

The background consists of a dark blue field with several overlapping geometric shapes. On the left, there is a vertical rectangle in a medium blue shade. On the right, there is a large circle in a slightly darker blue shade. These shapes overlap each other and the background.

# Prevailing Wage Determinations

# History of Oregon's Prevailing Wage

- Governor Mark Hatfield sign Oregon's Prevailing Wage Law in 1959 establishing rates for skilled labor on public projects.
- In 1994 Oregon voters reject an attempt to repeal the prevailing wage. The question "REPEALS PREVAILING WAGE RATE REQUIREMENT FOR WORKERS ON PUBLIC WORKS" **failed in every county in the state.**
- In 1995 lawmakers amended the purpose of the law to state,
  - To ensure that contractors compete on the ability to perform work competently and efficiently while maintaining community established compensation standards;
  - To recognize that local participation in publicly financed construction and family wage income and benefits are essential to the protection of community standards;
  - To encourage training and education of workers to industry skills standards; and
  - To encourage employers to use funds allocated for employee fringe benefits for the actual purchase of those benefits. (ORS 279C.805)

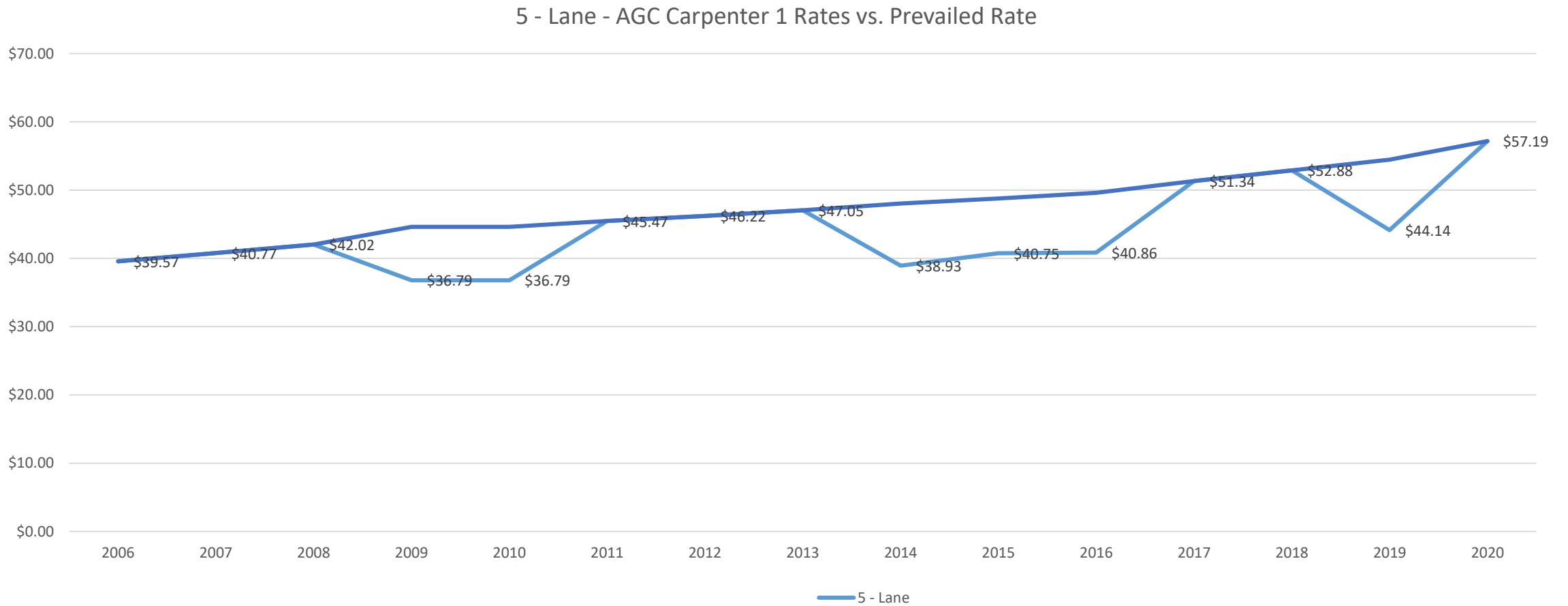
# Survey Requirements

- In 1997, ORS 279C.815 is amended to require that BOLI rely on the annual wage survey in determining prevailing wage rates. It allows the commissioner to consider additional information if it appears that the data derived from the wage survey alone is insufficient to establish the prevailing wage rates.
- Prior to 1997 BOLI relied heavily on industry negotiated rates to determine the prevailing wage, or minimum standard for skilled labor in construction crafts.
- Washington recently returned to utilizing the industry negotiated rates in order to gain efficiency while continuing to maintain strong, skilled construction workforce.

