Economic Impact Statement

Montgomery County, Maryland

Bill 22-25, Labor Peace Agreements – Hotel Development Projects

Summary

The Office of Legislative Oversight (OLO) anticipates that Bill 22-25 would have an indeterminate impact on economic conditions in the County, as measured by the Council's priority economic indicators. The Bill would require employers of hotel development projects, in which the County has a proprietary interest, to enter into labor peace agreements (LPAs) with unions. Based on a review of studies on the economic impacts of card check and neutrality agreements—provisions typically included in LPAs—and the broader impacts of unions, the requirement would likely have mixed economic outcomes for certain residents and private organizations.

The policy change would benefit some residents employed by affected hotel development projects. Requiring LPAs would increase the likelihood of hotel workers obtaining union representation. In turn, this would likely raise wages and household income for these workers, which would be especially significant given that hotel workers receive lower-than-average wages.

Certain unions would also benefit by increasing their membership and revenues, and some County-based businesses may experience revenue gains due to greater household spending.

Conversely, the Bill would likely negatively affect certain businesses involved in affected hotel development projects. A greater share of employees with union representation would likely increase operating expenses in the form of labor compensation. While higher union representation may improve labor productivity and reduce turnover and costs associated with labor disputes, it is probable that higher labor costs would outweigh these benefits and reduce business profits.

In addition, studies reviewed for this analysis do not indicate whether requiring LPAs would deter or encourage new hotel development or affect the industry's ability to compete with other markets. However, OLO notes that requiring LPAs for certain projects may increase business compliance costs related to labor regulations and, consequently, may negatively influence perceptions of the County's "business friendliness"—a priority emphasized in the Council's economic development platform.

Ultimately, OLO cannot anticipate the net effect of the policy change on overall local economic conditions due to several factors, such as uncertainty regarding the contents of future LPAs and the number of firms/employees affected as well as conflicting findings regarding the economic impacts of LPAs and unions.

Background and Purpose of Bill 22-25

An LPA is a contract between an employer and a labor union. In an LPA, an employer agrees to not interfere with a campaign to organize a union in the workplace. In exchange, a union agrees to not engage in picketing, strikes, or other activities that would disrupt the employer's operations. LPAs do not automatically lead to the formation of a union. Even with an LPA, a majority of workers must still choose to be represented by a union. After a union is formed, it can negotiate a collective bargaining agreement with the employer.[1]

Occasionally, the County has a financial stake, or a proprietary interest, in hotel development projects. This happens when the County participates in a project as a property owner, lessor, proprietor, lender, or guarantor.[2] For example, the County is the leasehold owner of the land where the Montgomery County Conference Center and Bethesda North Marriott Hotel are located. The County shares costs and revenues with Marriott International for the operation of both businesses.[3]

The purpose of Bill 22-25 is to require employers of hotel development projects to enter into LPAs with unions when the County has a proprietary interest in the project. The Bill would set guidelines for determining if the County has a proprietary interest that requires an LPA.[4] If required, the LPA would need to contain a provision that prohibits the union from "any picketing, work stoppage, boycott, or other economic interference with the employer's operations."[5] The Bill would allow an employer to satisfy the LPA requirement by providing copies of existing LPAs, documenting that no labor union requested an LPA, or documenting that the union "insisted on terms of an agreement that are arbitrary and capricious."[6] If enacted, the LPA requirement would apply after the Bill's effective date.[7]

Bill 22-25 was introduced following recent calls from a local union for a consumer boycott of the Montgomery County Conference Center.[8] The sponsors note the Bill is intended to minimize the County's financial risk by preventing similar labor disputes in County-supported hotel development projects in the future.[9]

The Council introduced Bill 22-25 on June 17, 2025.

Information Sources, Methodologies, and Assumptions

As required by 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 22-25 on residents and private organizations, using the Council's priority economic indicators as the measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[10]

In this analysis, OLO conducted a review of empirical studies assessing the economic impacts of card check and neutrality agreements—two provisions typically included in LPAs. **Table 1** summarizes the studies, highlighting their methodologies, key findings, and limitations.

