

NIXON ACTS TO CUT CONSTRUCTION PAY ON U.S. PROJECTS

He Suspends Requirement That Scales Must Match Prevailing Local Rates

UNIONS CRITICIZE MOVE

President Backs Extension of His Authority to Impose Wage-Price Controls

FEB 24 1971

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Special to The New York Times

WASHINGTON, Feb. 23—In an effort to curb inflation in the construction industry, President Nixon suspended today provisions of a law requiring that union scale wages be paid to workers on Federal and federally assisted construction projects.

The action was far less severe than the wage-price freeze that had been urged upon the President by the contractors and some of his advisers.

But Mr. Nixon kept his options open for stiffer action in the future by endorsing—through Secretary of the Treasury John B. Connally Jr.—a bill extending beyond the end of March his standby authority to impose wage and price controls.

Negligible Effect Seen

Meanwhile, in Bal Harbour, Fla., leaders of building trades unions said the President's action would have a negligible effect on inflation but might adversely affect the pay of non-union workers.

The President suspended provisions of the Davis-Bacon Act of 1931 requiring contractors on Federal or federally assisted projects to pay "prevailing" wage rates. What this has meant, in practice, is that workers on such projects have been guaranteed wages not less than the top union scale locally.

"Wage rates on Federal projects have been artificially set by the law rather than by customary market forces," Mr. Nixon said. "Frequently, they have been set to match the highest wages paid on private projects. This means that many of the most inflationary local wage settlements in the construction industry have automatically been sanctioned and spread through Government contracts."

'Emergency' Cited

The action applies to wage negotiations in some \$25-billion worth of federally assisted construction—a sizable portion of the \$90-billion industry.

It is clearly Mr. Nixon's hope that with the prop of Davis-Bacon removed, these negotiations will henceforth be more responsive to market pressures and will yield lower wage settlements. But neither the President nor his advisers were prepared today to make any specific predictions.

The authority for Mr. Nixon's action is contained in the Davis-Bacon Act itself, which allows the President to suspend

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its wage provisions in an "emergency" in the industry.

The "emergency," Mr. Nixon argued, consists of these factors:

¶Wage settlements in the construction industry have been twice as high as in manufacturing generally. In 1970, the average contract settlement in the building trades called for first-year increases of 18.3 per cent, compared with 8.1 per cent for manufacturing workers.

¶At the same time, unemployment in the construction industry has shot upward, reaching 11.1 per cent in January, or double the national average.

Asked how long the suspension would last, James D. Hodgson, the Secretary of Labor, replied: "It will continue as long as the emergency exists."

Meeting With Hodgson

Mr. Nixon made up his mind to suspend Davis-Bacon, rather than impose a wage-price freeze, at about noon yesterday after a meeting with Mr. Hodgson, who reported that the unions and management had failed to devise voluntary methods to cut costs despite a Presidential request to do so Jan. 18.

Mr. Hodgson, briefing newsmen on the President's statement at the White House this afternoon, said that union leaders were "most upset at the prospect of being singled out for selective wage-price controls," and that this had persuaded the President to take a softer approach.

Both labor and management professed disappointment with the President's decision, especially labor.

Edward J. Carlough, head of the International Association of Sheetmetal Workers, charged in Miami that Mr. Nixon had suspended "the Magna Carta" of labor and had freed contractors to negotiate "antilabor" settlements.

"There will be 3.5 million angry people when this news gets out," he said.

Lobbyists for the builders, meanwhile, argued that the President had not gone far enough.

A statement issued here by

Wage Increases

Special to The New York Times

WASHINGTON, Feb. 23—Following are figures from the Bureau of Labor Statistics on average hourly earnings, union and nonunion, in manufacturing and construction from 1965 to 1970 and on average union hourly wages in the nation's construction industry on Jan. 4, 1971:

AVERAGE WAGES, 1965-1970		
Year	Manufacturing	Construction
1965	\$2.61	\$3.70
1966	2.72	3.89
1967	2.83	4.11
1968	3.01	4.41
1969	3.19	4.78
1970	3.36	5.22

AVERAGE WAGES, 1971

	Changes between Jan. 2, 1970, and Jan. 4, 1971	
	per cent	cents
All trades	66.3	66.3
Bricklayers	86.1	86.1
Building laborers	54.5	54.5
Carpenters	65.8	65.8
Electricians	79.3	79.3
Painters	54.4	54.4
Plasterers	64.4	64.4
Plumbers	81.8	81.8

William E. Dunn, executive director of the Associated General Contractors of America, called the action indecisive and said it would "not help in any way to stop the demand for huge wage increases with 1,368 construction agreements set to expire this year."

Mr. Nixon may still impose a wage-price freeze, which management groups want, under authority contained in a bill passed by Congress last year.

The bill gives him stand-by authority to order either selective freezes or, if he thinks it necessary, nationwide mandatory controls over all prices, rents, wages and salaries at levels not less than those prevailing on May 25, 1970.

The Administration opposed the measure last year but reversed itself at hearings before the House Banking and Currency Committee this morning.

Mr. Connally said that the White House now supported an

<p>extension of the act, which expires March 31, but quickly added that the Administration continued to oppose general wage-price controls and that Mr. Nixon would not invoke them "short of an all-out national emergency."</p> <p>Officials provided several illustrations to buttress their hopes that the President's action might at least slow the rapid rise in construction wage settlements.</p> <p>Under Davis-Bacon, they said, it was the Labor Department's</p>	<p>responsibility to make a "determination" on wages to be paid by contractors on all federally assisted projects.</p> <p>As a rule, the department took the top union settlement on a private project in any given city and told the contractor for the Federal project to match it. In effect, therefore, the local wage ceiling on private contracts became the "floor" for wages on Federal contracts.</p> <p>With the wage provisions of Davis-Bacon now suspended,</p>	<p>these officials said, unions and management will bargain collectively for wage agreements on federally assisted projects without being required to meet the "prevailing" wage pattern.</p> <p>Although a contractor might already have agreed to a wage level of, say, \$6.50 an hour for a private project on one side of town, another contractor might be able to negotiate a lower settlement, especially if there was a plentiful supply of labor and intense competition for available jobs, they said.</p>
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