



UNITED BROTHERHOOD OF CARPENTERS
AND JOINERS OF AMERICA

February 10, 2021

To: Chair Barbara Smith Warner
Vice-Chair Christine Drazan
Vice-Chair Paul Holvey
Representative Daniel Bonham
Representative Julie Fahey
Representative Andrea Salinas
Representative Jack Zika

Chair Smith Warner, Vice-Chairs Drazan and Holvey and Members of the Committee

My name is Matt Swanson, I am the Political Director for the Pacific Northwest Regional Council of Carpenters. I am here representing more than 9,000 working Carpenters in the state of Oregon. We are here today in strong support of Senate Bill 493 A, a proposal to streamline the prevailing wage rate-setting process and achieve more stability in rates while also upholding the intent of Oregon's law.

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 (including health, retirement, and training) 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 \$18.97¹ 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."

The proposal before you today streamlines Oregon's prevailing wage rate setting and encourages 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 or a statewide average rate calculated by the Employment Department 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.

¹ BLS, May 2019 State Occupational Employment and Wage Estimates Idaho, https://www.bls.gov/oes/current/oes_id.htm#47-0000

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 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.² Outliers such as these can create major challenges in the bidding environment, limiting opportunities for local contractors and workers.

Lane County has also been an example of the great instability in rates that create an unpredictable bidding environment for Carpenters in Groups 1&2. Since 2006 rates have fluctuated between our AGC negotiated rate and the Employment Department Rate 6 times. (see attached table). Bidding on work in this part of the state is particularly unpredictable.

We think that this is a result of a flawed instrument to set out rates. Here are some of the core challenges with the initial sampling of construction data.

- The survey has limitations. 4 pre-selected weeks based on time of year cannot account for trade specific or project specific timelines. Construction work can be unpredictable and often depend on factors that cannot be accounted for by selected weeks on the calendar.³
- It is our understanding that the Employment Department's survey data is secret and not audited or checked for quality control. There is no way to evaluate the quality of data or if reported crafts are truly work by that craft without the opportunity for public inspection.⁴
- The survey asks for extra paperwork for many small and medium sized shops whose data is not even utilized. This creates extra paperwork across the industry. While the response rates are based on submissions from CCB filings, around half of the responses are not even used in the Employment Department's final determinations.⁵

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 if our negotiated rates prevail. 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 wage⁶ 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.

² BOLI Prevailing Wage Rates, Carpenters Group 1&2 2011 - 2019

³ <https://www.qualityinfo.org/bolisurvey/boli.html>

⁴ Oregon Construction Industry Occupational Wage Survey

⁵ Oregon Construction Industry Occupational Wage Survey

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

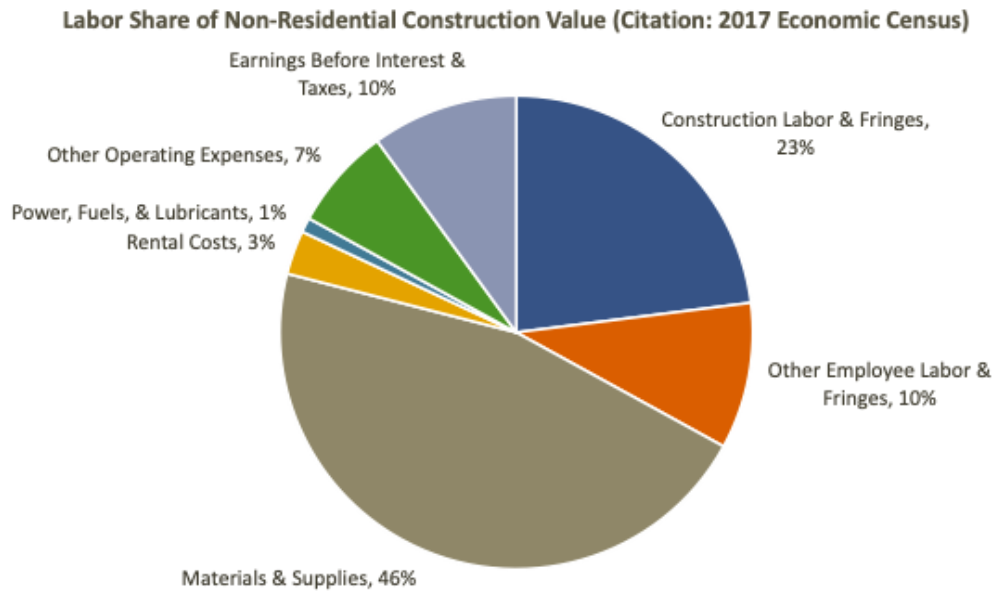
SB 493A is the only common-sense proposal to ensure predictable wage rates for bidding contractors and to reduce administrative workloads for public agencies' limited resources. The current rates are often set using incomplete information, requiring extra time from contractors and agency staff to ensure 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.”⁷



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⁷ https://cpb-us-e1.wpmucdn.com/blogs.uoregon.edu/dist/a/13513/files/2021/01/FNL_Prevailing_Wage_Report.pdf

⁸ Review of Oregon Construction Cost data from Economic Census 2017, NAICS #2362 (non-residential commercial building) and 238 (specialty contractors) weighted for the percent of work performed, 52% and 48% respectively.

Examples of Rate Fluctuations

