Approved ARP 3-6-90
Date

MINUTES OF THE HOUSE COMMITTEE ON LABOR & INDUSTRY.

The meeting was called to order by REPRESENTATIVE ARTHUR DOUVILLE at
Chairperson

9:11 a.m./~~p.m.~~ on February 22, 1990 in room 526-S of the Capitol.

All members were present except:

Committee staff present:
Jerry Donaldson - Legislative Research Department
Jim Wilson - Revisor of Statutes' Office
Cindy Wulfkuhle - Committee Secretary

Conferees appearing before the committee:
Charles Stuart, Legislative Liaison, United School Administrators of Kansas
Norman Wilks, Labor Relations Specialist, Kansas Association of School Boards
Gerry Ray, Intergovernmental Coordinator, Johnson County Board of Commissioners
Dennis Kissinger, City Manager, Salina
Thomas Marshall, Associate Counsel Blake & Uhlig, Kansas AFL-CIO

The meeting was called to order at 9:11 a.m. by Chairman Douville.

HB 2710: Mandating local units of government to come under public employer-employee relations act

Charles Stuart, United School Administrators of Kansas, addressed the committee as an oppor of the bill and distributed a handout, Attachment #1. He stated that HB 2710 would take away the flexibility provided under the law.

Norman Wilks, Kansas Association of School Boards, addressed the committee as an opponent of the bill and distributed a handout, Attachment #2. He stated that a more formalized process of bargaining may increase the adversarial tenor of discussions. The current language of the Public Employer-Employee Relations Act allows Boards of Education to determine the method of communication that is most appropriate within their local districts. At a time when school districts are faced with belt-tightening of their budgets, possible tax lids or loss of funding, is not the time to impose additional costs of negotiation for noncertified employees.

Gerry Ray, Johnson County Board of Commissioners, addressed the committee as an opponent of the bill and distributed a handout, Attachment #3. She stated that Johnson County Commissioners oppose this bill because a mandate requiring local units to come under the public employer-employee relations act diminishes the ability of the Board of County Commissioners to manage the organization in a manner best suited to the area. The Commissioners adopted a comprehensive personnel policy many years ago including an extensive grievance process for aggrieved employees.

Dennis Kissinger, City of Salina, addressed the committee as an opponent of the bill and distributed a handout, Attachment #4. He stated that they believe public employee relations are an important issue for any city, county, school district or other governing body to address. Those decisions should continue to be made in the local community by local elected officials. If those decisions are determined to be wrong by the citizens, the local elected officials will have accountability at election time.

Representative Patrick asked if Mr. Kissinger could provide data on the number of people who left their jobs and went somewhere else. He also asked the Research Department to supply the data on the number of cities that are under the Public Employer-Employee Relations Act and the number of cities that are not under the Act.

Anne Smith, Kansas Association of Counties, spoke as an opponent to the bill and distributed a handout, Attachment #5. The Kansas Association of Counties believes that employee relations are better administered at the local level. Local officials should be able to establish their own employer-employee policies without the control of the state mandate.

Dennis Phillips, Kansas Council of Firefighters, spoke as a proponent to the bill and distributed a handout, Attachment #6. Mr. Phillips stated that the Public Employer-Employee Relations Act has been very beneficial to the City of Topeka, and has had a positive effect on the city and its ability to meet the public's needs.

HB 2780: Prevailing wages for state public works projects - Proponents

Thomas Marshall, Kansas AFL-CIO, appeared before the committee and distributed a handout, Attachment #7. The object of the state prevailing wage law was enacted to prevent the State and its agencies from undercutting wage standards in the process of letting contracts for State-funded and assisted construction work. Davis-Bacon wages on the Federal level are made know to all contractors in advance of any bidding. Contractors intend to make a profit on the job and if they are permitted to pay their employees less to perform the work, the effect is more likely to be that they can pocket a larger percentage of the price of the project as profit. Firms that pay low wages tend to be less productive per man-hour and are frequently marginal in the industry. Lower wages also mean less skilled and less productive workers. Prevailing wage legislation helps maintain wages and benefits sufficient to attract and keep good workers in the construction industry.

