



NORTHWEST CARPENTERS UNION

UNITED BROTHERHOOD OF CARPENTERS
AND JOINERS OF AMERICA

May 4, 2021

To: Chair Smith Warner
Vice Chair Drazan
Vice Chair Holvey
Representative Bonham
Representative Fahey
Representative Salinas
Representative Zika

Fr: Matt Swanson, NW Carpenters Union

Re: Q & A on SB 493 A

Several questions have been raised regarding the impact of SB 493A; this document tries to provide some context and responses to questions that have been raised.

Won't the highest CBA in a region unfairly inflate rates beyond what communities can afford or the market can bear?

The provision to utilize the highest CBA rate is modeled after ORS 279C. 838(1), which requires state prevailing wage rates to be paid on projects subject to both the state prevailing wage rate law and the federal Davis-Bacon Act if the prevailing state rate of wage is higher than the federal prevailing rate of wage. This is meant to avoid gaming the rates to gain a market advantage between contractors.

Additionally, it is unrealistic to think that a contractor would set a rate for public work that is higher than what they can reasonably expect to charge for private work. **These are private-sector workers contracted for public works, so there is no incentive to inflate rates for public work that would jeopardize private work or give competitors an edge.**

It isn't possible to systematically raise the cost of labor without impacting total construction costs.

Peer-reviewed literature has found that prevailing wages have no effect on public works projects. 83% of peer-reviewed studies conducted since 2000 find that prevailing wage laws have no effect on the cost of traditional public projects.

Labor costs are a low and historically declining share of total project costs— about 25 percent in Oregon. Peer-reviewed research confirms that, since labor costs represent a small portion of overall



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costs when construction wages rise, contractors respond by utilizing more capital equipment and hiring skilled workers to replace their less-productive counterparts.¹

Washington has seen increases in prevailed wages, as identified by their Department of Labor and Industries.

We just can't use the average wage increases in Washington because their wage rates were calculated and set very differently than Oregon. In some cases, the rates were updated from minimum wage (\$11.50) and had not moved in many years.

Here is what Sean Anderson, a Prevailing Wage Economic Analyst with Washington Labor and Industries had to say about the EcoNW analysis that opponents are using:

"What you don't see in the ECONorthwest visuals are the actual 2018 rates that drove up those averages. Many of the Non-CBA rates were under \$20 in 2018, then increased to a union rate. Some rates were only \$11.50 (the 2018 WA State minimum wage.)"

"It's also worth mentioning that just because a survey took place for a trade, that doesn't mean the prevailing wage rate changed in every county. There have been many cases where a particular county did not have enough hours reported in a survey to establish a new rate. In these cases, the previous prevailing wage rate would simply continue to be the rate after the survey was completed. This helps explain how you can find a county where the Cement Mason's prevailing wage rate is only minimum wage."

Are there problems with projects getting awarded today and jobs completed?

OSBA did a good job identifying the problems with getting jobs awarded and projects completed in an article from 2018 they said,

"Pent-up demand following the recession, low-interest rates, and a recovering economy have fueled a construction boom across Oregon. Capable contractors, skilled labor, and many building materials are in short supply, driving up costs. Recent tariff fights, especially with steel, have further pushed up prices."²

The shortage of capable contractors and labor is driving challenges in estimating project costs. Stabilizing wage costs can also be achieved more accurately by relying on private sector collective

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https://cpb-us-e1.wpmucdn.com/blogs.uoregon.edu/dist/a/13513/files/2021/01/FNL_Prevailing_Wage_Report.pdf

² **"Unexpectedly steep increases in construction expenses strain bond plans"**
https://www.osba.org/News-Center/Announcements/2018-07-09_Construction.aspx



bargaining rates because they factor in not just the past, but the future trends in the industry. We trust that labor management agreements can more comprehensively predict these factors than the current state survey methodology.

What about market rates in the area, especially rural areas?

