

Limitations with the use of *Occupational Employment Statistics* in the Determination of Prevailing Wage Rates in Vermont.

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Current prevailing wage rates for state-funded construction are based on the *Occupational Employment Statistics* (OES). The Capital Bill for the 2015 legislative session proposes a change to the use of federal Davis-Bacon prevailing wage and benefit rates. The report entitled “Problems with using *Occupational Employment Statistics* in the Determination of Prevailing Wage Rates,” by Peter Philips and Kevin Duncan was recently presented to members of the Vermont State Legislature. This note addresses specific problems associated with how Vermont currently uses the OES data.

In general, the OES data are not well-suited for the determination of prevailing wage rates. There are additional problems with the specific way these data are applied in Vermont. The OES data contained in the “2014 Vermont State Construction Prevailing Wage” are average hourly wage data for detailed occupations (plumbers, electricians, etc.).¹ While different wages are reported for three different regions in the state, wage rates are not reported for different segments of the construction industry (residential, commercial, industrial, etc). Construction worker skill and rates of pay vary substantially depending on the skills required of each segment. However, the OES data used to determine prevailing wages in Vermont do not capture these distinctions. For example, OES hourly rates of pay for plumbers, pipefitters, and steamfitters are based on a range of skills including those of residential repair plumbers and plumbers working on industrial construction.² The former has the skills to repair leaks and replace pipes in an existing structure while the latter may fit pipe with an orbital welder for a biotech manufacturer where the error rate must be less than one percent. The skill differences between these two types of plumbers are extreme as are the rates of pay. The plumbing skills needed for the type of public building construction covered by Vermont’s prevailing wage policy falls somewhere between these extremes. In this way, the OES wage data fail to meet the basic function of a prevailing wage by not accurately measuring the wage rates for the specific type of work conducted. This shortcoming can be prevented with the change to Davis-Bacon prevailing wages. The federal wage determinations include wage rates for different segments (residential, building, highway, and heavy construction). Davis-Bacon prevailing wages for public building construction a superior match for the types of projects covered by Vermont’s wage policy than the wage rates obtained from the OES.

Apprenticeship training plays a vital role in developing the skills needed to build the structures and infrastructures in Vermont that contribute to a competitive economy. A beginning apprentice typically earns 50% of the journey worker wage. Apprentice earnings increase with progress over the three to five-year training period. There are two problems with using the OES

¹ Accessed at: <http://labor.vermont.gov/2014-state-construction-prevailing-wage/>.

² The OES uses the Standard Occupational Classification system. The classification for plumbers, pipefitters, and steamfitters also includes sprinkler fitters. See <http://www.bls.gov/soc/2010/soc472152.htm>.

for apprenticeship compensation in Vermont. First, apprentices are paid according to the corresponding helper rate.³ This means that a beginning apprentice may earn the same rate of pay as a more skilled and senior apprentice. This is not the pattern of compensation that encourages skills development in the construction industry. Davis-Bacon prevailing wages distinguish between apprenticeship and helper job classifications, accommodate the traditional apprenticeship compensation method, and do a superior job of encouraging training.⁴

The second problem with the way Vermont uses the OES to compensate apprentices is that in the OES, apprentices are classified with the appropriate skilled construction trade classification.⁵ The State of Vermont includes apprentices in a category that the OES does not. More problematic is the effect on hourly wage rates of combining apprentice and journey workers. For state-funded construction in Vermont, a fully trained and experienced journey worker receives a prevailing wage rate that is diluted by including apprentice earnings in the relevant job classification. Again, this constitutes another basic failure when relying on the OES to determine prevailing wages for a specific job classification.

Another purpose of a prevailing wage is to retain current skilled workers in the construction industry. Therefore, it is important that the prevailing rate capture the earnings of career construction workers. However, the timing of the OES surveys does not provide this outcome. The OES semi-annual surveys take place in November and May. November is off-peak in the construction industry while May is during the peak season. The November survey captures wage rates for career construction workers while the May survey picks up the influence of marginal, less skilled employees on industry wage rates. If the goal is to keep skilled workers in the industry, public wages which are not reflective of the earning of these workers come up short.

Other, general shortcomings associated with the use of OES data in determining prevailing wage rates are discussed in the report entitled “Problems with using *Occupational Employment Statistics* in the Determination of Prevailing Wage Rates,” by Peter Philips and Kevin Duncan. The general problems with the OES and the specific issues with how these data are applied in Vermont indicate that the OES is wholly inadequate for the determination of prevailing wages in the state. Adopting Davis-Bacon prevailing wage rates will correct many of the shortcomings of the current policy.

³ See page 3 of “2014 Vermont State Construction Prevailing Wage.” Accessed at: <http://labor.vermont.gov/2014-state-construction-prevailing-wage/>.

⁴ See Davis-Bacon and Related Acts Frequently Asked Questions. Accessed at: <http://www.dol.gov/whd/programs/dbra/faqs/trainees.htm>.

⁵ See <http://www.bls.gov/soc/home.htm>.