The meeting adjourned at 10:00 a.m. The next meeting of the committee is scheduled for Friday, February 23, 1990 at 9:00 a.m.

GUEST LIST

COMMITTEE: House Labor & Industry DATE: February 22, 1990

NAME	ADDRESS	COMPANY/ORGANIZATION
HARRY D. HELSER	Topeka Ks	KS AFL-CIO
WAYNE MAICHEL	" "	" "
JIM DE HOFF	" "	" "
TOM MARSHALL	KC KS	" "
James A Todd	Wichita	KSAFL
S. E. SIFERS	S.M. KS.	
Jim McHoff	Topeka	KS AFL-CIO
Smitty Belcher	LAW. KS.	HUXTABLE & ASSOC.
HERB MILLARD	Kansas City	Mechanical Contractors Assoc
Gary Ewell	Topeka Ks.	Ewe-Con Corp.
CHUCK STUART	Topeka	United School admin.
NORM WILKS	TOPEKA	KS Assoc of School Boards
Dennis Kissinger	Salina	City of Salina
Jim Kaup	Topeka	League of Municipalities
D.J. Peterson	Topeka, KS	KONR

USA
UNITED SCHOOL ADMINISTRATORS OF KANSAS

HB 2710

Testimony presented before the House Committee on Labor and Industry
by Charles L. "Chuck" Stuart, Legislative Liaison
United School Administrators of Kansas

February 22, 1990

Mister Chairman and members of the committee, I am Chuck Stuart representing United School Administrators of Kansas. Under current law a local board of education has the option of recognizing employee groups other than certificated personnel. Several districts in Kansas have chosen to do so. Of this group, most are the larger districts in the state. **HB 2710** would take away the flexibility provided under the law and mandate that all employee groups be recognized. We believe this proposed legislation is but an effort by a statewide organization to recruit new members. We see little educational advantage in the bill.

We believe that school boards and administrators can better serve the children of Kansas if time is allocated to educational issues rather than in bargaining with every small group of employees who might have one or two vocal members. We repeat that under current law districts may recognize and bargain with any employee group if in the judgement of the board such recognition is in the best interest of the education system.

We urge the committee to reject **HB 2710 .**

House Labor & Industry
Attachment #1
02-22-90

820 Quincy, Suite 200 Topeka, Kansas 66612 (913) 232-6566

KANSAS ASSOCIATION OF SCHOOL BOARDS

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

TESTIMONY ON HOUSE BILL NO. 2710
BEFORE THE HOUSE LABOR & INDUSTRY COMMITTEE

By

NORMAN D. WILKS, LABOR RELATIONS SPECIALIST
Kansas Association of School Boards

February 22, 1990

Mr. Chairman and members of the committee, the Kansas Association of School Boards, which represents 302 of 304 Unified School District Boards of Education, would like to express its opposition to H.B. 2710.

Boards of Education currently are willing to listen and discuss concerns expressed by noncertified staff. Many boards meet in an informal way with employees. A more formalized process of bargaining may increase the adversarial tenor of discussions. The current language of the Public Employer/Employee Relations Act allows Boards of Education to determine the method of communication that is most appropriate within their local districts.

Further, a more formalized process will increase the cost and the time commitment at a time Boards of Education are busy with the budgeting process for the ensuing year. Based on information from individual school districts reported to KASB, the average cost per district for negotiations under the Professional Negotiation Act last year was $1500. Time spent by administrators and board members to prepare and negotiate is not included.

House Labor & Industry
Attachment #2
02-22-90

A time when school districts are faced with belt-tightening of their budgets, possible tax lids or loss of funding is not the time to impose upon districts the additional costs of negotiation for noncertified employees. The decision is better left to the local Board of Education.

Smaller school districts in the state may not have the resources of time or funds to conduct additional negotiations. Negotiations under the Public Employer/Employee Relations Act occur at the same time as bargaining under the Professional Negotiations Act with teachers. Boards are also concerned with the budgeting process and completion of the current fiscal year. The additional time commitment may reduce time board members could allocate to the district's financial affairs and educational planning for the following school year.