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[1] "Labor Peace Agreements (LPA)," Labor and Employment Law Program, Cornell University School of Industrial and Labor Relations.
[2] Introduction Staff Report for Bill 22-25, Montgomery County Council, Introduced June 17, 2025, pg. 1.
[3] "Marriott Conference Center Management Agreement Cost and Revenue Sharing Audit," Office of Internal Audit, Office of the County Executive, August 28, 2023.
[4] Introduction Staff Report for Bill 22-25, pgs. 1-2.
[5] Bill 22-25, Introduction Staff Report for Bill 22-25, pg. (3).
[6] Introduction Staff Report for Bill 22-25, pg. 2.
[7] Ibid.
[8] Ginny Bixby, "Workers union pauses boycott of North Bethesda Marriot conference center," Bethesda Today, June 20, 2025.
[9] "Councilmembers to Introduce Bill to Require Labor Peace Agreements on Hotel Development Projects with County Economic Participation," Press Releases, Montgomery County Council, June 12, 2025.
[10] Montgomery County Code, "Sec. 2-81B, Economic Impact Statements."

Although OLO prefers to cite impact evaluations using randomized control trials or quasi-experimental designs for their ability to provide strong causal inferences, no such studies were identified.[11] Instead, the available research primarily relies on survey data, interviews, cross-sectional comparisons, and event studies. As a result, these studies can demonstrate associations and trends but do not offer the methodological rigor necessary for drawing firm causal conclusions about the effects of LPAs on outcomes.

Additionally, this analysis references empirical studies on the broader economic impacts of unions. However, given the volume of literature on this topic, a comprehensive review is beyond the scope of this Economic Impact Statement.

Furthermore, to inform projections of local employment on the project, the analysis uses data from the U.S. Census Bureau's American Community Survey (ACS) for 2019–2023 to estimate the share of workers employed in the County who also reside locally.

It is important to note that OLO is unable to estimate the magnitude of the Bill's potential economic effects because the number of hotel development projects or employees that would be subject to its provisions is unknown.

Variables

The primary factors that would influence the economic impacts of Bill 22-25 include:

- Number of hotel development projects that meet the proprietary interest threshold;
- Specific provisions included in LPAs (e.g., neutrality and card-check agreements);
- Costs and benefits of LPAs for employers and workers; and
- Level of workforce unionization.

Impacts

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Research on LPAs and Unions

Federal labor law gives workers the right to form a union through an election conducted by the National Labor Relations Board (NLRB). If a majority of employees who cast ballots vote in favor, the NLRB certifies the union as their exclusive representative for collective bargaining.[12] However, because employers often have greater resources and engage in anti-union campaigns—and because NLRB enforcement can be limited—many unions instead pursue LPAs with employers.[13]

LPAs create a private process for unionization outside the NLRB election system that seeks voluntary recognition from employers. While specific terms vary, most agreements involve a tradeoff: workers agree to

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[11] Paul J. Gertler et al., *Impact Evaluation in Practice, Second Edition* (Washington, DC: Inter-American Development Bank and World Bank, 2016).
[12] National Labor Relations Board, "Your Right to Form a Union," accessed August 28, 2025.
[13] Laura J Cooper, "Privatizing Labor Law: Neutrality/Card Check Agreements and the Role of the Arbitrator," *Indiana Law Journal* 84, no. 4 (2008): 1589–617; Juan Ramon Riojas, "Labor-Peace Agreements in Emerging Industries," *Columbia Law Review* 125, no. 2 (2025): 413–52.

refrain from strikes, work stoppages, and other disruptive tactics, while employers commit to remain neutral and accept alternative methods of union recognition. Two common provisions are:

- **Neutrality agreements** – Employers pledge not to oppose or interfere with employees' decision on union representation.
- **Card check agreements** – Employers agree to recognize the union once a majority of employees have signed union authorization cards, rather than requiring a formal NLRB election.[14]

This section reviews empirical research on LPAs that examines their effects on unionization rates, management motivations, and business outcomes.

Unionization: Despite their methodological limitations, empirical studies consistently show that LPAs substantially increase the likelihood of unionization by reducing management opposition, facilitating smoother organizing campaigns, and producing higher union recognition rates.