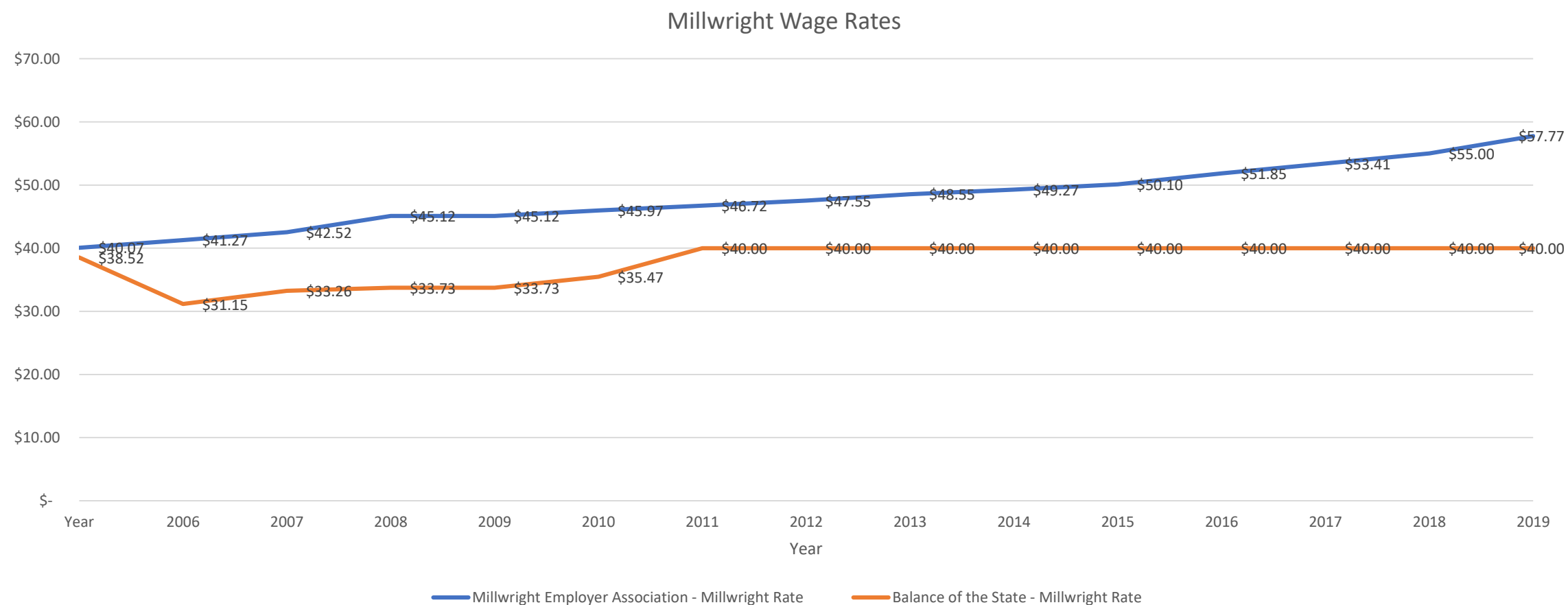
# Reforms are needed

- The survey often fails to capture sufficient information to determine an appropriate minimum wage for skilled trades in Oregon.
- Rate fluctuations create disruptions and confusion between contractors, workers and our public sector partners.
- States have relied on private sector negotiated agreements between labor and management to set an appropriate rate in their areas.
- A study by the Washington State Department of Transportation found that savings could be found by shifting to a traditional rate set by industry negotiated agreements (CBAs),
  - “Savings are in more efficient determination of prevailing wage; eliminate large jumps for those wages where the prevailing wage is not the same as the rate established by collective bargaining agreements.”

# Examples of Rate Fluctuations



# Examples of stagnation or deflation of wages in skilled crafts



# How do labor rates impact cost

- Labor subject makes up between 20-25% of total project costs.
- Most peer-reviewed studies have shown that simply factoring in wage disparities are insufficient methods to determine the impact on project costs.
- Studies show that costs can shift from wages to materials, services and re-work when using low wage, less skilled labor.