For the reasons stated above, we remain opposed to H.B. 2710 and urge that you recommend it unfavorably for passage.

House Labor & Industry
Attachment #2 - 2
02-22-90

Johnson County
Kansas

February 22, 1990

HOUSE LABOR AND INDUSTRY COMMITTEE

HEARING ON HOUSE BILL 2710

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the committee, my name is Gerry Ray, representing the Johnson County Board of Commissioners and appearing in opposition to House Bill 2710.

Johnson County opposes this bill because a mandate requiring local units to come under the public employer employee relations act diminishes the ability of the Board of County Commissioners to manage the organization in a manner best suited to our area. Employee relations is an issue that we feel should remain the responsibility of those who have been elected to provide leadership for the county, without the intercession of another level of government.

Johnson County currently has an Employee Affairs Advisory Committee that has been designed to receive input from employees on various issues and to make recommendations through the Division of Administration for consideration and implementation. This committee has provided excellent suggestions for innovative approaches, many of which are now functioning.

Further, the Commission adopted comprehensive personnel policies many years ago including an extensive grievance process for aggrieved employees.

The Johnson County Commissioners urge the Committee to retain the present authority of the local officials to carry out the management responsibilities for which they were elected.

House Labor & Industry
Attachment #3
02-22-90

Office of County Administrator 100 E. Park, Suite 205 Olathe, Kansas 66061 (913) 782-5000 Ext 5251

City-County Building
300 West Ash Street
P.O. Box 736
Salina, KS 67402-0736

Written copy of testimony before House Committee on Labor and Industry, in Opposition to H.B. 2710.

Dennis M. Kissinger
City Manager, Salina
February 22, 1990

I am here to speak on behalf of the City of Salina in opposition to H.B. 2710, which would remove the local option provision of the PEER Act.

At your Committee hearing on February 8, I understand the City of Salina was criticized for not coming under the state PEER law. Since we were mentioned, I appreciate the opportunity to relate to you our experience and position on this matter.

Since the passage of the PEER Act in 1972, the elected City officials in Salina have been approached several times to come under the PEER Act. In 1974, the City Commission voted not to come under the Act, and, in 1975, declined to reconsider that action. Since that time, the issue has been brought up from time to time, but never gained the support of the City Commission. Presumably, Salina's elected officials have been of the opinion that such action was not necessary, nor in the public interest of Salina.

During 1989, representatives of the Kansas Association of Public Employees appeared before the City Commission asking for consideration of a Resolution to have the City of Salina come under the PEER Act. The City Commission on those two occasions listened to proponents' opinions. They instructed the City Manager to prepare a staff report on the PEER Act and to provide options which they could consider. That report was given to them in early December 1989, with copies provided to KAPE representatives, news media and other interested parties. KAPE officials also provided written comments to the City Commission at that time.

The City Commission decided to consider a PEER Act Resolution at their January 8, 1990 Commission meeting. This was intended to give even more time for consideration, public input from the community and for proponents and opponents to share their opinions with the Commission. KAPE officials and other proponents once again took the opportunity to urge passage of the Resolution. Those on all sides of the issue were fairly heard.

Salina ★★★★★ ALL-AMERICA CITY 1989

House Labor & Industry
Attachment #4
02-22-90

On January 8, 1990, the Salina City Commission unanimously voted against the Resolution to come under the PEER Act. At the same time, they reconfirmed their commitment to good employee relations and directed the staff to continue to work with employees at developing better and more effective means of addressing employer-employee issues and concerns. After careful consideration, it was the City Commission's decision that coming under the PEER Act was not in the public interest for Salina, Kansas at this time, and that the PEER Act procedures are not the only means of effective employee relations.

It is not my intent, nor my position to go into a detailed explanation or defense of the Salina City Commission's decision of January 8, 1990. As with any public policy decision reached by State legislators or by local governing bodies, there will be those who disagree. However, I am here to defend that local option process. We believe public employee relations are an important issue for any city, county, school district or other governing body to address. We also believe that those decisions should continue to be made in the local community by local elected officials. If those decisions are determined to be wrong by the local citizens, the local elected officials will have accountability at election time.

