

PREVAILING WAGE IN 5 EASY STEPS



1. What is Prevailing Wage?

Prevailing Wage is the local wage. It is the most common wage already being paid in the marketplace to workers in each construction trade.

Prevailing Wage laws mean that, on taxpayer-financed construction, the government contracting agency must match the wages that workers already earn in the marketplace. Prevailing Wage means public construction projects will not undercut local workers and destabilize the local construction industry. Prevailing Wage laws mean taxpayers' money won't subsidize cut-rate contractors who specialize in providing cheap labor and pocketing the rest.

The bottom line is, Prevailing Wage provides accountability. It requires contractors to meet community standards. By doing that, Prevailing Wage helps taxpayers get the best results for their money.

2. Why is Prevailing Wage important?

Construction bids routinely have to meet clearly defined specifications for materials and other components. Prevailing Wage simply means bidders must meet a consistent "spec" for labor, too. They must meet the community standard for wages and benefits.

By equalizing labor costs, Prevailing Wage guarantees that contractors can't compete primarily on who cuts the most corners on labor. Instead, Prevailing Wage

The history of Prevailing Wage

Thirty-one states and the District of Columbia have Prevailing Wage laws. Such laws date back as far as 1891.

The federal Davis-Bacon Act, on which many state laws are based, was signed into law in 1931. It was sponsored by two Republicans: Rep. Robert Bacon of New York and Sen. James Davis of Pennsylvania. It was signed into law by President Herbert Hoover.

The main goal of Davis-Bacon is to make sure local contractors and workers can compete on a level playing field with contractors who try to import low-wage labor from out of state.

Wisconsin actually has three prevailing wage laws; the oldest one has its origins back in 1931. One law covers state highway and bridge projects administered by the Department of Transportation. One covers construction projects overseen by other state agencies. The final one covers projects of local units of government.

Wisconsin's laws underwent extensive revisions in 1996.

Minnesota's Prevailing Wage law dates to 1973. It was enacted after out-of-state workers, who earned much less than local workers, were hired for a University of Minnesota farm project.

True or False?

- Prevailing wages encourage a more skilled construction workforce.

True: In states with strong Prevailing Wage laws, enrollment in apprentice training programs is 82 percent higher than in states without Prevailing Wage safeguards.¹

In addition, graduation rates for apprentices are nearly twice as high in states with Prevailing Wage laws, compared with states that don't have Prevailing Wage.²



means contractors compete on such qualities as productivity, innovation and management abilities. Research shows these factors reduce taxpayer costs by even more than would occur simply by paying workers less.

3. What are the advantages of Prevailing Wage?

Prevailing Wage benefits workers, taxpayers, and communities. Because it does, it has a long history of bipartisan support in Congress and in state legislatures.

For taxpayers, Prevailing Wage gives meaning to the “responsible” portion of “lowest responsible bidder” requirements. Low-bid procurement is intended to save tax dollars – but can have unintended consequences. The cheapest bid does not always save money in the long run. Delays, change orders, cost overruns and other surprises can easily wipe out what appeared to be savings up front.

For workers, Prevailing Wage promotes careers, not just jobs. This helps skilled workers make a decent living year after year and creates a real future for young adults entering the workforce.

For communities, Prevailing Wage recognizes the extra value that skilled contractors and workers bring to the job. By valuing experience and training, Prevailing Wage contributes to safer job sites, higher productivity, and quality work. Plus, workers with a career are better able to take care of themselves and their families. They contribute to communities – as good customers, good neighbors, and solid citizens – rather than becoming a burden.

4. What's the difference between Prevailing Wage and Davis-Bacon?

Davis-Bacon is the Prevailing Wage law for publicly financed construction projects on the federal level. State laws are sometimes called “Little Davis-Bacon.”

In Wisconsin, Prevailing Wage applies to all public construction projects worth at least \$221,000 (\$45,000 if only one trade is involved). These thresholds adjust annually.

