

# NORTHWEST LABOR PRESS

(International Standard Serial Number 0894-444X)  
 Established in 1900 in Portland, Oregon as a voice of the labor movement. Published on a semi-monthly basis on the first and third Fridays of each month by the Oregon Labor Press Publishing Co. Inc., a non-profit mutual benefit corporation owned by 20 unions and councils including the Oregon AFL-CIO. Serving more than 120 union organizations in Oregon and Southwest Washington.

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Printed on recycled paper, using soy-based inks, by members of Teamsters Local 747-M.

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PERIODICALS POSTAGE PAID AT PORTLAND, OREGON.

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## WORKERS RIGHTS

# Oregon's prevailing wage law analyzed

A new study finds the law raises wages, but not project cost.

By Don McIntosh

Oregon's prevailing wage law results in 8% higher wages for workers on public construction projects, but doesn't increase the cost of the projects, according to a new study co-authored by Frank Manzo of the Illinois Economic Policy Institute and Lina Stepick of the University of Oregon Labor Education and Research Center (LERC). That might seem counter-intuitive, until you get to the likely explanations.

First, the labor cost for the hourly construction workers covered by the law is a small share of total project cost — about 25% in Oregon, according to the study authors. Materials, equipment, fuel, rental costs, management salaries, taxes, licenses, etc. make up the other 75%. So even if craft workers get paid 10% more, that equates to 2.5% of project cost.

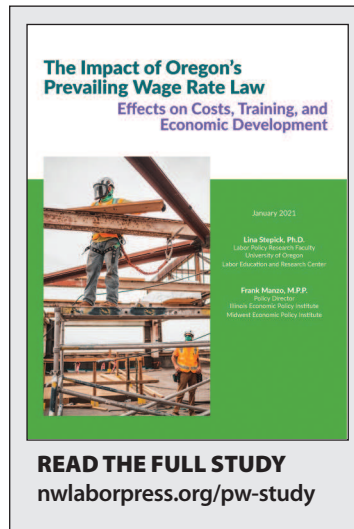
But it doesn't seem to raise project cost, Stepick and Mazzo concluded, because contractors seem to react by employing

higher skilled and more productive workers, and accepting a smaller profit margin.

Prevailing wage laws set the minimum hourly pay and benefits for workers in each craft specialty so that bidders don't compete for public contracts based on who can pay the least.

Stepick and Manzo analyzed more than 1,100 contractor bids on nearly 300 state highway projects in Oregon and Idaho. Idaho doesn't have a state prevailing wage law, but 79% of its road projects were federally funded and thus subject to the federal prevailing wage law. That allowed researchers to compare projects that paid the prevailing wage to those that didn't. They found no difference in cost per mile. Manzo has found similar results in his studies of prevailing wage laws in at least 10 other states.

The Oregon report also includes a summary of peer-reviewed studies of the effect of prevailing wage on the cost of school construction, highway maintenance, and municipal building projects. [A peer-reviewed study is one that's ac-



cepted for publication in an academic journal after peers in the same specialty review and validate the research.] Out of 18 peer-reviewed studies of prevailing wage since 2000, 15 found no impact on cost, while three found the laws increased project costs 2%, 8% and 13%.

Stepick and Mazzo's study also splashes cold water on other arguments that opponents of prevailing wage sometimes make, like that the law's complexity results in fewer bidders, less competition, and therefore increased cost. Comparing the

Oregon and Idaho contracts, they found there were actually 19% more bidders on prevailing wage projects.

Prevailing wage is also strongly correlated with apprenticeship training: Apprenticeship enrollments are 6% to 8% higher in states with prevailing wage, and states that repeal the prevailing wage see significant drops in apprenticeship.

Twenty-eight states have prevailing wage laws. Oregon's has been in effect since 1959, but came under attack by Republican leaders in the mid-1990s. When opponents put a repeal of the prevailing wage on the ballot in 1994, voters rejected the measure by 62%.

"Prevailing wage levels the playing field, boosts investment in apprenticeship training programs, improves productivity and worksite safety, and stabilizes construction costs," Stepick and Mazzo write. "Oregon's Prevailing Wage Rate Law levels the playing field for contractors by taking labor costs out of the equation, incentivizing them to compete based on core competencies and efficiencies in construction rather than on undermining middle-class compensation standards."

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