



# Ecosystem Workforce Program

BRIEFING PAPER # 9

## Forest Management Contracting for the US Forest Service in New Mexico: In-State Competitiveness and the Use of Guest Workers

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### Problem

Over the past decade, several congressional authorities and Forest Service policy directives have encouraged the Forest Service to increase local community benefit from forest management contracting. At the same time, there has been a larger policy debate about the role of immigrants and guest workers in the United States workforce, including in forest management. Although there have been studies about local contracting in the Pacific Northwest and studies of forestry contracting using guest workers in the Southeast, little is known about either of these topics in the Southwest.

The purpose of this project was to understand the extent of Forest Service contracting with local contractors in New Mexico and with companies that employ guest workers. We also sought to illuminate some of the causes of the patterns that were identified.

### Approach

This study examined contracts and contractors associated with the five national forests in New Mexico from 2001 through 2005. First, we analyzed forest management contracting and the locations of businesses awarded contracts. Second, we identified Forest Service contractors that likely employed guest workers. Third, we interviewed a small sample of contractors and contracting officers to gather information about the use of guest workers in forestry and barriers they see to the Forest Service awarding more contracts to local contractors.

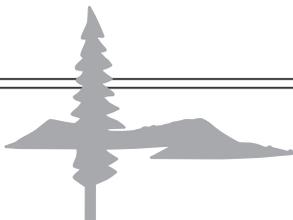
### Findings

During the study period 2001-2005, the national forests in New Mexico spent more than \$24.6 million on contracted forest management, broadly defined. Just over \$11 million (46 percent) of contracting dollars were spent on thinning. Road maintenance was the next largest category at 16 percent or \$3.8 million.

### Contractor Locations

Fifty-five percent of contract value was awarded to contractors located in New Mexico during the study period. We located 140 contractors that worked on the national forests in New Mexico. Of those, 100 were from New Mexico and 40 were from out of state. The total amount of money awarded to each in-state contractor averaged \$13,500, whereas the total awarded to each out-of-state contractor averaged \$27,500.

Within New Mexico, there appeared to be a concentration of contractors in two locations—(1) in northern New Mexico, in and around Albuquerque and Santa Fe and (2) in southern New Mexico, particularly near the Lincoln National Forest (Fig. 1). The Forest Service in New Mexico awarded 17 percent of contract value to contractors in New Mexico's rural communities and another 11 percent to contractors in New Mexico's small towns. Twenty percent was awarded to contractors located in New Mexico's urban areas.



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Our interviews revealed several reasons for the awards to out-of-state contractors: (1) disincentives for in-state contractors created by high workers' compensation rates, (2) the small number of contracts and the size of the projects offered made it difficult for contractors to retain workers, and (3) mechanization requirements that favored large firms for thinning projects.

### Guest Workers

During the study period, the Forest Service awarded contracts to three companies employing guest workers. These contractors were located in Florida, Oregon, and Idaho (see insert on Fig. 1). Together, they were awarded 29 percent of the thinning contracting value.

We conducted interviews with two of these contractors, and the third declined to participate. Significant findings from the interviews were: (1) low prevailing wage rates in New Mexico make it difficult for contractors from states with relatively high prevailing wages, such as Oregon and Idaho, to compete with local contractors; and (2) the lack of sufficient contracting opportunities and the mechanization requirements are disincentives to contracting in the New Mexico.

### Conclusion

The New Mexico federal forest management contracting market is made up of contractors located relatively close to national forests that do not capture much contract value and more distant contractors—primarily from out of state—that capture more value.

Our interviews suggest that the New Mexico forest management contracting industry is relatively weak primarily because of the low number, small size, and sporadic nature of contracting opportunities; high workers' compensation rates; and mechanization requirements. These conditions combine to create a negative context for the development of a more robust forest management industry in the state. This also leads to significant competition from contractors from states with a stronger industry.

Companies that employ guest workers are not a major part of the New Mexico federal forest

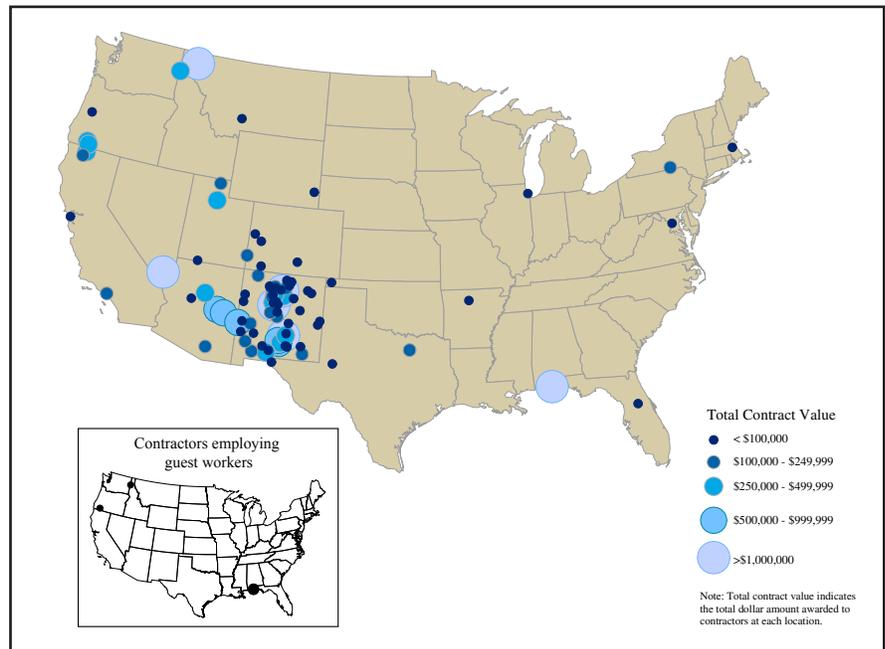


Figure 1 – Total Contract Value By Contractor Location

contracting market. Of the three contractors that have used guest workers in New Mexico, two had not worked in New Mexico for the past two years because of the low prevailing wages, small contract sizes, and infrequency of federal contracts. We only identified one contractor that is currently working in New Mexico that employs guest workers.

Labor supply problems do not appear to be threatening the viability of contracting companies as much as the availability of work opportunities. Only one of the five New Mexico contractors we interviewed said that he had difficulty finding laborers. All contractors said that they had more trouble keeping crews together because of the sporadic nature of the work.

Workers' compensation rates have also been a major factor limiting the growth of the forest management industry in New Mexico. The recently-developed safety training program is a positive step, and could make a significant improvement in the current situation. However, as one contractor pointed out, not all contractors have had access to it. This contractor felt that expanding the program could not only improve safety of work in the woods, but also help to strengthen the industry as more companies could expand their workforce and begin bidding on larger projects.

