

**May 21, 2019 Testimony in favor of HB 2408 to require payment of Prevailing wages on projects covered by Economic Enterprise Zone tax incentives.**

**Chair Taylor, Vice Chair Knopp, Committee Members,**

**My name is Neil O'Connor. I am the Labor Relations Director for Western Partitions Inc. in Wilsonville Oregon, where I have been employed for the past 32+ years. My testimony here is as a member of the Associated Wall and Ceiling Contractors of Oregon (AWCC). Due to a previous commitment I am unable to appear before you personally today and have asked Ryan Tribbet to present my testimony before you. This testimony is in support of House Bill 2408. Western Partitions has always paid good family wages to our employees as we understand that we either pay our workers well now or we pay a higher price later when they are unable to afford basic necessities like healthy food, housing, medical insurance, retirement plan, or utilities for themselves and their families and require state and/or federal assistance to survive and hopefully thrive.**

**Prevailing wages are a requirement for projects funded with tax dollars in the state of Oregon and have been for some time. The simple truth is that the proposed tax rebates to companies building in these Economic Enterprise Zones are clearly Oregon taxpayers providing a source of funding for projects being built in these locations. Thus the Oregon State Prevailing Wage Rate requirements should be applied to these projects exceeding the \$20,000,000.00 minimum cost.**

**Prevailing wages are in fact established State recognized fair minimum rates of pay for many various trades. That is why on Prevailing Wage Requirement projects these are required minimum rates of pay. This is an important distinction. Those who oppose this bill do so primarily on the basis that requiring payment of the state recognized minimum wages for work performed is somehow unfair, too costly, or too complex to achieve. Please allow me to provide a counter to each of these arguments.**

***"First: Requirements to pay prevailing wages is unfair."* Prevailing wage statutes actually are intended to provide a level playing field for all bidders on PWR projects. Everyone knows what the minimum wage and benefit rates are for every trade on that particular project. With everyone paying the same wage rates the only advantages available to potential bidders are the ability to be more productive with fewer mistakes. This is only unfair to bidders who cannot meet the needed productivity rates with fewer mistakes. What is unfair is that some employers believe**

**Neil O'Connor Western Partitions Inc.**

that paying minimum wages to their craftspeople is none of the public's business. Please note that when wages are lowered so are the State and Federal income related taxes. State and Federal income related taxes help to fund the tax breaks for projects built in these Economic Enterprise Zones. The goal is to bring up the earning power of the residents in these zones which in turn should help to offset the lost income provided through tax breaks to the owner developers of these projects. Artificially lowering the recognized minimum wage for craftspeople is inherently unfair to those workers and certainly will not bring up their individual earning potential.

*“Second: Requirements to pay prevailing wages is too costly.”* Workers who work for lower than minimum wages are far more likely to need public assistance in some form to offset those costs of life that are not met through the lower rates of pay and lack of benefits. We either pay a little more now or considerably more later. Projects that are paying prevailed wages also tend to attract better trained, more adept, and safer workers. There are several studies that show projects built using Prevailing Wage Rates do not have a significant higher cost to build initially due to the overall higher level of skill, talent, and productivity of workers who demand a fair wage. The reality is that overall Labor costs of building construction averaged over all trades is typically between 23% and 30% of the total project cost. Thus labor cost impacts related to PWR will be relatively insignificant to the initial building cost. Beware if someone tries to tell you it will add 20% to the cost of the building. The only way it could is if the labor, if not prevailed, was being paid at approximately one third the prevailed rates or less. That would be reflective of most workers on the project being in the poverty range of income. The real savings from using the top of the line craftspeople tends to come from the long term lack of needing to repair work done in a less than professional manner. Properly built buildings require less maintenance, with fewer problems. It is far more costly to pay less up front and more later. Quite frankly if having to pay prevailing minimum wages is a deal breaker for a builder or a company set to receive many millions of dollars in tax breaks, that may well indicate that they may not be a good long term investment of Oregon tax monies nor a good neighbor in an area where residents are already struggling to earn a fair family wage.

*“Third: Requirements to pay prevailing wages are just too complex to follow.”* While I hate paperwork as much as anyone else. Filling out a certified payroll report really consists of the following:

*“Under penalty of perjury I certify that the information I am providing is true.*

**Worker # 1 worked X number of hours on this project.**

**We paid Worker # 1 \$ XX.xx for each hour worked including benefits, resulting in our paying this worker a total of \$XXX.xx for the hours worked on this project for the week ending....”**

**If this is too complex for a business owner or their payroll team to figure out, I do not believe that I would want that person responsible for the construction of the structural integrity, seismic safety, the Fire Life Safety components or any other part of a building that I and/or my employees would be spending a significant portion of our day in. The rates are published and available most often as part of the Bid documents and/or may be found easily on line. Yes there are regulations that need to be followed, just like there are regulations for driving a motor vehicle, to hire or fire an employee, to buy just about anything, to go fishing, to walk down the sidewalk, or to park a vehicle. Our lives are filled with dealing with various regulations on a daily basis. To quote my daughter, an OSU Grad, “Whatever, Get used to it”.**

**The Associated Wall and Ceiling Contractors of Oregon stands firmly with the Oregon Building Trades Council in our support for HB 2408 to require payment of Prevailing wages on projects covered by Economic Enterprise Zone tax incentives. We, the AWCC respectfully ask that you pass this bill to the floor with a do pass recommendation.**

**While I am currently in a meeting if you should have any questions please have Ryan send them to me and I will respond as soon as I am able. He then can forward my answers to you.**

**Thank you,**

A handwritten signature in blue ink, appearing to read "Neil O'Connor", with a long horizontal flourish extending to the right.

**Neil O'Connor**

**Director of Labor Relations**

**Western Partitions Inc.**

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