OSBA also reported on dynamics making bidding difficult to predict in Eastern Oregon,

“Scott Rogers, Wenaha Group senior project manager, said a recent bid for an education-related project in eastern Oregon came in about 25 percent over budget. Some construction bid areas — including plumbing, electrical, concrete, masonry, and steel — were twice the cost per square foot as for a similar project a year ago, he said. Rogers said tariffs are wreaking havoc, particularly with steel-related costs. He said a contractor told him that the market is so volatile that an estimate older than 45 days is already obsolete. **He said contractors are bidding overtime-equivalent rates for regular labor.**

Rogers said the recession postponed districts’ ability to build but not their need. With low-interest rates and more state support, schools started building again. **Eastern Oregon, with its smaller contractor base, has had to pay extra to lure more builders, according to Rogers.**”³

Deltas between “market rate” and bargained rates?

For about 70% of scopes of work there will be no change between the current rates and this change. For the primary crafts on most public works, Carpenters, Cement Masons, Electricians, Ironworkers, Laborers, and Operating Engineers collectively bargained rates prevail in 85% of the state’s regions. Where they do not prevail, bids are often still coming in at higher rates due to a shortage of labor and contractors.

Our rates are set in private sector markets. In other words, there is no incentive to set rates for public work that prices our crafts out of more lucrative private work contracts.

Cost for local jurisdictions?

We do agree with the idea that funding infrastructure is a difficult proposition for many of our rural and impoverished communities. Relying on bonding from property taxes can only realistically create much building. We support efforts by the state to match local bonds for schools and are supportive of efforts to generate more federal funding to help these communities. Rates are locked in at the time the bid is advertised, informing the prospective bidders what wages to use in calculating bids.

³ **“Unexpectedly steep increases in construction expenses strain bond plans”**
https://www.osba.org/News-Center/Announcements/2018-07-09_Construction.aspx



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“Labor costs represented 55% of total construction cost, therefore the impact of the hourly wage increase would have raised the project cost by 9.8%.” -- coalition letter/AGC analysis by EconW

Our review of traditional construction costs using Census data shows that Oregon construction labor costs are about 25% of overall project costs. This is in line with construction economic research and confirmed by LERC’s research paper on prevailing wage. This outsized share of overall costs seems to inflate project impacts.

The “Association of Washington Housing Authorities” reported that the implementation of SB 5493 resulted in “dramatic increases” in project costs that have threatened the feasibility of affordable housing.

Here is what AWHHA actually said,

“Ensure Public Works Law Continues to Work for Affordable Housing Providers Passed in the 2018 legislative session; SB 5493 directed the Department of Labor & Industries to use a new methodology for calculating prevailing wages. ***As a result of this legislation, prevailing wages for residential trades*** saw dramatic increases that have put in peril some affordable housing projects and weatherization programs. AWHHA supports a common-sense resolution to this issue that ensures affordable housing providers are not unduly burdened with unexpectedly high project costs.”

1. The AWHHA did not have a determination of project costs; they single out wages.
2. The AWHHA was referring, narrowly, to prevailing wages for residential wages. Oregon’s Labor Commissioner does not set a residential wage for trades.

Oregon Housing and Community Services claim that prevailing wage drives up housing costs by 9%.

While we do not believe that this bill will drastically change the status quo for residential development or affordable housing, there are some flaws with Blue Sky’s methodology.

In a nutshell:

- The Big Sky report lumps in projects that pay state prevailing wages with those that pay federal Davis-Bacon wages. But federal projects come with other requirements that could affect costs. Conflating Davis-Bacon wages with other federal requirements is problematic because they may be attributing all of the cost effect of federal projects to prevailing wage when in fact, it is other factors.
- The Big Sky report does not include a variable that accounts for the complexity of the project. More complex projects are usually more expensive.



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- The Big Sky report does not account for number of units. Projects with more units become less expensive with each additional unit (economies of scale).
- The Big Sky report did not account for parking facilities, which can drive up costs.
- The Big Sky report did not account for important location-specific characteristics, such as average wages for all workers or fair market rents.