Governor of Guam has the authority to issue temporary labor certifications for H-2B workers on Guam, the U.S. Department of Homeland Security (DHS) is responsible for determining the adequacy of the U.S. labor market test. Specifically, DHS is required to determine whether or not U.S. workers are available and whether or not the alien worker's employment will adversely affect the wages and working conditions of similarly employed U.S. workers.<sup>30</sup> Further, DHS, where appropriate, has the authority to invalidate the certification.<sup>31</sup>

### *Contractor Recruitment Standard Requirements*

DOL's draft contractor recruitment standard involves Guam realignment contractors posting job listings in several different Internet sites, and in some instances newspapers. DOL believes that the best means to alert U.S. individuals about Guam realignment job listings is to require employers to post the openings in multiple places. As described in more detail in Section D below, a required

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<sup>30</sup> 8 CFR 214.2(h)(6)(iii)(A).

<sup>31</sup> See 8 CFR 214.2(h)(6)(v)(H). DHS has the authority to invalidate a temporary labor certification issued by the Governor of Guam if it is determined by DHS, or by a court of law, that the certification request involved fraud or willful misrepresentation, or the certification involved gross error.

employer posting on Guam DOL's job Web site will lead to a national posting at no cost to employers.

DOL has drafted recruitment standards that are designed to:

1. meet the letter and the spirit of NDAA's prioritization of U.S. workers for the Guam realignment projects in the most effective and efficient manner possible; and
2. minimize the burden and costs on employers, Guam, and the U.S. government.

DOL has sought to meet the above two objectives in part by utilizing an existing job bank (the National Labor Exchange described below) with a proven track record and minimal costs, and by tailoring its requirements to match those of longstanding programs (such as the Office of Federal Contract Compliance Programs and H-2B guest worker certifications) already familiar to employers.

### *DOL Recruitment Support Activities*

DOL's Employment and Training Administration (ETA) will facilitate a nationwide outreach and recruitment effort to maximize hiring of U.S. construction workers, including outreach to the workforce investment system. ETA would do the following:

- develop and issue a Training and Employment Notice to generally inform the state workforce agencies, state and local workforce investment boards, and the nearly 3,000 One-Stop Career Centers of the anticipated construction employment opportunities on Guam and how they will be posted;
- develop Toll-Free Help Line telephone scripts directing job seekers to the Guam DOL job bank;
- hold a Webinar that will invite participation by the leadership of the Guam DOL, the Guam Alien Labor Certification Processing Center, the Department of Homeland Security and the Department of Defense (including the Naval Facilities Engineering Command, the Joint Guam Program Office, and the Office of Economic Adjustment) to describe the protocol and procedures for DoD contractors to submit job opportunities and for job seekers to apply for base build-up employment;
- ensure that DOL offices including Unemployment Insurance, Apprenticeship, Job Corps, Veterans' Employment and Training Service, and YouthBuild programs are informed of the construction employment opportunities; and
- brief pertinent inter-governmental and labor organizations (including the building trades unions) so that they can participate in spreading information about the U.S. worker outreach effort.

### **C. Sufficiency of Efforts to Recruit U.S. Construction Workers**

In general, the sufficiency of the enhanced recruitment efforts depends upon three factors: 1) the degree of employer commitment to the hiring of U.S. workers; 2) knowledge by U.S. individuals of Guam's military realignment construction job openings; and 3) the desire of U.S. workers to apply for and accept Guam realignment construction jobs. In addition, DOL's efforts to maximize recruitment

of U.S. construction workers (described in Section B) and DOL's proposed recruitment plan (described in Section D) will also significantly influence the NDAA's goals.

Job seeker or applicant interest in Guam realignment construction jobs likely will be influenced by supply and demand factors. As noted above, given high unemployment in construction there is a large supply of jobless construction workers. In addition to their personal and family circumstances, potential applicants are likely to base their decisions on the distance from their home to Guam and the compensation offered. Distances from the U.S. mainland to Guam range from approximately 6,000 to 9,000 miles, and airfare costs are considerable.

The distances involved and the minimal prospects of permanent relocation makes it likely that the compensation package offered will significantly influence potential applicants' decisions. NDAA's §2833(a) requires DOL to conduct prevailing wage rate determinations for Guam, which were not to include Guam's H-2B workforce. The results of the first survey (shown in Appendix Table 1) indicated that prevailing construction wage rates on Guam were often *lower* than the H-2B rates, the opposite of the pattern usually found in the mainland United States.

All three available data sources indicate that Guam's hourly construction wages are lower than that for the entire U.S. — only three-fifths as much, according to the best available data source.<sup>32</sup> If total compensation (i.e., including benefits) were compared, the ratio likely would be less than half, as fringe benefits appear to be the exception for Guam's construction workforce.<sup>33</sup> If the compensation offered for Guam realignment construction job openings reflects the past pattern, this may make these openings unattractive for some U.S. construction workers.

