



July 28, 2014

Mary Ziegler

Director of the Division of Regulations, Legislation, and Interpretation

Wage and Hour Division (Room S-3510)

U.S. Department of Labor

200 Constitution Avenue NW

Washington, DC 20210

Re: Department of Labor, RIN 1235-AA10

Ms. Ziegler:

The Coalition for Government Procurement appreciates the opportunity to provide comments on the Department of Labor's Notice of Proposed Rulemaking (NPRM) Establishing a Minimum Wage for Contractors.

The Coalition for Government Procurement ("the Coalition") is a non-profit association of firms selling commercial services and products to the Federal Government. Our members collectively account for approximately 70% of the sales generated through the GSA Multiple Award Schedules (MAS) program and about half of the commercial item solutions purchased annually by the Federal Government. Coalition members include small, medium and large business concerns. The Coalition is proud to have worked with Government officials over the past 35 years towards the mutual goal of common sense acquisition.

According to the NPRM, Executive Order (EO) 13658 is seeking to increase cost savings and efficiency in the work performed by contractors by establishing a contractor minimum wage. However, it is not clear how increasing wages under Federal contracts meets the Government's cost savings and efficiency objectives. The contractor minimum wage is more likely to increase costs for Federal agencies under covered contracts due to the impact on contractors.

Increased Costs

The estimated cost of implementing the contractor minimum wage through 2019 is \$501 million according to the EO 13658 cost benefit analysis. This cost to vendors will inevitably be paid by agencies and American taxpayers in the form of higher prices for the services offered under covered contracts. In the current fiscal environment, agencies are seeking to “do more with less” due to budget constraints. The contractor minimum wage actually increases contract costs for agencies at a time when agencies are looking to save and have consistently shown a preference for lower priced solutions.

Increased Risk

Compliance with the minimum wage requirement increases risk for contractors. According to the NPRM, prime contractors are also responsible for the compliance of subcontractors. Prime contractors must ensure that lower-tier subcontractors pay their employees not less than the established minimum wage and also comply with obligations related to wage deductions, frequency of pay and recordkeeping. These requirements not only increase costs for these contractors in terms of reporting and recordkeeping, but they also increase risk. As contractors’ risk increases as a result of the contractor minimum wage and other regulations, companies not only charge higher prices, they are less incentivized to participate in the government market. The consequence for agencies is that as contractors leave the Federal market, there is less competition for government contracts which is what drives down pricing in response to specific requirements.

Cumulative Impact on Federal Contractors

In recent years, the Federal government has had a number of initiatives to reduce regulatory burdens for the private sector. Executive Order 13563 -- *Improving Regulation and Regulatory Review* and the Chief Acquisition Officers Council’s *Open Dialogue* are two examples. Despite these efforts, contractors continue to see an increase in the regulatory requirements involved in doing business with the Federal government. Over time, the cumulative impact of requirements like the contractor minimum wage serves as a barrier to the Federal market, especially for small businesses.

The Coalition appreciates the opportunity to provide input on the Minimum Wage for Contractors NPRM. If there are any questions, please contact me at (202) 331-0975 or rwaldron@thecgp.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'RWaldron', with a long horizontal flourish extending to the right.

Roger Waldron

President