

Pacific Northwest Regional Council of Carpenters



Affiliated with
United Brotherhood of Carpenters and Joiners of America
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Chair Barker and Members of the Committee:

I am Evelyn Shapiro, the principal officer for the Pacific Northwest Regional Council of Carpenters. I am here today on behalf of the more than 24,000 men and women working in our trade throughout the region. We are very happy that the committee has decided to hold this information session on a topic that is very important to our industry, prevailing wage.

The stated goal of Oregon's prevailing wage policy declares that the purposes of the prevailing rate of wage law are¹:

1. To ensure that contractors perform work competently and efficiently while maintaining community-established compensation standards.
2. To recognize that local participation in publicly financed construction and family wage income and benefits are essential to the protection of community standards.
3. To encourage training and education of workers in industry skills standards.
4. To encourage employers to use funds allocated for employee fringe benefits for the actual purchase of those benefits.

When I think of the value of prevailing wage, I like to think of the pride that Carpenters have in building important infrastructure for our communities. Dave Salisbury, a 28-year member of Carpenters local 1503 is an example of how prevailing wage laws are working for all Oregonians. A prevailing wage project to rebuild Gresham High School was a professional and personal opportunity.

"Both of my daughters attended Gresham High School, and I am so happy to be able to give back through my trade. I take great pride in building a school that my community can rely on for the next 100 years. Our union funded apprenticeship programs are also providing a pathway into the trade that kids can see through these projects. Prevailing wage laws help maintain these jobs in our communities and support the training of the next generation of Carpenters."

Prevailing Wage is the law on federal and state construction projects for all public work. Agencies awarding public works contracts include state agencies, counties, municipalities and all political subdivisions of the state, including schools, universities and ports. Without strong prevailing wage laws, local businesses that are paying area standard wages and benefits could have their business undercut using our tax dollars because these public owners often use the lowest bid on a project. This hurts union and non-union workers and businesses when public investments subsidized under market standards.

¹ ORS279C.805

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Oregon's prevailing wage laws:

- Are Local Minimum Wages for Skilled Construction Workers
- Encourage quality public works – schools, libraries, highways, transportation systems, etc. These standards are essential to maintaining a skilled workforce that can deliver quality construction on time and under budget.
- Are Market Based, determined by surveys of what workers in the community actually make. Throughout our council, there are different methodologies to determining the prevailing wage in our regions. Washington state just recently changed to utilizing private sector collective bargaining rates to improve the efficiency and accuracy of their rate determinations. The methods that we use should ensure that publicly funded construction projects do not undercut the local market for construction labor.
- Promote productivity, safety, good middle-class jobs and a stronger local economy.

More than 75 percent of recent, peer-reviewed academic studies have concluded that prevailing wage laws do not increase the total cost of construction.² Prevailing wage laws result in higher productivity and taxpayer savings due to the increased economic output from these projects and the benefits of employing skilled tradespeople. These laws also directly support the apprenticeship programs needed to fight the severe worker shortage in our industry.

Prevailing wage policies were adopted to ensure that the local construction economy was not disrupted by out-of-area competition that cut corners and costs. For example, authors of the study, “The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry” concluded that, “Without adequate prevailing wage policies, more work is completed by out-of-area contractors with more project funds, jobs, income, spending, and economic activity leaking out of the local economy.”³

The authors studied the effect of repealing prevailing wage policies in the states of Michigan and Wisconsin. According to this study the corresponding economic leakage caused by repealing strong prevailing wage laws would “be a loss of \$500 million and \$673 million respectively.

² The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry, pg. iii. Manzo, Lantsbery, Dunca

³ The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry, pg vii. Manzo, et al

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Further evidence of this is shown in studies conducted after Indiana repealed its prevailing wage law in 2015.⁴ The authors reviewed construction wage and economic data from counties along the Indiana/Kentucky border and concluded that,

“The findings of the report can be summarized in three key takeaways:

- Public works construction lost 885 jobs along the state line in Indiana counties but gained 770 jobs in Kentucky border counties after Indiana weakened its prevailing wage law;
- Earnings decreased for construction workers in Indiana counties but increased across the border in Kentucky counties after Indiana weakened its prevailing wage law;
- Weakening Common Construction Wage in Indiana primarily benefited out-of-state contractors at the expense of local businesses and local workers.”

Finally, the citizens of Oregon benefit because contraction workers and contractors on prevailing wage projects help support our local economic. When contractors are able to compete on a level playing field, we are more likely to see local businesses succeed. Workers on these projects earn a good middle-class wage and are less likely to rely on government assistance. This saves the state money on programs like SNAP, EITC and other family supports.

By including industry standard fringe benefit packages, prevailing wage laws also ensure that we aren’t eroding private sector benefits for health care, retirement and worker training.

In Oregon we believe that while these standards provide important protections for local businesses and Carpenters, the method of determining our regional wages could be improved.

The current survey has produced confusing results for workers and contractors that bid on public work. For instance, In region 5 - Lane - our rate today is lower than it was in 2011. The industry rate prevailed in 2006 - 2008, fell below scale in 2009 - 2010, went back up in 2011 - 2013, back down in 2014 - 2016, back up in 2017 - 2018 and dropped back below scale in 2019. (bold italic = private sector union rates prevailed).

Carpenter Group 1&2 January 1 prevailing wage determinations 2006 - 2019 - Region 5 - Lane County

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Rate	39.57	40.77	42.02	36.79	36.79	45.47	46.22	47.05	38.93
Year	2015	2016	2017	2018	2019				
Rate	40.75	40.86	51.34	52.88	44.14				

⁴ Economic Commentary # 40, June 15, 2016, “Weakening Prevailing Wage Laws Hurts Local Contractors and Workers: A Case Study from Southern Indiana, pg. 1.” Frank Manzo IV, Policy Director, Midwest Economic Institute

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These wild swings make it difficult for businesses that bid on public work and negotiate industry standards to adapt. Industry negotiated wages are set with input from labor and management and agreed to in order to promote family wage jobs, safety, skills training and productivity.

How could Oregon's rate setting be improved?

Washington state has recently changed from an administratively burdensome and costly survey to utilizing private sector collective bargaining agreements. This was based off of the recommendation of a transportation cost driver study from the state in 2014 that identified "adopting the Collective Bargaining Rate for setting the prevailing wage rate for the construction scopes." Washington joined 8 other states that rely on this method in place of a survey process.

Collectively bargaining wage and fringe rates reflect industry standards for wages, benefits and training. Labor and management agree on wages that keep contractors competitive and ensure that a safe, experience and reliable workforce is paid at a living wage with good benefits. Carpenters throughout this region are working under these conditions on private projects and in order to meet the needs of our public owners, our rates should reflect these standards.