

LOS ANGELES COUNTY
ECONOMY AND EFFICIENCY COMMISSION

ROOM 163, HALL OF ADMINISTRATION / 500 WEST TEMPLE / LOS ANGELES, CALIFORNIA 90012 / 974-1491

April 5, 1978

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STATEMENT ON PROPOSED COUNTY CHARTER AMENDMENT "A"
DELETION OF THE PREVAILING WAGE CLAUSE

SUMMARY

The Economy and Efficiency Commission recommends a YES June 6 on County Charter Amendment "A." This amendment will end requirement that the County pay salaries or wages at least equal those prevailing in the private sector.

The "prevailing wage clause" may have made sense ten years ago when County management alone decided on levels of pay for County employees. Now, however, 90% of County employees are represented by unions - and their pay levels are determined at the collective bargaining table. With employee interests thus effectively represented, we are convinced that a mandatory wage "floor" is no longer necessary to assure fair compensation for civil servants.

Passage of Charter Amendment "A" will have another salutary effect - it will free the County from the continual threat of litigation. At present if any employee or union believes that the County has set pay rates below the prevailing wages in the private sector (even though these rates are negotiable under collective bargaining) the concerned party can take the case

to the courts. We believe that decisions reached through a responsible collective bargaining process and subsequently ratified by both unions and management should be accepted as binding for the duration of the contract. We believe in an equitable collective bargaining system. The outmoded prevailing wage clause makes the County system restrictive and inequitable. We urge its elimination through a YES vote on County Charter Amendment "A."

ANALYSIS

1. The prevailing wage clause is a floor, not a ceiling.

The prevailing wage clause forces the County to negotiate from a floor based upon the prevailing wage data provided in its surveys of prevailing rates in private firms. If the survey data indicates that employees of private companies received raises averaging a certain percentage, say 7%, it is difficult for the County to argue that its employees should receive a lower average.

The fact is the survey data is a floor, not a ceiling. Evidence indicates that the County pays more than the prevailing rate for many County positions. In 1977 the Contract Auditor of the Grand Jury surveyed the salaries of the 31 benchmark positions which the County uses with other wage data to determine prevailing rates. The average monthly salary of the 6,700 County employees in these positions exceeded salaries paid to comparable employees in private industry by 16.1%, or \$10.6 million. How much more the County may be paying above the prevailing rates for the 69,000 other positions in the County is open to conjecture. It is clear, however, that the legal requirement that the County pay at least wages prevailing in the private sector, with no restriction on its paying more, has resulted in many cases in which the County pays above the prevailing rate.

Moreover, the courts have held that financial capability of the government has no bearing upon whether it has satisfied the prevailing wage requirement. In the landmark case on this issue, Walker v. County of Los Angeles (1961), the Supreme Court concluded: "The Board of Supervisors may consider the tax burden only in providing wages and salaries in excess of the minimum wages and salaries mandatory under Section 47."

2. The prevailing wage clause places the County under continual threat of litigation.

In the absence of a negotiated settlement, if a union or any employee concludes that the County has set pay rates which do not satisfy prevailing wage rates, the concerned party can take the case to the courts. This places an additional cost burden on the County and the taxpayer. This has occurred with trial attorneys in the offices of the District Attorney and the Public Defender, as well as with certain classes of physicians and psychiatrists. Our position is that if the County is to have responsible collective bargaining - which means balanced and equitable negotiations between management and unions to arrive at appropriate pay rates - then it should have collective bargaining without third party interference from the courts.

3. There is no evidence that deletion of the prevailing wage clause will cause labor turmoil and strikes.

Los Angeles County, Los Angeles City, and other charter counties and cities in the State have similar mandatory prevailing wage clauses. However, the State of California, the City of San Diego and 47 general law counties have never operated under a mandatory prevailing wage requirement. There is no evidence that these jurisdictions have suffered more labor turmoil and strikes than those with the mandatory requirement.

The voters in the County of San Diego revised their charter in 1976 to eliminate the mandatory clause. Since that time, no strike or work action has occurred. In contrast, the City of San Francisco has suffered more labor turmoil than any agency in California - in particular, a massive municipal employees strike in 1974 and a police and firefighters strike in 1975. At the time of these strikes, San Francisco had the most extensive prevailing wage mandates of any jurisdiction in California.

We conclude that deletion of the prevailing wage clause will not cause labor turmoil and strikes.

4. The prevailing wage clause is an obstacle to effective management-labor agreements.

The County, like all employers, must compete in the current labor market. Consequently, to attract competent, motivated employees, County management and labor must agree on wages, fringe benefits, and working conditions which are comparable to those offered by other employers bidding for the same workers in this region.

At present, the prevailing wage clause is an obstacle to effective management-labor agreements. It prevents management from bargaining freely on wages and fringe benefits, but gives unions complete flexibility to bargain above the prevailing wage floor. Neither party may consider the taxpayers' ability to pay.

To bargain with proper concern for the interests of the taxpayer, the County should have the flexibility to explore the most effective balance among wages, fringe benefits, working conditions, and costs. The outmoded prevailing wage clause reduces this flexibility significantly. Deletion of the prevailing wage clause will help County management and labor reach agreements which are fair, competitive, and within the taxpayers' ability to pay.

For these reasons we urge a YES vote on County Charter Amendment "A."

WARREN H. SCHMIDT
Chairperson