As shown in **Table A1** in the appendix, Eaton & Kriesky (2001, 2006, 2009) show that card-check agreements sharply lower anti-union campaigning and manager interference—workers experience less pressure, and union success rates are higher compared to typical NLRB elections. However, they found that neutrality agreements alone were less effective.[15] Chandler & Gely (2011) extend this evidence to the public sector, showing that mandatory card-check laws result in significant union membership growth compared to non-adopting states.[16]

Business Motivations: In their study on management motivations for accepting card check and neutrality agreements, Eaton & Kriesky (2006: 147) write, "employers do have choices to make about organizing agreements, and that the decision to agree to organizing language is often, at root, a business decision, with employer concerns about workers' rights playing at best, a secondary role." They conducted interviews with management from a non-representative sample of companies. The interviews revealed key costs and benefits that factored in companies' decisions whether to accept an LPA. See **Table 1** below.[17]

The study found the following:

- The primary motivation for negotiating organizing agreements was to avoid costs, particularly the risk of work stoppages.
- A notable minority of respondents prioritized the benefits of agreement, such as unions facilitating access to skilled labor and management being able to influence the structure of organizing campaigns.
- Most respondents anticipated increased labor costs as a result of signing an LPA.

[14] Riojas, "Labor-Peace Agreements in Emerging Industries."
[15] Adrienne E. Eaton and Jill Kriesky, "Union Organizing under Neutrality and Card Check Agreements," *ILR Review* 55, no. 1 (2001): 42–59; Adrienne Eaton and Jill Kriesky, "Dancing with the Smoke Monster: Employer Motivations for Negotiating Neutrality and Card Check Agreements," *Upjohn Press Book Chapters*, January 1, 2006; Adrienne E. Eaton and Jill Kriesky, "Nlrb Elections versus Card Check Campaigns: Results of a Worker Survey," *ILR Review* 62, no. 2 (2009): 157–72.
[16] Timothy D. Chandler and Rafael Gely, "Card-Check Laws and Public-Sector Union Membership in the States," *Labor Studies Journal* 36, no. 4 (2011): 445–59.
[17] Eaton and Kriesky, "Dancing with the Smoke Monster."

Table 1. Business Considerations in Deciding Whether to Accept an LPA

Costs of Agreeing	• Increased wages and benefits • Decreased attractiveness as takeover/merger target • Loss of flexibility • Loss of employee rights • Loss of cooperative, nontraditional work culture
Costs of Not Agreeing	• Work stoppage • Loss of specific, needed concessions • Organizational picketing • Loss of a client or project
Benefits of Agreeing	• Union willing to add value to the business • Labor–management partnership ○ Assistance in increased funding for nonprofits ○ Assistance in obtaining qualified, skilled labor ○ Assistance in attracting business/customers • Maintenance of good relations with workforce • Ability to shape organizing campaigns

Impact of LPAs on Profits: Abraham, Eaton & Voos (2010) found that voluntary union recognition through card check agreements at publicly traded U.S. firms was associated with positive abnormal stock returns. In contrast, studies have found that union victories via NLRB elections produced negative market responses. Their study suggests that the market views card check recognition more favorably, potentially due to reduced labor-management conflict, quicker and less adversarial contract negotiations, lower industrial relations costs, greater bargaining flexibility, and/or unions' ability to use political or social capital to advance employer interests. However, the evidence is not definitive regarding which factors drive the positive market reaction.[18]

Effects of Unions: Given the volume of literature on this topic, a comprehensive review empirical studies on the broader economic impacts of unions is beyond the scope of this Economic Impact Statement. Although this is not a comprehensive review, selected studies show the following about union effects[19]:

- Unions raise wages for their members and provide positive spillover effects on the wages of nonunion workers, which especially benefits disadvantaged groups.
- Unions increase labor productivity and reduce employee turnover. However, though these gains often occur alongside reduced firm profitability and less managerial flexibility.
- Union density reduces inequality and poverty, while increasing labor's share of income. The decline of unions is linked to stagnant wages and wider inequality.
- In certain contexts, unionization can reduce employment or establishment survival, especially under strong employer opposition.