In Salina, proponents and opponents had substantial opportunity to provide their opinions to the local elected officials. The local elected officials in Salina used their best public policy judgment and voted against coming under the PEER Law at this time. What is best for Kansas City, Topeka or Hutchinson is not necessarily best for every community, city or county government or school district across the state. We strongly support retaining the local option in the local public employee relations area.

House Labor & Industry
Attachment #4 -2
02-22-90

KANSAS ASSOCIATION OF COUNTIES

"Service to County Government"

212 S.W. 7th Street
Topeka, Kansas 66603
(913) 233-2271
FAX (913) 233-4830

February 22, 1990

To: Representative Art Douville, Chairman
Members of the House Labor and Industry Committee

From: Anne Smith
Kansas Association of Counties

Re: HB 2710

The Kansas Association of Counties is opposed to HB 2710.

The purpose of the bill is to mandate all local governments to come within the provisions of the Kansas Public Employer-Employee Relations Act (PEER).

The Kansas Association of Counties believes that employee relations are better administered at the local level. Local officials should be able to establish their own employer-employee policies without the control of a state mandate. The majority of counties in Kansas have personnel procedures in place currently.

We urge the committee to consider the serious implications of this bill as it will only erode home rule authority of local government further.

House Labor & Industry
Attachment #5
02-22-90

CITY OF TOPEKA

Harry "Butch" Felker, Mayor
215 E. 7th Street Room 352
Topeka, Kansas 66603
Phone 913-295-3895
Fax Number 913-295-3850

February 7, 1990

Honorable Arthur Douville
Chairman, House Committee on Labor and Industry
State Capitol, Room 115-S
Topeka, KS 66612

RE: HB 2710

Dear Chairman Douville,

In consideration of House Bill 2710, the City of Topeka has been under the Public Employer-Employee Relations Act for several years and has found it to be very beneficial.

Having numerous employee bargaining groups, the City of Topeka has a need to meet and confer with these groups to arrived at terms and conditions of employment that are mutually acceptable. This has been an important tool providing benefits in other areas such as improved employee morale and better overall communication.

Our employees are a great resource and the employer-employee relationship is important to the city's overall ability to deliver the high quality services the public expects. The PEERA has had a positive effect on the city and our ability to meet the public's needs, particularly given changing times and the complexity of governmental responsibilities.

Sincerely,

Harry "Butch" Felker

Harry "Butch" Felker
Mayor

House Labor & Industry
Attachment #6
02-22-90

TESTIMONY OF

THOMAS H. MARSHALL, ASSOCIATE COUNSEL
BLAKE & UHLIG

ON BEHALF OF THE

KANSAS AFL-CIO

BEFORE THE

HOUSE LABOR AND INDUSTRY COMMITTEE

REGARDING HOUSE BILL NO. 2780

FEBRUARY 22, 1990

Testimony of
Thomas H. Marshall
February 22, 1990

I am appearing on behalf of the Kansas State AFL-CIO, which is composed of 6 Building and Construction Trades Councils and 206 affiliated local unions representing approximately 65,000 employees, including more than 18,000 members employed in the construction industry throughout the State of Kansas. I am appearing today on their behalf because they frequently perform work on construction projects pursuant to contracts entered into by various agencies of the State. These workers, and others, are the ones whose interests House Bill No. 2780 is intended to serve. No doubt this Committee will hear from contractors, building associations and others who will be speaking in opposition to this bill, but those voices will be raised primarily in connection with their concerns about the profitability of performing construction work for the State of Kansas and not about the fairness of requiring that the prevailing wage be paid by them to their employees.

The issue of prevailing wages on State construction projects is certainly not a new one. Until its repeal in 1987, Kansas law, K.S.A. 44-201, required that prevailing wages be paid on State projects and that statute had been on the books since 1891. Because the provisions of K.S.A. 44-201 were not as clear as they could have been, the State, its contractors and their employees

experienced considerable difficulty in interpreting and seeking enforcement of that statutory scheme. In part, because of those difficulties, and, in part, based upon extensive efforts of contractors and their associations, in 1987 the legislature decided to repeal K.S.A. 44-201.

