

SPRINGFIELD DIVISION

BERKSHIRE COUNTY DIVISION

WESTERN MASSACHUSETTS CHAPTER, Inc.

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INC.

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March 12, 2014

Chairwoman Helen Head
House General, Housing & Military Affairs Committee
State House
115 State Street, Room 41
Montpelier, VT 05633

Dear Chairwoman Head:

I write to you on behalf of the National Electrical Contractors Association's Western Massachusetts chapter, whose members include unionized electrical contractors in Vermont. Our contractor-members – job creating business owners – wholeheartedly support Gov. Peter Shumlin's push to require federal prevailing wages on state capital construction projects regardless of how much they cost, as well as the related legislation – H.432 – currently being considered by your committee.

Sadly, low-road contractors who do not compensate workers fairly and routinely skirt the law repeatedly undermine the construction industry. This makes it enormously hard for responsible employers to compete against bids that are deflated by unscrupulous behavior and habitually substandard wages. NECA contractors, who proudly employ electricians and technicians from the International Brotherhood of Electrical Workers Local 300, pay family-sustaining incomes and *provide* – as opposed to *simply offering* – family medical and retirement benefits.

In 1931, President Herbert Hoover signed the Davis-Bacon Act into law, thereby establishing federal prevailing wage standards. Lawmakers were justifiably concerned about working conditions, displacement of local craftspeople by transient workers and market gravitation towards poverty-level wages. In the 83 years since, Davis-Bacon has greatly helped level the playing field for conscientious union and

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open shop public works contractors, as the same issues President Hoover confronted then unfortunately still exist today. When Davis-Bacon wages are required, taxpayers can also rest assured their tax dollars support businesses that care about the common good.

Currently on capital projects over \$100,000, Vermont stipulates payment of *state* prevailing wages, which are often lower than *federal* determinations because they typically do not include fringe benefits. The United States Department of Labor re-surveys the federal prevailing wages periodically to ensure they're reflective of local community standards. Absent fringe benefits, as the state calculations are, responsible contractors are at a systemic disadvantage because they already furnish their employees with bona fide benefits – often at little or no cost to the worker.

Moreover, several studies, including one by the Economic Policy Institute (EPI), found “no cost impact on public construction associated with the implementation of prevailing wage regulations.” The EPI study also said:

- “Prevailing wage regulations do not...increase wages. Public contractors may pay at prevailing wage rates without the regulation.”
- “Average labor costs, including benefits and payroll taxes, are roughly one-quarter of construction costs. Thus, even if a prevailing wage regulation raised wages by 10 percent, the impact on contract costs would be less than 2.5 percent. Even if there is an increase in contract costs it is likely to be small—to the point of being undetectable.”
- “Improved productivity can offset higher wages. Better-skilled workers attracted by the higher wage might complete the job in less time, or firms looking to reduce their higher labor costs might utilize labor-saving technologies.”
- “Higher wage costs might be offset through ‘factor substitution,’ i.e., the substitution of more expensive labor with, say, less-expensive materials. As a practical matter, this point assumes that workers are roughly of the same skill level. But it shows that worker wages are only one of the avenues contractors can use to win project bids.”
- “Contractors not subject to prevailing wage laws might retain the money they save in wages as higher profits rather than passing the savings on to the government. Alternatively, contractors paying prevailing wages might absorb the higher wage costs, paying for them out of their profits rather than passing them on.”

Other national reports showed prevailing wages increase worker skills and apprenticeship opportunities; reduce construction injuries and workers' compensation costs; raise health and pension coverage for employees; improve

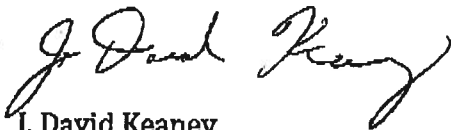
economic opportunities for underprivileged workers; and minimize the "race to the bottom." Most importantly, prevailing wages ensure female construction workers achieve income parity with their male colleagues in an industry where the average CEO earns \$131,018 compared to \$36,290 for the typical worker, according to the Illinois Economic Policy Institute.

Prevailing wage opponents *do not* speak on behalf of the entire business community. Make no mistake: the Associated General Contractors of Vermont and the Associated Builders and Contractors are predominately open shop organizations that often demonize unions and, by extension, unionized employers that voluntarily opt to do the right thing - day after day. The AGC and ABC are against collective bargaining, where owners and workers mutually determine equitable business terms for both parties. Above all, they oppose Davis-Bacon because they fear non-union employees will get a whiff of the fair compensation for a day's work unionized people enjoy.

I respectfully urge your committee to endorse Gov. Shumlin's efforts and report H.432 favorably. There is no better legislative tool to bolster socially responsible job creation and honest business practices in the construction industry. Kindly let me know if you have questions about our position.

Many thanks for your consideration and unwavering service to Vermonters.

Sincerely,



J. David Keaney
Executive Director

Cc: Gov. Peter Shumlin
Commissioner Annie Noonan, Vermont Department of Labor

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