

February 26, 2010

Plan to Seek Use of U.S. Contracts as a Wage Lever

By **STEVEN GREENHOUSE**

The Obama administration is planning to use the government's enormous buying power to prod private companies to improve wages and benefits for millions of workers, according to White House officials and several interest groups briefed on the plan.

By altering how it awards \$500 billion in contracts each year, the government would disqualify more companies with labor, environmental or other violations and give an edge to companies that offer better levels of pay, health coverage, pensions and other benefits, the officials said.

Because nearly one in four workers is employed by companies that have contracts with the federal government, administration officials see the plan as a way to shape social policy and lift more families into the middle class. It would affect contracts like those awarded to make Army uniforms, clean federal buildings and mow lawns at military bases.

Although the details are still being worked out, the outline of the plan is drawing fierce opposition from business groups and Republican lawmakers. They see it as a gift to organized labor and say it would drive up costs for the government in the face of a \$1.3 trillion budget deficit.

"I'm suspicious of what the end goals are," said Ben Brubeck, director of labor and federal procurement for Associated Builders and Contractors, which represents 25,000 construction-related companies. "It's pretty clear the agenda is to give big labor an advantage in federal contracts."

Critics also said the policy would put small businesses, many of which do not provide rich benefits, at a disadvantage. Furthermore, government officials would find it difficult to evaluate bidders using the new criteria and to determine whether one company's compensation package should give it an edge, said Alan L.

Chvotkin, executive vice president of the Professional Services Council, a coalition of 340 government contractors.

From his earliest days in office, [President Obama](#) has called for an overhaul of government procurement policy, citing the contracting scandals of the previous decade involving cost overruns and no-bid contracts.

“The president made it clear that he is committed to reforming government contracts to save taxpayers money while protecting workers and the environment,” a White House spokesman, Bill Burton, said. “The administration is currently gathering data and examining the best ways to do this.”

Two of Mr. Obama’s allies — [John Podesta](#), the Clinton administration chief of staff who headed the president’s transition team, and [Andy Stern](#), president of the [Service Employees International Union](#) — have repeatedly pressed the president to use procurement policy to push up wages and benefits.

In testimony last year to the [Office of Management and Budget](#), Mr. Podesta said that 400,000 workers employed under federal contracts — like cafeteria workers, security guards and landscaping workers at federal buildings — earn less than \$22,000 a year, the federal poverty line for a family of four, assuming just one paycheck in a household.

“We have a president who is talking about bringing more people into the middle class,” Mr. Stern said. “The government should expect contractors to obey the law, and at the same time contractors should not be building a poverty economy, but should be trying to build a high-road economy.”

The officials briefed on the plan said it was being developed by officials in the Office of Management and Budget, the White House Office of Legal Counsel, the [Treasury](#), Justice and Labor Departments and the vice president’s Middle Class Task Force.

Even as business groups press the administration for more details, they are denouncing the plan, tentatively named the High Road Procurement Policy.

The Daily Caller, a conservative Web site, reported Feb. 4 that the plan would “heavily favor government contractors that implement policies designed by organized labor.”

Randel K. Johnson, senior vice president for labor at the United States Chamber of Commerce, called the plan a “warmed-over version” of President [Bill Clinton](#)’s regulations that sought to bar federal agencies from awarding contracts to companies with a record of breaking labor, environmental or consumer laws. President [George W. Bush](#) vacated those regulations soon after taking office.

“We strongly opposed the Clinton blacklist regulations,” Mr. Johnson said, “and this appears worse than that.”

On Feb. 2, Senator [Susan Collins](#) of Maine and four other Republican senators sent a letter to [Peter R. Orszag](#), director of the White House budget office, saying, “We are concerned that the imposition of these requirements, during a time of significant economic turmoil in the private sector and tight federal budgets, could have serious, negative consequences, especially for our nation’s small businesses.”

One signer was [Tom Coburn](#), Republican of Oklahoma, who was one of the two main sponsors — the other was Senator [Barack Obama](#) — of a bill that sought to increase the transparency and accountability of federal contracting by requiring the government to create a data base of all federal contracts. President Bush signed it into law in 2007.

David Madland, director of the American Workers Project at the Center for American Progress, a liberal research group founded by Mr. Podesta, argues the new policy could lower government costs, instead of raising them.

Many low-wage employees of federal contractors receive [Medicaid](#) and food stamps, he said. Citing studies conducted by the [Department of Housing and Urban Development](#) and by academic researchers, he said that contractors that pay their employees well have greater productivity and reliability, while contractors with a record of labor law violations do shoddier construction work.

“This policy is good for workers, it’s good for taxpayers and it’s good for high-road businesses,” Mr. Madland said.

He said that one study done by the state of Maryland found that after the state began requiring bidders to pay a living wage, the number of bidders per contract rose by a third on average. Some higher-wage companies said

they began seeking government bids because the new policy leveled the playing field.

One federal official said the proposed policy would encourage procurement officers to favor companies with better compensation packages only if choosing them did not add substantially to contract costs. As an example, he said, if two companies each bid \$10 million for a contract, and one had considerably better wages and pensions than the other, that company would be favored.

Some supporters of the new procurement policy — and even some opponents — say Mr. Obama could impose it through executive order. They assert that the president has broad powers to issue procurement regulations, just as President John Kennedy did in requiring federal contractors to have companywide equal employment opportunity plans.

But some opponents argue that legislation would be needed because an executive order may collide with laws that require federal contractors to pay the prevailing regional wage for the type of work being done. The executive order, they fear, would call for higher wages.

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