The Minnesota law applies to state-financed or state-subsidized construction projects worth at least \$25,000 (\$2,500 if only one trade is involved).

Minnesota's Prevailing Wage law does not apply to construction projects that are financed entirely by cities, counties, school boards,

True or False?

- Prevailing Wage imports higher public-sector wages into the private sector.

False: Quite the opposite. Prevailing wages apply only to public-sector work. Prevailing Wage rates are based entirely on actual wages paid in the private sector – wages already established in the community.³



True or False?

- Prevailing wage drives up construction costs.

False: In 2007, the impartial Minnesota Office of the Legislative Auditor concluded: “The most comprehensive studies have generally failed to find an impact that is statistically significant.”⁴

or other local units of government. However, some local units of government have their own Prevailing Wage policies or ordinances.

5. How are Prevailing Wages determined?

WISCONSIN

In general, for state-financed construction projects, Prevailing Wages are determined in each county. For projects of local units of government, a Prevailing Wage determination is made for the city, village or town in which the project is located.

The Prevailing Wage rate is based on the hourly wage plus the value of fringe benefits. Contractors must pay the total rate – but they can do so entirely in wages, or in a combination of wages and benefits. There can be different Prevailing Wage rates for the same trade, depending on the type of work being done. There are different rates, for example, for commercial construction, sewer or tunnel construction, highway construction, airport pavement, local street construction, and residential construction.

Prevailing Wage rates are determined by an annual survey of construction employers. Employers report the wages and benefits they paid and the hours their crews worked at those rates. A rate is based on the wages and benefits paid “for the majority of the hours worked in a trade or occupation on projects in an area.” To find the Prevailing Wage for your craft in the area where you work, visit the Department of Workforce Development website:

www.dwd.state.wi.us/pwfnl/PwfnlList.asp

MINNESOTA

For commercial work, Prevailing Wages are determined for each county. For highway/heavy work, the state uses 10 geographic regions to determine Prevailing Wages.

The Minnesota Department of Labor and Industry certifies a Prevailing Wage rate every year, based on a survey of contractors and unions. The state Prevailing Wage includes a basic wage, an amount paid for fringe benefits, and the total rate. Workers must be paid the total rate, either entirely in wages, or in a combination of wages and benefits. To find the Prevailing Wage for your craft in the area where you work, visit the Department of Labor and Industry’s website:

www.doli.state.mn.us/pw_rates.html

NORTH DAKOTA and SOUTH DAKOTA

North Dakota and South Dakota do not have state prevailing wage laws.



Did you know?

- In states that repealed Prevailing Wage laws, 79 percent of construction workers lost access to health insurance.⁵
- Prevailing Wage requirements can affect job safety. In states that repealed Prevailing Wage laws, injury rates on construction sites rose as much as 14 percent.⁶
- Nationally, the prevailing rate is the same as the union rate only about 28 percent of the time. Prevailing Wage is not about union vs. nonunion. It’s about safeguarding workers’ livelihoods and meeting community standards.

Footnotes

1. Lisa M. Jordan, “An Evaluation of Prevailing Wage in Minnesota: Implementation, Comparability and Outcomes,” 2006. Summary on p. 46 cites nationwide research.

Available at www.faircontracting.org/pdf/PrevailingWageStudyFinal1109061.pdf

2. Jordan, supra, p. 47

3. Office of the Legislative Auditor, State of Minnesota “Evaluation Report: Prevailing Wages,” 2007, p. 6-8 Available at www.auditor.leg.state.mn.us/ped/2007/prevailingwages.htm

4. Office of the Legislative Auditor, supra, p. 75

5. Jordan, supra, p. 44.

6. Peter Philips, Garth Mangum, Norm Waitzman,

and Anne Yeagle, “Losing Ground: Lessons from the Repeal of Nine Little Davis Bacon Acts,” Working Paper, 1995, University of Utah, p. 60. Available at www.faircontracting.org/NAFCnewsite/prevailingwage/new/losingground.pdf