

PRESIDENT ORDERS WAGE-PRICE CURBS IN CONSTRUCTION

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'Constraints' Aim at Holding
Annual Pay Rises to 6%—
Davis-Bacon Reinstated

By **ROBERT B. SEMPLE Jr.**
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SAN CLEMENTE, Calif.,
March 29 — President Nixon ordered into effect today what he described as a largely self-regulating system of "constraints" designed to halt the spiral of wages and prices in the construction industry.

Mr. Nixon signed an Executive order at the Western White House for the wage-price plan, which was outlined in general terms last Friday by Secretary of Labor James D. Hodgson.

The President also reinstated the Davis-Bacon Act, which requires contractors in Federally funded projects to pay union scale wages. He suspended these provisions Feb. 23 in a move deplored by the unions. Mr. Hodgson said the suspension had begun to exert downward pressures on wages.

Object of Move

According to Mr. Hodgson, the object of the Executive order is to keep negotiated wage increases in the construction industry to an annual level of about 6 per cent. Wage increases in the industry for 3 million union members averaged between 15 and 18 per cent in 1970.

The action represents a considerable switch from Mr. Nixon's previous hands-off approach to wage negotiations. For while the judgment as to whether specific unions had exceeded the 6 per cent formula would rest with committees made up largely of union and industry representatives, the Government would be able to exercise some measure of control through sanctions and penalties.

The Executive order establishes a mechanism to monitor construction prices as well as to determine "acceptable" salaries, bonuses, stock options and other forms of compensation to salaried industry employees.

In an accompanying statement, Mr. Nixon said he had won support for the plan from contractors and labor leaders, who "indicated their willingness to cooperate with the Government in fair measures to achieve greater wage and price stability."

The order would seek to moderate wage and price demands through 16 to 18 "craft

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dispute boards." These boards would review all collective bargaining agreements in the construction industry after today, as well as wage agreements negotiated earlier but scheduled to take effect after today.

Each board would decide whether a wage settlement met criteria set forth in Section 6 of the order, which defines an acceptable settlement as one "not in excess of the average of median increases in wages and benefits over the life of the contract in major construction settlements in the period 1961 to 1968." These increases averaged about 6 per cent, Mr. Hodgson said.

The criteria would make certain allowances for trends in the cost of living, improvement in productivity and other factors.

If it found what it believed to be an unacceptable wage settlement, the craft dispute board would notify another new group to be known as the Construction Industry Stabilization Committee, which will be composed of 12 members appointed by the Secretary of Labor—four from labor, four from management and four from the public. The committee would have 15 days to decide whether the wage settlement violated the criteria.

3 Sanctions Provided

Mr. Hodgson said the Government would have recourse to three sanctions against offenders.

The mildest would be to give national publicity to the fact that the criteria had been violated.

Second, the Secretary of Labor would be authorized to inform other Government agencies of the identity of the offender. The agencies in turn would be required to take a new look at Government construction contracts in the area and possibly suspend them.

Third, the Secretary of Labor would be authorized to suspend once again the Davis-Bacon Act. This would presumably be a "selective" suspension of the union found to be in violation of the order.

Mr. Hodgson gave a hypothetical illustration of a labor market where the union wage was \$5.50 an hour. On Government projects, the workers would continue to be paid this amount though their unions might have negotiated—in violation of the criteria—a considerably higher settlement.

A Key Clause

In the language of the Executive order:

"In implementing the provisions of the Davis-Bacon act... the Secretary of Labor and all states shall not take into consideration any wage or salary increase in excess of that found to be acceptable in making de-

termination of that act and related statutes."

Mr. Nixon issued the Executive order under the Economic Stabilization Act of 1970, which gives the President standby authority to invoke either general or selective wage and price controls. The act was extended for 60 more days today by the House of Representatives. The Administration opposed the act when it was first debated in Congress but did not oppose its most recent extension.

The order indicated more clearly how the Government intended to deal with wages than it did prices, salaries, bonuses and stock options. Section 8 merely established an interagency committee on construction to develop "criteria for the determination of acceptable" price levels and salaries. The committee will be chosen by the Secretary of Housing and Urban Development, George Romney, and will include Government officers only.

Even less clear were the weapons the Government would use against construction companies that violated the criteria. Presumably, Government agencies could refuse to award contracts to companies found to be in violation.

Administration officials unanimously regarded today's action as a major victory for the President. They asserted that it vindicated his decision to suspend the provisions of Davis-Bacon in February, which persuaded labor and management to agree to a partly voluntary control mechanism.

Mr. Hodgson said that the Administration would consider other means to curb wages and prices if this mechanism failed.

"If one method fails, others will be tried," he said. "But we are very hopeful this program will succeed. The industry, the nation and the institution of collective bargaining will be well-served as it does."