

# The Impact of Oregon's Prevailing Wage Rate Law

## Effects on Costs, Training, and Economic Development

### Executive Summary

Oregon's Prevailing Wage Rate Law provides minimum wages for construction workers employed on public works projects. The main purpose of Oregon's Prevailing Wage Rate Law is to protect local construction standards in the competitive low-bid process. The law creates a level playing field for all contractors by ensuring that public expenditures maintain and reflect local market standards for wages and benefits.

### Oregon's Prevailing Wage Rate (PWR) Law keeps construction costs stable and supports local contractors.

- **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, including schools, highways, and public buildings. 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 Costs is Low:** 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 costs, when construction wages rise, contractors respond by utilizing more capital equipment and hiring skilled workers to replace their less-productive counterparts.
- **PWR Law Increases Bid Competition:** Four peer-reviewed studies since 2012 analyzing more than 2,000 bids on public projects find that prevailing wage has no effect on bid competition – and may in fact increase the number of bidders.
  - Our new analysis of more than 1,100 contractor bids on nearly 300 state highway projects in Oregon and Idaho (which lacks a PWR law) finds that prevailing wage is associated with 19 percent more bid competition.

### Oregon's Prevailing Wage Rate Law delivers pathways into the middle class and boosts the economy.

- **PWR Law Boosts Wages & Leads to Middle-Class Incomes and Careers:** Oregon's Prevailing Wage Rate Law increases blue-collar construction worker incomes by 8 percent, with larger effects on low-income (11 percent) and middle-class construction workers (9 percent).
- **Local Contractors and the Economy Benefit from PWR Law:** Oregon's Prevailing Wage Rate Law increases the chances that in-state contractors will be awarded public projects by 12 percent and improves their market share by 12 percent.
  - By protecting work for in-state contractors and upholding local construction standards of compensation and craftsmanship, Oregon's Prevailing Wage Rate Law creates 5,400 jobs, improves the state economy by \$752 million, and generates \$35 million in state and local tax revenues every year.



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- Prevailing wage expands private health insurance coverage for construction workers by 9 percent.

### Oregon's Prevailing Wage Rate Law is an effective job skills advancement policy.

- Economic research finds that prevailing wage laws increase apprenticeship training, boost worker productivity, and reduce injury rates in construction.
- In 2019, Oregon had 12 registered apprentices per 100 construction and extraction workers while Idaho had fewer than 6 apprentices per 100 construction and extraction workers.
- 63 percent of all construction apprentices in Oregon are enrolled in joint labor-management programs – including the vast majority of women, and workers of color.
- Joint labor-management programs provide a viable, debt-free alternative to a bachelor's degree, require more hours of training, and lead to higher average wages.
- Construction journeyworkers from joint labor-management programs earn 16 percent more per hour than those from employer-only programs and 8 percent more than workers with bachelor's degrees in Oregon.
- There is no evidence that prevailing wage affects the racial composition of the construction workforce.

### Oregon Should Consider Strengthening its PWR Law:

- Across the border, Washington state's stronger PWR law, which is based on collective bargaining agreements (CBAs) rather than surveys by region, results in a more predictable, stronger standard, with workers taking home higher wages, less likely to be in poverty, and more likely to be covered by private health insurance, and even stronger contributions to the state's economy.
  - Strengthening prevailing wage in Oregon would annually boost total construction worker incomes by an additional \$100 million, extend health insurance coverage to 1,800 construction workers, lift 1,200 construction workers out of poverty, and improve state tax revenues by \$10 million.

Oregon's Prevailing Wage Rate Law has positive impacts on the Oregon economy. Prevailing wage levels the playing field, boosts investment in apprenticeship training programs, improves productivity and worksite safety, and stabilizes construction costs. Oregon's Prevailing Wage Rate Law is a great deal for taxpayers.

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