



February 9, 2021

To: Chair, Senator Chuck Riley  
Vice-Chair, Senator Bill Hansell  
Senator Kayse Jama  
Senator Bill Kenemer  
Senator Kate Lieber

Chair Riley, Vice Chair Hansell, and Members of the Committee

As a Carpenter with more than 20 years' experience in the industry, I have personally benefited from strong prevailing wage policies. My very first call was to a prevailing wage job, the Seattle Seahawks football stadium where I worked as a general carpenter apprentice. This was a life-changing experience that helped launch a career in construction, ultimately landing me in the position as the principal elected officer to 29,000 members of the Pacific Northwest Regional Council of Carpenters.

Prevailing wage laws ensure that a minimum wage for skilled construction is set on public projects. What this means is that an Oregon contractor paying \$41.75 wages and \$18.30 in benefits to a Carpenter working under the AGC agreement in Oregon should not be undercut by a low bid from contractors from a state like Idaho where the going rate for a Carpenter could be as low as an \$18.97<sup>1</sup> with limited to no benefits.

Oregon's prevailing wage law, according to a recent study by the Labor Education and Research Center at the University of Oregon, is a significant benefit to the state. "Oregon's prevailing wage law creates 5,400 jobs, improves the state economy by \$752 million, and generates \$35 million in state and local tax revenues every year."

My testimony today is in support of Senate Bill 493, a proposal to streamline Oregon's prevailing wage rate setting and encourage more competition from Oregon contractors on public projects. Currently BOLI utilizes a survey completed by the Oregon Employment Department to determine whether collectively bargained rates apply, or a statewide average of surveyed rates prevail in 14 regions throughout the state. Oftentimes the Commissioner must rely on supplemental information because the Employment Department's sampling of construction workforce data is insufficient.

### **Oregon's Unstable Wage Rates**

The Employment Department's survey leads to drastically different outcomes that do not always reflect the reality of our construction economy. While the survey captures a sampling of work from 4 pre-selected weeks during a given year, it often misses out on hours of work by some crafts requiring the Commissioner to accept supplemental information at a great cost to contractors and the agency by way of extra staff time. The results can have large implications on the bidding environment from year to year.

In 2019, even though our trust reported over 900,000 more hours worked than the previous year, the AGC/Carpenter rate only prevailed in 3 out of 14 regions, compared to 8 the year before. The result was an OED statewide average rate

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<sup>1</sup> BLS, May 2019 State Occupational Employment and Wage Estimates  
Idaho, [https://www.bls.gov/oes/current/oes\\_id.htm#47-0000](https://www.bls.gov/oes/current/oes_id.htm#47-0000)

for 11 out of 14 regions. In regions 1 (Clatsop, Columbia, and Tillamook), 3 (Marion, Polk and Yamhill) and 5 (Lane) the rate was a lower rate than what prevailed in 2011, not adjusted for inflation.<sup>2</sup> Outliers such as these can create major challenges in the bidding environment, limiting opportunities for local contractors and workers.

Members of Carpenters Local 271, which has jurisdiction of most non-Portland Metro counties put it this way when describing how this impacts local workers,

“Contractors bid on projects throughout the state. The difference in wage rates from one region to the next creates extra paperwork and a greater risk of non-compliance. Many contractors have had to hire outside consultants just to navigate the complicated process of paying the correct wages. Also, construction workers can move from one region to the next and earn more money. For example, carpenters and other tradespeople living in Douglas County can travel a few miles north to Lane County and earn more than \$10.00 per hour more than if they worked closer to home. This makes it difficult for contractors to recruit and retain their workforce. In some areas, laborers are earning more than carpenters, which makes it more likely the carpenter will leave the job to earn more money elsewhere.”

Other states rely on different methods to calculate prevailing wage<sup>3</sup> rates including Washington and New Jersey who rely on industry negotiated collective bargaining agreements. In surveying the various methodologies this appeared to be the most stable and efficient method to promote competition amongst local contractors while upholding the policy purpose of Oregon’s prevailing wage law.

**SB 493** is the only common-sense proposal to ensure predictable wage rates for bidding contractors and to reduce administrative workloads for BOLI’s limited resources. The current rates are often set using incomplete information, requiring extra time from contractors and agency staff to ensure the rate is stable and reflects Oregon standards. Even with the extra efforts, Oregon rates still produce problems for local Oregon contractors and confusion for end users.

### **Prevailing Wage Has No Impact on Overall Project Cost**

While some critics and opponents may suggest that increased wages and benefits could cause a corresponding increase in project costs, the research is clear that this is not the case.

“Peer-Reviewed Regression Analysis Studies Confirm that PWR Law Has No Effect on Costs: 83 percent of peer-reviewed studies conducted since 2000 find that prevailing wage laws have no effect on the cost of traditional public projects... Unlike simplistic wage differential studies, these peer-reviewed studies use regression analysis to account for factors that can influence project costs, such as project size, project type, number of bidders, and the business cycle.”

“Labor Share of Construction Cost is Low: Labor costs are a low and historically declining share of total project costs -- about 25% in Oregon. Peer-reviewed research confirms that, since labor costs represents a small portion of overall costs, when construction wages rise, contractors respond by utilizing more capital equipment and hiring skilled workers to replace their less-productive counterparts.”<sup>4</sup>

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<sup>2</sup> BOLI Prevailing Wage Rates, Carpenters Group 1&2 2011 - 2019

<sup>3</sup> <https://www.americanprogress.org/issues/economy/reports/2020/12/22/494146/guide-strengthening-state-local-prevailing-wage-laws/>

<sup>4</sup> [https://cpb-us-e1.wpmucdn.com/blogs.uoregon.edu/dist/a/13513/files/2021/01/FNL\\_Prevailing\\_Wage\\_Report.pdf](https://cpb-us-e1.wpmucdn.com/blogs.uoregon.edu/dist/a/13513/files/2021/01/FNL_Prevailing_Wage_Report.pdf)