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[18] Steven E. Abraham et al., "Card Check Recognition: Resulting Labor Relations and Investor Reaction," in *Advances in Industrial and Labor Relations*, ed. David Lewin et al., vol. 17 (Emerald Group Publishing Limited, 2010).
[19] Simon Jäger et al., "Collective Bargaining, Unions, and the Wage Structure: An International Perspective," *National Bureau of Economic Research* Working Paper 33267 (December 2024); Steven Eric Abraham, "Two Benefits Firms Derive from Unionized Workforces," *Strategic HR Review* 16, no. 5 (2017): 234–38; Patrick Denice and Jake Rosenfeld, "Unions and Nonunion Pay in the United States, 1977-2015," *Sociological Science* 5 (August 2018): 541–61; Tom Van Heuvelen and David Brady, "Labor Unions and American Poverty," *ILR Review* 75, no. 4 (2022): 891–917.

Hotel and Motel Industry

Data from the Bureau of Labor Statistics (BLS) provides a detailed snapshot of the hotel and motel industry compared with the overall economy in this county. In the fourth quarter of 2024, the hotel and motel sector consisted of 81 establishments, which accounted for only 0.2% of all businesses. The industry employed 2,508 people—a small fraction of the county's total monthly employment. Over the quarter, the industry paid $36.5 million in wages, which represented only 0.4% of all wages paid countywide. These statistics highlight that the hotel and motel industry plays a relatively minor role in the local economy.

A key finding from the data is the industry's wage gap. Hotel and motel workers earn an average weekly wage of $1,118, which is $637 (or 36.3%) less than the county-wide average of $1,755. While employment and establishments in hotels and motels appear stable, wage growth in this sector has stagnated at 0%, compared to a 3% increase county-wide.

Table 2. Montgomery County Employment and Wage Comparison: All Industries vs. Hotels and Motels (2024 Q4)

Indicator	All Industries	Hotels and Motels
Number of establishments (quarter)	35,213	81
Avg monthly employment	364,825	2,508
Total wages (quarter)	8,323,466,396	36,463,731
Avg weekly wage	1,755	1,118
Year-over-year est. change	245	2
Year-over-year wage percent change	3%	0%
Wage gap (absolute)	-	$637 less
Wage gap (percent)	-	36.3% lower

Data Source: U.S. Bureau of Labor Statistics, "Quarterly Census of Employment and Wages, County High-Level Tables: Montgomery County, MD, Q4 2024," accessed September 3, 2025.

Residents

OLO anticipates that Bill 22-25 would have a positive impact on certain residents in the County.

The Bill would most directly affect residents employed at hotel development projects in which the County holds a proprietary interest. While the residence of these workers is unknown, Census data suggests that many may reside locally. Across the County, the share of workers who also reside locally ranges from 58 to 80 percent. Data from the U.S. Census Bureau's American Community Survey (ACS) for 2019–2023 indicate that between 58% and 80% of workers across the County also reside locally. (See **Figure A.1** in the Appendix.)

Research indicates that card check agreements substantially increase the likelihood of unionization by reducing management opposition and facilitating smoother organizing campaigns.

OLO does not know the provisions that would be included in future LPAs, other than the no-strike provision. If they also include card check agreements, the Bill would likely lead to a greater share of workers on these projects obtaining union representation. This outcome would likely raise wages for affected workers and, all else being equal, increase their household incomes.

Workers and their households would especially benefit from higher incomes given the relatively low average wages in the hotel industry (see **Table 3** above).

However, because OLO does not know how many workers would receive wage gains, the extent of any broader wage spillovers for nonunion workers is uncertain.

Beyond the Bill's anticipated impact on household income, it is uncertain whether residents would experience changes in other Council priority indicators.

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 22-25 would have a negative impact on certain private organizations in the County.

The Bill would most directly affect private actors involved in hotel development projects in which the County holds a proprietary interest, mainly hotel owners, operators, and construction companies that undertake these projects. Other affected actors may include third-party developers, hotel management companies, subcontractors, and service providers associated with the operation and construction of these hotels.

