

Lands Act, American Samoa, Guam, Wake Island, but shall not include any other territory under the jurisdiction of the United States or any United States base or possession within a foreign country.

SEC. 9. This Act shall apply to all contracts entered into pursuant to negotiations concluded or invitations for bids issued on or after ninety days from the ~~ment of Labor, to come before us today, to explain to us what this~~ bill does, and what the differences are between this bill and the bill on which the committee held hearings and reported favorably last year.

Mr. Donahue, we are happy to have you with us.

STATEMENT OF CHARLES DONAHUE, SOLICITOR OF LABOR; ACCOMPANIED BY CAROL COX AND SETH ZINMAN, MEMBERS OF THE STAFF OF THE OFFICE OF THE SOLICITOR, DEPARTMENT OF LABOR

Mr. DONAHUE. Thank you, Mr. Chairman. I am certainly going to try my best to carry out the purposes for which I am here.

The full effect of these programs will ^{be felt only after much time has passed} 2782. In the shorter run, it is essential that the Federal Government at least seek to remedy the plight of the exploited workers who perform work financed with Federal funds.

Although Federal policies should be directed toward improving wage standards, the sad fact is, that insofar as Federal service contract employees are concerned, our contracts tend to depress wages even further. As you know, contracting agencies must, in the absence of statutory authority, award contracts to the lowest bidder who can satisfactorily complete the work. Since labor costs are the predominant factor in most service contracts, the odds on making a successful low bid for a contract are heavily stacked in favor of the contractor paying the lowest wage. Contractors who wish to maintain an enlightened wage policy may find it difficult—if not impossible—to compete for Government service contracts with those who pay wages to their employees at or below the subsistence level.

There is the possibility also that under the pressure of bid competition an ordinarily fair contractor may reduce the wages of employees in order to improve the chances that his bid will be accepted. This action, of course, would further depress wage rates. When, as at present, a low bid award policy on service contracts is coupled with a policy of no labor standards protection, the trend may ^{be to depress wage rates to spiral downward}