

March 2021 #21-14

Summary:

Oregon's legislature may vote to tie public construction spending to the highest union contracts. If House Bill 2419 and Senate Bill 493 pass, the minority workforce will be unable to compete with endless wage increases, and other goals such as affordable housing will suffer.

Word Count: 696

“The State of Washington adopted a similar approach in 2018. As a result, ECONorthwest reports the average prevailing wage shot up nearly 18% for work on affordable housing.”

Oregon May Vote to Constantly Increase Infrastructure Spending

Raising prevailing wages would burden taxpayers and marginalize minorities

By Vlad Yurlov

Bad legislation often hides in “tweaks” and what sponsors call “housekeeping” measures. Oregon House Bill 2419 and Senate Bill 493 are two examples. With just a few words, the bills tweak Oregon’s formula for calculating prevailing wages throughout the state. Their results would increase costs for nearly every public works project in the state with no end in sight.

The prevailing wage is the rate of pay and benefits that contractors and vendors must offer their employees when a government agency funds the project. Currently, Oregon’s prevailing wages are based on an independent wage survey conducted by the state’s labor commissioner.

HB 2419 and SB 493 propose a radical departure from current policy. Every region’s prevailing wage will be based on the *highest* wage rate among collective bargaining agreements in the region. In other words, *every* contractor would have to pay the same wages as the highest collective bargaining agreement in each region.

The State of Washington adopted a similar approach in 2018. As a result, ECONorthwest reports the [average prevailing wage shot up nearly 18%](#) for work on affordable housing. In 2019, [the Association of Washington Housing Authorities confirmed](#) that, “As a result of this legislation, prevailing wages for residential trades saw dramatic increases that have put in peril some affordable housing projects and weatherization programs.”

The [Business Institute of Washington reports](#) “significant rate increases,” with wages doubling and tripling in some areas. That’s exactly how infrastructure spending will be bloated in Oregon. Shortly after Washington’s switch to the highest contract in the area, one contract representing less than 13% of the total operator hours in an area prevailed over the other 87%. The [government affairs director of Associated General Contractors](#) explained that placing one union contract over every public works project “makes the concept of ‘prevailing’ wage nonsensical,” because the word prevailing implies some sort of prevalence.



Proponents [claim](#) prevailing wage laws don't significantly increase the cost of public works, and if they do, the quality of the projects increases along with the price. In contrast, cities such as Portland exempt some affordable housing from prevailing wages because the increased costs reduce the amount of affordable housing they can build with their limited budgets. [Willamette Week reports](#) that Martha McLennan, executive director of Northwest Housing Alternatives estimates "the prevailing wage requirement can add \$25,000 per unit in costs."

Regardless of the claimed increase in quality, the higher costs mean fewer units can be built. For example, [prevailing wages almost cost Portland 189 affordable housing units](#) in 2018. REACH Community Development couldn't afford to build the apartments under prevailing wages and had to work with the City of Portland to find exemptions. If Oregon's Legislature switches to using the highest collective bargaining agreements to determine wages, a recently-completed [affordable housing project would have cost about 10% more to build](#), according to ECONorthwest.

HB 2419 and SB 493 will affect more than just construction costs. The young, inexperienced, and minority workforce may have difficulty finding a job at the higher wage rates, because they have the least experience. [Portland State University surveyed 177 Oregon apprentices](#) and found that only 44% of women of color had prior experience with the trades compared to 71% of white men. In addition, apprentices of color don't receive as much informal mentorship as white men. When times get tough, contractors tend to lay off the most inexperienced workers first. One result is that [black people are often the first to be fired](#).

[A memo from Portland's Clean Energy Fund staff](#) highlights these concerns, concluding "there remain many unknowns around...the demographics of contractors with the capacity to administer a [prevailing wage rate] project..." They asked themselves, "By requiring [prevailing wage rates], are we handicapping or locking out smaller, diverse contractors from participating and growing in PCEF?"

If Oregon forces all contractors to pay the highest union contract in each region, public works expenses will spike, and many people seeking to enter the trades would be denied a fair chance to compete. In contrast, labor unions could pocket taxpayer money by signing ever-higher contracts that entire regions have to bear. Oregon's legislators should vote no on House Bill 2419 and Senate Bill 493.

Vlad Yurlov is a Policy Analyst at Cascade Policy Institute, Oregon's free market public policy research organization.

"In 2019, the Association of Washington Housing Authorities confirmed that, 'As a result of this legislation, prevailing wages for residential trades saw dramatic increases that have put in peril some affordable housing projects and weatherization programs.'"

Attention editors
and producers:

Cascade Commentaries are provided for reprint in newspapers and other publications, with credit given to author(s) and Cascade. Contact Cascade to arrange print or broadcast interviews on this commentary topic.

Please contact:

Cascade Policy Institute
4850 SW Scholls Ferry Rd.
Suite 103
Portland, Oregon 97225

Phone: (503) 242-0900
Fax: (503) 242-3822

www.cascadepolicy.org
info@cascadepolicy.org