#### **D. Recruitment Plan and Costs**

Since the NDAA references the "costs to the United States" for the recruitment plan, DOL has not estimated employer costs but solely costs to the U.S. government.<sup>34</sup> ETA provides Guam approximately four million dollars per year in formula allocations for the Workforce Investment Act adult, youth, and dislocated worker employment and training programs, and Wagner-Peyser Act funding for the employment service delivery program that supports a centrally located, comprehensive One-Stop Career Center. The career center has both public and private partners, (including a close working relationship with Guam Community College), and offers a full range of employment and training services. The workforce agency is also close to being certified as a state apprenticeship agency, which will add more capacity to meet the expected growth in service demand.

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<sup>32</sup> BLS Occupational Employment Statistics survey

<sup>33</sup> The Guam Administrative Rules and Regulations Title 17 Chapter 7 §7104(a)(4)(k) stipulate that employers must offer the same compensation (including benefits) to U.S. as to H-2B workers. However, the statutes governing compensation in the mainland United States sometimes do not apply to Guam. This is true for unemployment insurance as well as workers' compensation. The Defense Base Act (DBA), which provides workers' compensation to civilian workers under contracts with Federal agencies, was waived for Guam in 1982. In Guam, the maximum benefit rate for catastrophic injury or death is \$250 per week with an aggregate cap of \$100,000, compared to the DBA weekly maximum of \$1,256.84 and no aggregate cap.

<sup>34</sup> §2834(b)(2)(D)

The employer section of Guam's electronic workforce system allows designated staff the ability to enter job orders, store employer information, and collect job seeker referral and placement data as well as provide the individual services noted above. In addition, the system provides job matching using Occupational Information Network (O\*NET) codes, and extracts from the job order and job seeker work history tables. Additional upgrades underway will allow Guam DOL to incorporate services provided through the Guam DOL Alien Labor Processing and Certification Division, such as registration of foreign workers, issuance of worker ID cards, and maintenance of data, statistics, and records so that worker and employer information can be accessed in a quick and efficient manner.

The Guam DOL system updates also provide a means to produce the ETA 9002 series performance reports for the Wagner-Peyser employment service programs. Although the job bank is a small operation, currently listing about 250 job openings, the job bank provides the foundation for cost-effective listings of the Guam realignment job opportunities, which could then be made available nationwide.

Based on its mitigation plans, DoD has developed a notional estimate of almost 19,000 *off-island* construction workers required by the peak year of 2015, almost triple the level employed in early 2011.<sup>35</sup> Thus, the total construction workforce will likely be more than double the previous peak in 1992, and most of it will necessarily emanate from outside Guam. To fulfill the Federal contractor's responsibility, each of these jobs will need to be submitted to the Guam DOL employment service job bank to fulfill the mandatory listing provisions of the NDAA and the Office of Federal Contract Compliance Program's regulations pertaining to equal employment opportunity, and priority of referral for qualified veterans.

The draft recruitment plan specifies that contractors must post realignment job opportunities on a nationwide job bank that workers in Guam and the rest of the United States can access via the Internet. In order to recruit a workforce sufficient to fill these positions, these jobs will need to be posted in a job bank that is free for job seekers and for firms that work in partnership with their state workforce agency. Businesses that receive Federal contracts may need to recruit workers from other sources as well.

JOBcentral is a service of the DirectEmployers Association (DEA), a non-profit organization consisting of Fortune 500 companies. DEA's mission is to improve the efficiency of the U.S. labor market and reduce the cost of online recruitment. In March 2007, the national Association of State Workforce Agencies (NASWA) and its member states endorsed JOBcentral as their national electronic labor exchange system. Successive agreements between almost all state workforce agencies and DEA linked state-run job banks to JOBcentral, creating a unique public/private employment network called the JOBcentral National Labor Exchange (NLX).

NLX has jobs listed in more than 6,200 cities and more than 200 major metropolitan areas across the United States, plus over 1,000 affiliate sites including major Internet search engines. The site uses advanced search technology to index jobs from corporate Web sites. NLX jobs are accessed by over four million users worldwide each month. When job seekers click on a job they are linked directly to

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<sup>35</sup> See footnote 18.

the application process on either a company's Web site or a state workforce agency job bank. A keyword search for an occupation will generate jobs from members and states from all over the United States. Forty eight states are members of NASWA and the NLX. Guam DOL has reported that it will shortly become a member of NASWA, at a cost of \$22,000 per year.

To assist realignment contractors to recruit U.S. workers, DOL estimates that over the course of the multi-year buildup between two and four additional full-time equivalent employees will be needed to support Guam DOL and the Governor of Guam. Using the latest BLS Occupational Employment Statistics estimate for employment, recruitment, and placement specialists in Guam, the mean hourly rate was \$20.03 in 2010, equivalent to a mean annual wage of \$41,662.<sup>36</sup> Because benefit costs for state and local government workers are 34.4 percent of total employer costs, the total employment cost is an estimated \$63,500 per full-time equivalent (FTE) employee.<sup>37</sup> For the base realignment, Guam may need from two to four additional FTE's, costing between \$127,000 and \$254,000. To this amount should be added the cost to Guam for the NASWA annual membership of \$22,000 per year, and thus the total cost should not exceed approximately \$275,000 annually.

