

Dear Colleague, Government Contracts

From: The Honorable Rosa L. DeLauro
Sent By: leticia.mederos@mail.house.gov
Date: 11/2/2009

SUPPORT COMMON SENSE FEDERAL PROCUREMENT REFORMS

Dear Colleague,

We are writing to urge you to co-sign a letter to President Obama requesting that his Administration establish procurement reforms that encourage the use of responsible contractors. Such reforms would ensure that taxpayer dollars go to high-road employers that obey the law and respect workers' rights and help expand the middle class. At the same time, such reforms should protect public sector work and reduce the incentive to inappropriately contract out.

Federal contracting has ballooned since the beginning of the Bush Administration: goods and services contracting totaled over \$500 billion in 2008, more than double the level in 2000 and equal to over three percent of the total U.S. economy. The largest growth in federal contract work has been in the service sector, where jobs often pay low wages and provide few benefits. The Economic Policy Institute (EPI) has conservatively estimated that there were 2 million federal contract workers in 2006, representing 43% of all civilian employees who do work for the government either directly or under contract. Nearly 20% of these contract workers earn less than the poverty threshold wage of \$9.91 per hour, and fully 40% earn less than a livable wage. A substantial portion of this group lacks affordable health insurance.

In addition to their failure to pay their workers livable wages or provide affordable healthcare benefits – which creates additional costs for taxpayers, such as for Medicaid benefits -- many federal contractors are socially irresponsible employers that have histories of lawbreaking, such as tax evasion, fraud, and labor law violations. The result is that taxpayers support lawbreaking companies that deny millions of Americans a chance to enter into the middle class and put high-road companies at a competitive disadvantage. As such, Federal contracting reforms should ensure that the government:

- Gives a quantitative credit to businesses with high labor standards such as providing a livable wage to their employees, health insurance, an employer-funded retirement plan, and paid leave.
- Does not reward firms with significant or repeat legal violations.
- Makes contractors' legal compliance records available to the public.
- Does not contract out work that federal employees should perform and restores work that has been inappropriately contracted out.

These policy reforms to the federal procurement process will promote a strong middle class that expands good jobs and protects taxpayers from waste and abuse. We urge your support of this effort. Deadline to sign on is COB, TODAY. If you would like more information, please call Letty Mederos at ext. 5-3661 or Jillian Schlotter at ext 5-7084.

Sincerely,

s/

Rosa L. DeLauro

October XX, 2009

President Obama:

As our nation recovers from the most severe economic crisis since the Great Depression, we have an historic opportunity, and responsibility, to ensure that those at the bottom of the economic ladder benefit while still prioritizing quality government contracting and protecting taxpayers from waste and fraud. As leaders among legislators with responsibility for federal acquisition, we support your initiative to curb waste, fraud and abuse among the contractor community and applaud the guidance issued by the OMB this week to increase competition in contracting.

We urge you to seize this momentum of procurement reform to address another pressing problem: the poor pay and conditions which are the norm for too many federal contract employees, and the inadequate tools available to assess whether contractors are ethical and responsible. The Economic Policy Institute (EPI) has conservatively estimated that there were 2 million federal contract workers in 2006; nearly 20 percent of these contract workers earn less than the poverty threshold wage of \$9.91 per hour, and fully 40 percent earn less than a livable wage. A substantial portion of this group lacks affordable health insurance.

Not only are such conditions bad for workers, but they are also bad for taxpayers. Taxpayers pay for the hidden costs of poverty wages through Medicaid and other programs and when workers are poorly treated taxpayers often receive low quality work. In addition, high road contractors—those who are willing to provide decent pay and benefits—are often discouraged from competing for government contracts if they must engage in a “race to the bottom” in order to win the bidding process. As a result, too often, the results are contract awards of “least value” to the taxpayer and government customer, instead of the intended “best value”.

Increased competition among contractors and greater incentives for contractors that play by the rules, provide quality services and create good middle class jobs should be the bedrock for reform. Many state and local governments have already taken steps to establish responsible contracting standards, ensuring that taxpayer dollars do not go to lawbreaking companies or those that create low quality jobs. Additional contracting reforms should ensure that federal agencies know the full legal record of proposed contractors including violations of workplace, tax or other laws and that in selecting

contractors, significant weight should be given to companies that provide workers with a paycheck that supports a family, affordable healthcare coverage, paid sick leave, and retirement security.

Your swift action to further transform federal contracting would have a direct impact on the economic recovery of our communities and provide a much needed watchdog to oversee a vital sector of our economy. Together, we must continue to find new ways to promote a strong middle class agenda that expands good jobs and protects taxpayers from waste and abuse.

Sincerely,