

Testimony Re: HB 2069
House Commerce, Labor and Economic Development Committee
Presented by Scott Ludwick
on behalf of
Associated Builders and Contractors, Inc.
February 14, 2013

Mr. Chairman, Members of the Committee:

My name is Scott Ludwick, and I am here speaking on behalf of the Associated Builders and Contractors – Heart of America Chapter (ABC). The Associated Builders and Contractors (ABC) is a national trade association representing more than 25,000 merit shop contractors, subcontractors, material suppliers and related firms across the United States. We support sound legislation in the areas of workers compensation, safety and unemployment compensation. We believe legislation that embraces “fair play” for both employer and employee is essential to the preservation of our Free Enterprise System.

The ABC supports HB 2069, which would preempt local units of government from imposing onerous restrictions upon businesses in the areas of wage and mandatory paid leave requirements.

In a competitive bid market such as the construction industry, wage and mandatory paid leave requirements imposed on our projects can adversely affect our ability to conduct business for several reasons.

Increased wages often result in increased construction costs to the owners, and in the case of tax funded projects, the taxpayer. In most markets the “prevailing wage” determination takes in to account the much higher pay scales provided by trade unions. In Kansas these scales are often times not in line with the reality of some markets.

In the construction industry we utilize production standards and market values to provide budgets to our customers. In some areas of the state the prevailing wage is such that no one could reasonably expect that a field laborer be able to produce at that level. For instance, in the case of drywall, the bid market dictates what unit is reasonable to charge to install each sheet of drywall. For example in Wichita, KS an average wage based on the “Kansas Department of Labors Wage Survey” for a drywall hanger is \$16.23/hr. For that drywall hanger to “make his wage” or meet production he must hang approximately 22.5 - 4’x8’ sheets of drywall in one 8 hour day on his own or 45 sheets as a team of 2. However, when that wage is increased to \$25.00 for example, he must then

hang approximately 34 sheets of drywall on his own or 68 sheets as a team, to make his wage. At the lower wage the production standard is reasonable and achievable, however when you increase the wage to \$25.00 the production standard becomes “unreasonable” by most accounts.

Another side of this is actually the employee his/herself. In most cases the prevailing wage or paid time off requirements are a significant increase to what the areas average wage or benefits standard actually is. In these cases you are putting employees on a job who are used to receiving their typical wage and standard of living for the same work and increasing their pay and standard of living without increasing their responsibilities or changing their roles. What can happen if that employee is on a prevailing wage job or a job with mandated paid time off over long period of time is that he/she will become accustomed to that scale or paid time off as their new standard of living. Once that job is complete and they are thrust back in to the market at their lower typical wage or benefits they can become unhappy returning to their previous standard of living and often leave a steady job in search of regaining that standard. Many become substandard employees who have a hard time justifying a hard day’s work for what they were used to prior to working on the prevailing wage job or even worse they have put themselves in a financial bind based on the prevailing wage standard and can no longer keep their financial commitments at their standard wage.

Finally, in Kansas a right to work state where Unions represent 10% or less of the construction workforce, labor unions are often able to gain competitive advantage on prevailing wage jobs. In markets with a heavy union presence and thus higher prevailing wages, it is possible for the Unions to gain competitive advantage on merit shop contractors through the fringe benefits credits they receive for their pensions, apprenticeship programs, etc. Many of the merit shops while providing excellent benefits, are not set up in such a manner to take advantage of these credits.

Thank you for your time, I would be happy to answer any questions.