

# Nonpayment Analysis for San Luis Obispo's Small Construction Firms

The role of the small subcontractor often goes under-represented and over looked in the construction world, despite the high portion of the industry that is employed in this sector. This paper attempts to bring a problem that the small subcontractors face, non- and under-payment by its general contractor or owner. At what lengths will a small subcontractor with a very limited resource set go to receive missed payments? How often will they involve attorneys or collection's agencies in disputes? According to the Central Coast's general contractors, running into payment disputes occurs very rarely, and will only withhold payment from subcontractors when they are certain the subcontractor is not entitled to the money, through insufficient quality of work, or a disputed change order. It emerges that the time commitment required for some disputes is not worth the stoppage of labor and therefore wages for the sub's workers. The majority of surveyed payment disputes were solved through informal negotiations. On occasion, subcontractors will use a collections' agency to keep up a reputation, but also to have at least some chance of recovering any monetary compensation. The usage of lawyers is more common than collection's agencies, but informal negotiation reigns as the most common, for convenience's sake.

**Key Words:** Litigation, collections, small construction firms, dispute resolution, nonpayment.

## What is the the risk of non- or under-payment for a subcontractor?