Recruitment support activities to be performed by Guam DOL include:

1. receiving realignment job listings from contractors;
2. entering contractor jobs in the Guam DOL job bank and the NLX job bank ([www.JOBcentral.com](http://www.JOBcentral.com));
3. tracking job seeker and workforce development system Web-based views and visits via the job bank's analytics;
4. accepting job seeker resumes and applications, and transmitting these to the contractors for consideration;
5. responding to questions;
6. monitoring contractor hiring patterns;
7. receiving and reviewing contractor recruitment reports;
8. evaluating and validating contractor reports by comparing reported contractor recruitment against Guam DOL referrals and the views and visits data collected by the [www.JOBcentral.com](http://www.JOBcentral.com) Web site;
9. reporting to the Governor of Guam and the U.S. Secretary of Labor whether the contractor has satisfied the U.S. worker recruitment plan; and
10. transmitting contractor recruitment information to Guam DOL's Alien Labor Processing Certification Division.

DoD may consider providing a grant of \$146,000 to \$275,000 per year to the Guam DOL to meet anticipated costs. The Naval Facilities Engineering Command, Joint Guam Program Office, and/or the DoD Office of Economic Adjustment should be consulted to identify the appropriate funding level and source to meet the workforce needs for the DoD military base realignment projects on Guam.

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<sup>36</sup> [http://www.bls.gov/oes/current/oes\\_gu.htm#00-0000](http://www.bls.gov/oes/current/oes_gu.htm#00-0000)

<sup>37</sup> BLS, "Employer Costs for Employee Compensation — December 2010," March 9, 2011, USDL 11-0304, Table 4, p. 9

DOL believes that its own activities and responsibilities outlined in this report can be conducted within its current appropriations level.

Appendix Table 1. Guam Construction Wages from Various Sources

Guam construction hourly wages from various sources	All construction employees (mean)	H-2B rates (from 9/08 until NDAA)	Non-residential building	Residential building	Heavy construction	Highway construction
Source of survey	Occupational Employment Statistics (BLS)	Guam DOL	DOL special survey of non-H-2B construction workers			
Date of survey	May 2010	unknown	May-August 2010			
<b>U.S.</b>						
All employees	20.90					
Construction and extraction employees	20.84					
<b>Guam</b>						
All employees	14.33					
Construction and extraction employees	12.44					
First-line supervisors and managers	22.38					
LABORER: Common or General	8.95		8.28	8.12	9.14	8.82
LABORER: Pipelayer				8.00		
CARPENTER	12.68	13.56	13.21	13.95	12.96	13.00
Carpenters' helpers	8.97					
Plasterers and stucco masons	10.50					
INSTALLER - LOUVER/SHUTTER DOOR & WINDOW			9.56			
PAINTER: Brush, Roller and Spray	13.56	14.60	12.65	13.42	11.57	
BRICKLAYER	11.15	14.02	12.50	12.63		
CEMENT MASON/CONCRETE FINISHER, Includes Plastering/Smoothing of Concrete	11.81	12.87	12.95	12.83	12.57	12.91
TILE SETTER				12.87		
ELECTRICIAN	15.15	15.45	13.76	15.26	13.85	14.09
Electricians' helpers	10.87					
HVAC MECHANIC, Includes the Installation of Duct, Pipe, System, and Electrical Controls for the HVAC System		15.73	13.17	17.26		
MECHANICAL INSULATOR (Duct Insulation Only)			11.14			
Plumbers, pipefitters and steamfitters	14.50					
PLUMBER		14.96	13.89	15.18	13.19	13.04
PIPEFITTER		16.80	15.00	15.00	15.08	
Plumbers', pipelayers', pipefitters', and steamfitters' helpers	10.00					
IRONWORKER-REINFORCING/REBAR	11.76	12.56	12.16	12.56	12.47	
IRONWORKER-STRUCTURAL/STRUCTURAL STEEL WORKER	11.30	13.22	13.64		14.60	
SHEETMETAL WORKER (Excluding HVAC Duct Installation)	14.36	15.17	12.57	14.54		
Operating engineers and other construction equipment operators	13.68	13.77				
heavy equipment mechanic		14.14				
TRUCK DRIVER: Dump Truck				11.87	11.51	13.80
OPERATOR: Backhoe			12.37	12.69	13.89	
OPERATOR: Backhoe Loader Combo						13.60
OPERATOR: Barge, Derrick or Crane					14.38	
OPERATOR: Compactor						13.00
OPERATOR: Crane			13.50			
OPERATOR: Excavator			11.99	13.36	13.80	13.79
OPERATOR: Forklift			13.00			
OPERATOR: Grader/Blade						13.44
OPERATOR: Mechanic		14.14			12.50	13.56
OPERATOR: Paver						17.76
SPRINKLER FITTER (Fire Sprinklers)			15.00	15.00		
WELDER		16.09				
DIVER					23.25	
DIVER TENDER					20.30	
All other construction trade helpers	8.04					
Construction and building inspectors	18.73					

Sources: shown in the second row of the table