The Bill would likely increase operating costs in the form of higher wage compensation for hotel owners, operators, and construction companies that undertake these projects. This may positively impact their workforces, as affected businesses are likely to experience higher labor productivity and reduced employee turnover. In addition, requiring LPAs may mitigate costs from anti-union campaigning, work stoppages, and other costs associated with labor disputes.

However, it is doubtful that these workforce benefits would fully offset the increased labor costs for firms. While one study found that *voluntary* union recognition via card check agreements at publicly traded U.S. firms was associated with positive abnormal stock returns, it is unclear whether these effects hold under *mandatory* government requirements. Furthermore, broader empirical studies suggest that unionization tends to reduce firm profitability. Thus, the overall net effect on business profitability may be negative.

It is unclear whether the Bill would have a meaningful impact on the competitiveness or the level of private investment in the local hotel industry. Available evidence does not conclusively show whether requiring LPAs would deter or encourage new hotel development or affect the industry's ability to compete with other markets. Moreover, because hotels are fixed assets, the industry does not face the same pressures for outsourcing or relocation as sectors like manufacturing.[20]

[20] David Sherwyn and Paul E. Wagner, "You Can't Move All Your Hotels to Mexico: Unions and the Hospitality Industry," in *The Cornell School of Hotel Administration on Hospitality* (John Wiley & Sons, Ltd, 2012).

However, requiring LPAs for certain projects may increase business compliance costs related to labor regulations[21] and, consequently, may negatively influence perceptions of the County's "business friendliness"—a priority emphasized in the Council's economic development platform.[22]

In addition to businesses involved in hotel development projects, the Bill would likely impact certain unions and County-based businesses. Unions would likely benefit by increasing their membership and revenues, and some County-based businesses may experience revenue gains due to greater household spending.

Beyond the Bill's anticipated impacts on operating costs, workforce productivity, and business income, it is uncertain whether businesses would experience changes in other Council priority indicators.

Net Impact

OLO anticipates that Bill 22-25 would have an indeterminate impact on economic conditions in the County, as measured by the Council's priority economic indicators. By requiring employers of hotel development projects, in which the County has a proprietary interest, to enter into labor peace agreements (LPAs) with unions, the Bill would benefit some residents employed by affected hotel development projects by increasing the likelihood that they obtain union representation. In turn, this would likely raise wages and household income for these workers, which would be especially significant given that hotel workers receive lower-than-average wages. Certain unions would also likely benefit by increasing their membership and revenues, and some County-based businesses may experience revenue gains due to greater household spending.

Conversely, the Bill would likely negatively affect certain businesses involved in affected hotel development projects. A greater share of employees with union representation would likely increase operating expenses in the form of labor compensation. While higher union representation may improve labor productivity and reduce turnover, higher labor costs would likely outweigh these benefits and reduce business profits.

OLO cannot anticipate the net effect of the policy change on overall economic conditions in the County due to several factors. First, there is uncertainty regarding both the contents of future LPAs and the number of firms and employees affected. Second, the research on the economic impacts of LPAs and unions has conflicting findings. Third, the literature on the economic impacts of unions is too vast for OLO to have performed a comprehensive analysis.

Discussion Items

Given uncertainties, conflicting findings in the relevant research, and the voluminous literature on the economics of unions, Councilmembers may want to request OLO to conduct a more in-depth review of the research on the topic.

Caveats

Two caveats to the economic impact analysis conducted here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is

[21] Aron Trombka, *Establishing and Maintaining a Business-Friendly Environment: A Literature Review* (Office of Legislative Oversight, Montgomery County Council, 2022).
[22] "Economic Development Platform," Montgomery County Council, accessed April 16, 2024.

intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does <u>not</u> represent OLO's endorsement of, or objection to, the Bill under consideration.

Contributions

Stephen Roblin, PhD (OLO) prepared this report.