In House Bill No. 2780, the legislature is again considering the wisdom and desirability of requiring that prevailing wages in localities where state construction projects are to be built be paid to the employees who work on those projects.

The object of state prevailing wage laws has been and is to prevent the State and its agencies from undercutting wage standards in the process of letting contracts for State-funded and assisted construction work. The law seeks to achieve this goal by requiring that contractors on public improvements pay the workers in each craft no less than the prevailing rates of wages for the area in which the work is to be performed. In the case of Davis-Bacon wages on the Federal level, and in many states, these prevailing rates of wages are made known to all contractors in advance of any bidding, and because there is a floor below which wages may not fall, contractors cannot compete with one another at the expense of their workers. Absent such legal requirements, contractors have every incentive to underbid each other by cutting workers' wages.

Testimony of
Thomas H. Marshall
February 22, 1990

Those who oppose prevailing wage laws typically raise several arguments. They frequently claim that being required to pay prevailing wages will artificially inflate the cost of construction projects for the state and thus will diminish the number of projects that can be undertaken; that workers who may have been paid less than the prevailing wage on private construction projects suffer from the inconsistency of higher wages paid when working on state projects thus triggering inefficiencies, waste and lower morale; that administrative costs for the contractor are increased; and that opportunities for minorities and women will be restricted by the generally higher pay received by workers on such projects.

These arguments in opposition to adoption of prevailing wage legislation suffer in several ways, not the least of which is the lack of empirical data to back them up.

Take for example the assertion that requiring the payment of prevailing wages drives the cost of government construction up and thereby artificially inflates the taxpayers' burden to pay for those higher costs. On the national level, regarding the Davis-Bacon Act itself, these arguments claim support when comparing the costs of private construction with those of the public sector. It is variously claimed that the costs of construction are inflated anywhere from 1.4% to over 26%. These figures are generally

derived from studies which have been done comparing commercial construction for private owners with public construction where the wage is set by law. Higher wages, increased administrative costs, and costs of compliance and enforcement are usually cited.

Studies which are critical of the Davis-Bacon Act, including the 1979 Report of the General Accounting Office, assume that higher wages attributable to the Davis-Bacon Act have no effect on worker productivity. The man-hours required to complete the work are usually assumed to be identical regardless of whether high or low wages are paid to the workers on the project. Examination of this assumption should be central to any analysis of the cost impact of the Davis-Bacon Act, yet it is ignored. This flaw in the anti-Davis-Bacon Act studies of the late 1970's and early 1980's was pointed out in an MIT study performed by the Department of Civil Engineering which found that employers give greater attention to the selection of their workers when required to pay higher wages than they might otherwise. In addition, this study found that such contractors often reward their most loyal and productive employees by assigning them to government projects as a kind of work incentive.

In any case, the assumption by the GAO and other studies critical of the Davis-Bacon Act, that labor productivity is

unrelated to wage levels, runs counter to established economic-production theory, and therefore, casts serious doubt on the validity of all such studies.

Even if the productivity differential is completely discounted, the reasoning of opponents of prevailing wage legislation is flawed. Their approach is one-dimensional and short range, since it completely ignores the costs, economic as well as social, that would be associated with a return to the conditions which existed prior to the enactment of such legislation, when the successful bidder was the one with the lowest bid -- regardless of how he cut his employees' wages to get there.

In order to scientifically examine the cost impact of prevailing wage laws, a first step should be to look at the <u>total costs</u> of projects built under these laws, rather than looking merely at wage rates. This would be only a first step, as there may be significant differences in the <u>quality</u> of construction which don't show up in project costs.

Only a few studies of this type have been done. <u>None</u> of these provide any evidence to support the charge that prevailing wage laws are inflationary. In its Study of Public School Construction Costs, prepared by the Center to Protect Workers' Rights, in the late 1970's, a comparison was made of public school construction

costs in states with and without prevailing wage laws. The study calculated the cost per classroom of new schools (adjusted for general interstate price differences), and then ranked the 48 contiguous states in order of average cost. If prevailing wage laws have a significant cost impact, then states with these laws would be expected to be found clustered at the top of the list, and states without these laws would be found near the bottom.