# How does the survey affect contractors?

- The prevailing wage survey process is cumbersome
  - **Oregon's 14 individual regions require no less than 10 different reports for each area** – 36-40 hours to produce annual surveys
  - Creates a greater burden on smaller contractors who do not have software to compile data
- There is no real accountability on data submitted
  - **Data points can be very limited in some regions and can be manipulated**
  - The negotiated rates are more accurate for the industry
- Wage regions do not reflect the modern mobile construction worker



# Statewide uniformity of conditions

- A patchwork of localized employment statues harm workers and contractors
  - With skilled crafts workers in short supply, workers move towards the best wage packages – **regions with significant disparities in prevailing wages will leave only less skilled workers available in rural communities**
- Benefits should be paid as benefits-not as additional wages
  - Currently, monies up to the prevailing wage package total not paid as benefits are added to workers checks - **putting contractors who provide benefit packages to workers at a disadvantage**
  - Including health care and retirement benefits in the prevailing wage rate saves taxpayers money short and long term

# What are we proposing?

- Like House Bill 2409 that was proposed in 2019, the legislation we are seeking would:
  - Continue to support strong standards for local contractors and workers in public construction.
  - Simplify the rate setting process by having the BOLI Commissioner use industry bargained rates to set our area wages on public construction.
  - Where there are two competing agreements, we would propose the higher of the two is utilized to minimize disruption of business and increase competition.
  - If there is a craft uncovered by an industry agreement, the Commissioner could survey to establish the area rate.

# Benefits & Impacts of a Robust PWR Policy

- **Jobsite productivity** is up to 33% higher in states with prevailing wage laws.<sup>1</sup>
- **Reinforces safety:** States with little Davis-Bacon Acts have 15% fewer injuries on construction sites.
- **Supports economic mobility:** reduces poverty rates for construction workers up to 30%, increases worker earnings by 16-17%/year and increases chance of workers having health coverage.
- **Strengthens training/Skills advancement:** PWR laws shown to increase apprenticeship enrollment 6-8%.<sup>2</sup>
  - Estimated 300,000 unfilled U.S. construction jobs; Projected need for additional 747,000 workers by 2026 (U.S. Bureau of Labor Statistics).
- **Increases tax revenue:** Workers in PWR states contribute avg. of \$3,289/year in federal taxes after credits & deductions.<sup>3</sup>
  - Those in states without sufficient PWR laws- \$1,964 on avg.

<sup>1</sup> Duncan, Kevin; Philips, Peter . "Building America with Prevailing Wage". [https://illinoisepi.org/site/wp-content/themes/hollow/docs/prevailing-wage/building-america-davis-bacon\\_final.pdf](https://illinoisepi.org/site/wp-content/themes/hollow/docs/prevailing-wage/building-america-davis-bacon_final.pdf)

<sup>2</sup> Bilginsoy, Cihan. (2005). "Wage Regulation and Training: The Impact of State Prevailing Wage Laws on Apprenticeship," in Hamid Azari-Rad, Peter Philips and Mark J. Prus (eds.) The Economics of Prevailing Wage Laws, Aldershot, UK: Ashgate, pp.149-168.

<sup>3</sup> Manzo, Frank; Lantsberg, Alex; Duncan, Kevin. "The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry".

## Summary/Wrap-Up

- **Helps decrease reliance on public assistance and reduce inequality.**
- **The stated purpose of the OR prevailing wage law** is to protect local construction standards in the competitive public bidding process and promote a “best value” skilled workforce on public projects.
- **The current agency survey process** is both cumbersome and does not comprehensively reflect local industry standards with sufficient continuity.
  - Ex: The preselected 4 weeks surveyed for construction activity omits numerous employers inactive during those periods.
  - May not accurately capture key construction “seasons” of work.
  - Limited mechanism to ensure responses and data not inconsistent/incomplete data returned
  - *2018 Survey: 19.4% of the 6,072 surveyed* were either inactive during the 4 weeks or did not respond at all.
- **Modernizing this process is crucial to meeting the intention of the PWR statute**, by utilizing long-standing industry negotiated rates that account for continuous long-term economic conditions of the industry and costs related to training, safety, health insurance and retirement.

## Summary/Wrap-Up (Cont'd)

- **9 other states now apply this process** in place of a survey.
- **Will help enable BOLI to shift more capacity to enforcement** and providing technical support for employers.
- **Prevailing Wage strengthens** regional economic development through protecting livable wage rates and maintaining local contractor standards.
  - Boosts workforce productivity.
  - Aids taxpayer return on investment by encouraging highly-trained workforces & efficient project outcomes.
  - Helps to sustain construction *careers* vs. seasonal work.
  - Fosters stronger jobsite safety, training and benefits standards.
  - Helps retain more tax dollars, spending and income in local communities.
- *Securing these continued benefits of Oregon's prevailing wage law is vital for stability & growth of the region's construction industry, going forward.*