Appendix

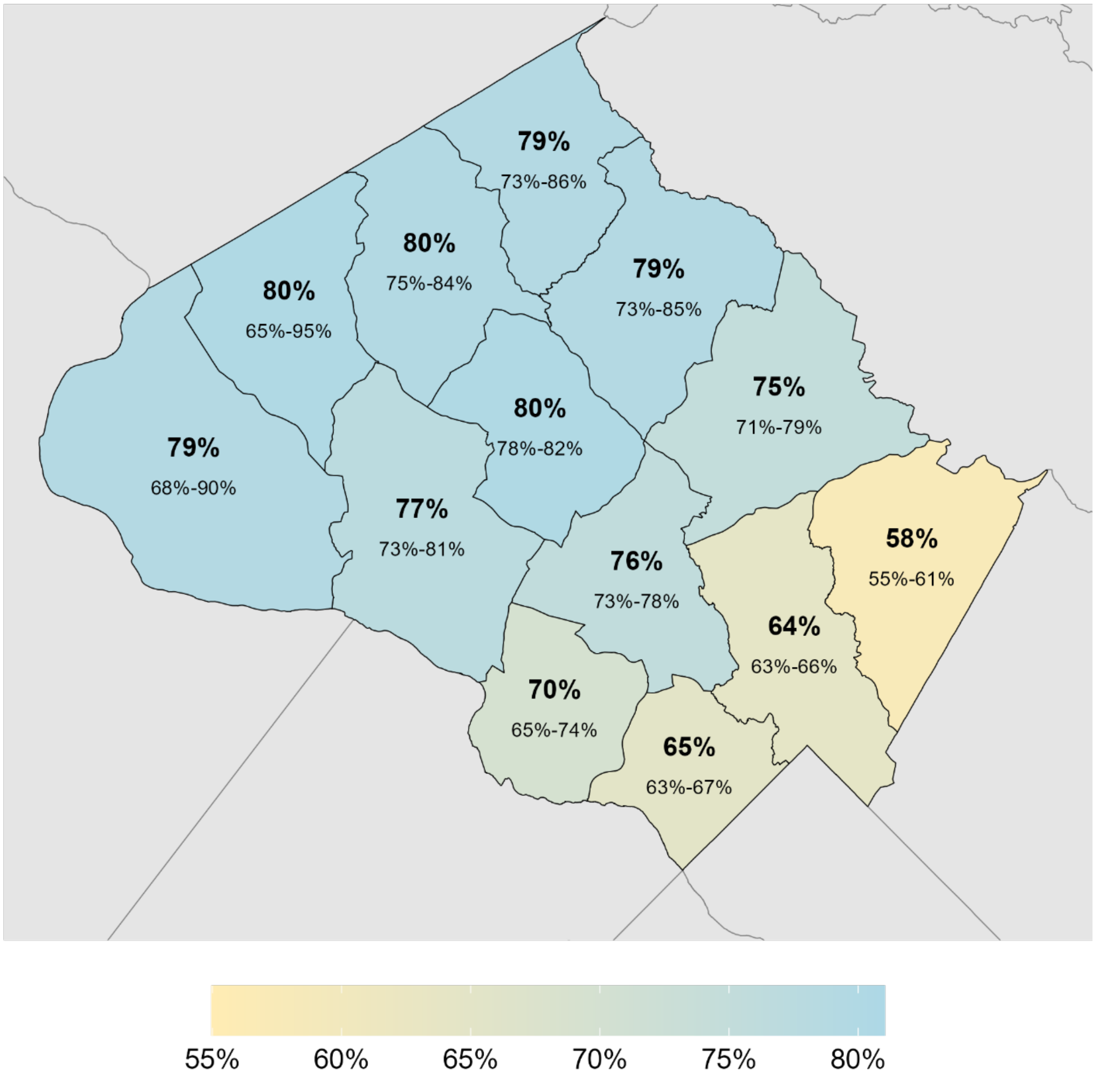
Table A1. Summary of Empirical Studies on the Effects of LPAs