In fact, no such pattern was found. Rather, the relationship between prevailing wage laws and construction costs appears to be fairly random. Nine of the twenty states with the highest cost per classroom had wage laws which were only partially applicable or not applicable at all to school construction. Of the twenty states with the lowest per room average costs, half had prevailing wage laws that were fully applicable. Similar findings were noted in a study of Federal indian housing programs, Evaluation of the High Cost of Indian Housing, U.S. Dept. of Housing and Urban Development, Office of Program Planning and Evaluation.

In 1971, the federal Davis-Bacon Act was suspended for a 35-day period by executive order of President Nixon. According to the claims made by prevailing wage opponents, the impact of this suspension should have been a sharp reduction in the cost of federal construction. In reality, no such reduction occurred.

Data are available for 1,263 projects which were bid under prevailing wage requirements and then re-bid during the suspension. On average, the second bid was lower than the first by only six-tenths of one percent.

The available evidence indicates that prevailing wage protection does not lead to excess costs on government construction projects. On the contrary, paying the prevailing wage helps ensure that skilled and experienced construction workers will be hired, and thus promotes efficient, top quality work on all government jobs.

It is clear that there are certain costs attendant to the performance of government work which frequently are not associated with private construction. The social and policy purposes of the State, even within the context of its construction activities, cannot be compared with those of the private sector. The State should be and is much more concerned with insuring that policies in such areas as preventing discrimination against minorities and women are carried out by contractors performing work for the state. Each of these social policy concerns involves direct and indirect costs which the State routinely accepts as a cost of doing business. And well it should.

Those policy concerns are not well served when the state

requires that contracts be let to the lowest responsible bidder without protecting the workers who will actually perform the work from those who would increase the profitability of the job at the workers' expense. Competitive bidding on government construction is at best an art and certainly not a science. The art to that bidding process is simply to be lowest bidder, by the smallest possible amount, in order to secure the work and then maximize the profitability of the job. Those who urge that requiring the payment of prevailing wages inflates the labor costs of such construction by a large factor are disingenuous if they attempt to leave the impression that savings in labor costs will be passed through to the taxpayers. Contractors are not engaged in charitable activity. They intend to make a profit on the job and if they are permitted to pay their employees less to perform the work, the effect is more likely to be that they can pocket a larger percentage of the price of the project as profit. In fact, if it were true that all of those labor cost "savings" were directly passed along to State, then only those contractors who pay the absolute lowest wages would ever get the work. That has not been true historically and for good reason. A "savings" to the contractor is not necessarily a "savings" to the taxpayers. It simply gives the contractor an advantage over other responsible

bidders who may not be free to pay the lowest wage the market will bear to have the work performed.

By requiring that all contractors performing work for the state pay wages not lower than the floor established by the prevailing wages in the area, the state is simply establishing its policy that contractors performing work for the state will be awarded contracts based upon their skill and efficiency rather than by virtue of being able to exploit their employees through low wages. Such a wage floor simply establishes a "level playing field" for all of the bidders. They are then free to compete with one another in areas other than wages and succeed or fail on that basis. As we all know, the trick to competitive bidding is to barely underbid the competition, not to underbid them by a mile.

As for the problems of paying employees more to perform government work than they might have been receiving on private construction, it seems that motivating employees by paying higher wages will no doubt increase the number of skilled employees available to perform the work. It will also help to diminish such problems as rapid turnover and absenteeism, all of which adversely affect the performance of the work.

A study carried out several years ago by the Project Management Group at the Massachusetts Institute of Technology

identified a beneficial effect of the Federal Davis-Bacon Act, which had been the subject of much speculation but never examined on an empirical basis.

The study found that management actions alone contribute significantly to differentials in the productivity of construction labor. From interviews conducted by MIT researchers with non-union contractors, it was found that more attention was paid to employee selection, training and management, when these employers were required to pay prevailing wage rates higher than those which they normally pay. It was concluded that increased emphasis on management resulted in greater productivity.