Study	Methodology	Finding	Limitations
Eaton & Kriesky (2001): Union Organizing under Neutrality and Card Check Agreements	• Identified 132 neutrality and card check agreements (private-sector focused, some public) • Collected written agreements and interviewed union representatives (data on 118 agreements) • Compared employer tactics and union success under agreements vs. NLRB elections	• Card check agreements sharply reduced management anti-union campaigning (legal & illegal) • Card check agreements increase union recognition success rate, compared to NLRB elections • Neutrality agreements alone were less effective in reducing anti-union campaigning and union recognition	• Sample skewed toward unions that negotiated agreements—not representative of all sectors • Cannot fully account for selection bias (firms agreeing may have been predisposed) • Reliance on union reports could overstate effects
Eaton & Kriesky (2006): Employer Motivations for Negotiating Neutrality and Card Check Agreements	• Interviews with 34 management representatives at firms with card check/neutrality agreements (drawn from 132 earlier cases in their 2001 study) • Examined employer motivations, bargaining costs/benefits, and reactions from management community	• Employers agreed to card check mainly for business reasons (avoid strikes, ensure stability, win concessions, secure skilled labor, political leverage) • Agreements altered manager behavior: less campaigning, less use of consultants, captive meetings, etc.	• Sample skewed toward larger firms and industries • Voluntary sample and possible self-reporting bias • Employers who agreed are not necessarily representative of hostile or anti-union firms.
Eaton & Kriesky (2009): NLRB Elections versus Card Check Campaigns (Worker Survey)	• Survey of 430 workers from 51 campaigns in 2003 • Interviews post-campaign • Measured perceived pressure, adequacy of info, and fairness	• Management pressure to oppose unions much higher under elections than under card check • Workers reported little coercion by unions • Workers in card checks perceived slightly less info on unions/recognition than election participants, but those with insufficient info tended not to sign • Workers judged union-supplied info more accurate than management's	• Survey sample skewed toward pro-union respondents • Possible recall bias 2 years later • Limited campaign sample; overrepresentation of unions with negotiated agreements • Cannot fully rule out firm-level selection bias

Table A1 continued

Abraham, Eaton & Voos (2010): Card Check Recognition: Resulting Labor Relations & Investor Reaction	• Conducted event study on 56 card check recognitions in 2003 at publicly traded firm • Compared stock price reactions to NLRB elections (union wins/losses at same unions/firms) • Used interviews with managers/union reps and worker survey data from prior studies to interpret findings	• Unlike NLRB election wins (which lowered shareholder wealth), card check recognition in U.S. produced positive abnormal returns • Explanations: reduced labor-management conflict, quicker contracts, improved productivity, lower IR costs, unions offering flexibility or political value • Qualitative evidence: card checks smoother, less stressful, more likely to yield contract	• Event study limited to 1 year (2003) and only cases supplied by cooperating unions. • Matching with NLRB elections imperfect • Possible selection bias: employers agreeing to card check may already have favorable labor/market conditions.
Chandler & Gely (2011): Card-Check Laws and Public-Sector Union Membership in the States	• Pooled cross-sectional time series (2000-2009) for 50 states • Compared union membership trends in 8 states adopting card-check laws for public employees vs. 42 that did not • Controlled for ideology, partisanship, unemployment, income, population, duty-to-bargain laws.	• After passage, public-sector union membership in card-check states rose significantly more than in others • Average increases in both total numbers and percent unionized; growth ~19% vs. 7% in non-card-check states. • Strong evidence that mandatory card-check statutes facilitate unionization in public sector.	• Focused only on public sector; cannot generalize to private sector • Observational, not causal: other policy/environmental factors may confound results • Legislation varied by coverage scope (teachers vs. all employees)

Figure A1. Percentage of Workers Aged 16 and Older Employed Within the County of Residence by Census County Subdivision



Data Sources: U.S. Census Bureau, *American Community Survey, 5-Year Estimates (2023)*, Table B08007, "Sex of Workers by Place of Work--State and County Level," accessed January 3, 2025. For details on how the Census measures an individual's place-of-work, see "Journey to Work" section in "American Community Survey and Puerto Rico Community. Survey 2022 Subject Definitions" (U.S. Census Bureau, 2022); and questions 30 and 31 in the "2024 American Community Survey Questionnaire" (U.S. Census Bureau).