Another concern is the quality of the construction work being done and the useful life of the structures built. It is not unreasonable to expect that skilled, reliable employees are more likely to perform their work efficiently and effectively. This is an important consideration, especially where the work being done is on public structures which will serve the citizens of the state for a long time to come. Efficient and effective performance of the work will mean fewer problems with the structures after they have been placed in service and should mean that the designed life of the structures will be achieved with fewer maintenance and upkeep expenses than one would expect from projects completed by

less skilled and more inefficient workers.

It is also argued by those who oppose prevailing wage legislation that such statutes have outlived their usefulness. It is asserted that such legislation may have been appropriate in the 1930's, but that times have changed and less scrupulous contractors seeking to make big profits on state work are simply creatures of the past. We respectfully submit that the history of our own state's prevailing wage law eviscerates this argument. Apparently the need for the legislation was perceived at least as early as 1891. It was still a significant concern in 1931 when the State law was amended and the Davis-Bacon Act was adopted on the federal level. To believe that we now live in a time when no contractor is likely to cut corners on the costs of doing state work is to believe that Kansas is truly the Land of Oz.

Competitive pressures on the construction industry are probably greater now than ever before. To listen to the contractors, one would surely think so. Given such an intensely competitive climate, it is not unreasonable to conclude that the same abuses of workers which existed in the past would continue through to the present were it not for legislation designed to mitigate the effects of the marketplace on workers. Workers' compensation, unemployment insurance and many other creations of

statute have been developed to protect workers where competitive forces in the market place had failed.

The adoption of legislation requiring that workers on state projects be paid prevailing wages is simply one more element in a statutory scheme which operates to prevent the exploitation of workers. Prevailing wage laws help to stabilize labor market conditions. Without enforcement of such laws, government contracting might be done slightly more cheaply in the short run, but only if government surrenders social responsibility to the already extreme competitive pressures of the marketplace. As mentioned earlier, lower wages do not mean lower costs to the government. Firms that pay low wages tend to be less productive per man-hour and are frequently marginal in the industry. Lower wages also mean less skilled and less productive workers. It is an economic fact of life that better skilled, highly productive workers go to employers who pay better wages, have better equipment and provide more stable jobs. Where management is effective, those companies are successful in bidding on government contracts without competing by cutting wages and working conditions for their employees.

In the long run, lack of prevailing wage legislation will result in a less-skilled work force available to perform state

work. What is needed is a skilled and stable work force that contractors can call upon. Prevailing wage legislation helps maintain wages and benefits sufficient to attract and keep good workers in the construction industry, joining apprenticeship or training programs and improving their skills.

It must always be remembered that the State is required to accept the lowest responsible bid and one way to insure that the successful bidder is in fact responsible is to be sure that the employees of the low bidder are not subjected to unreasonable wage cutting in order to get the contract work or to improve the profitability of the job. Private owners, not required by statute to accept the lowest bid, have the ability to insure their contractors will not bring unskilled, inefficient workers to the jobsite and those possibilities are often not available to the State. Therefore the State must include in its contracts and bid documents, provisions which deal with this problem directly, such as with specifications requiring the payment of prevailing wages.

Finally, it will be interesting for the committee members to note that since the repeal of K.S.A. 44-201, no studies have been done to establish that costs for State work have in fact decreased since repeal. Given that the opponents of prevailing wage legislation argue so vociferously about the inflationary effect of

such laws, one would expect to be able to see immediate and dramatic cost savings to have attended repeal. We respectfully submit that no such savings to the State can be shown. This is because decreasing the contractors' costs of performing State construction projects does not decrease the amounts paid by the State for such work. Rather, those contractor savings find their way into increased inefficiency or increased profits or both. Neither of those results enhances the State's position at all.

The State should reassert its policy that contractors performing work on State projects shall be required to pay their employees the prevailing wages in the area where the work is to be performed. Establishing such a floor under wages requires that contractors seeking to bid for State work compete fairly and on a level playing field thereby delivering more efficient work, and effective management. It requires that the contractors shoulder their fair share of the competitive burden and prevents them from simply passing that cost along to their employees who will actually construct the public buildings needed and required by the citizens of Kansas. We urge your support of House Bill No. 2780.

Thank you.