

Prevailing Wage Law

Background

Enacted in 1945, the Washington State Public Works Act (Act), also known as the "prevailing wage law," requires that workers be paid prevailing wages when employed on public works projects, and on public building service maintenance contracts. The Act is modeled after the federal Davis-Bacon Act which was originally enacted in 1931 to protect the wages of union construction workers from the competition of outside contractors underbidding local contractors on government projects.

"Public work" is all work, construction, alteration, repair or improvement that is executed at the cost of the state or any other local public agency. This includes, but is not limited to, demolition, remodeling, renovation, road construction, building construction, ferry construction and utilities construction. Other works such as janitorial and service maintenance contracts, offsite prefabrication, and the production and delivery of material supplies for public works projects are also subject to the prevailing wage.

How is Prevailing Wage Determined?

Prevailing wage is the hourly wage, usual benefits and overtime paid in the largest city in each county to the majority of workers, laborers, and mechanics. Prevailing wages are established, by the Department of Labor and Industries (L&I) for each trade and occupation employed in the performance of public work. They are established separately for each county, and are reflective of local wage conditions.

The Industrial Statistician determines all prevailing wage rates. Surveys are conducted in which employers and labor unions are requested to submit wage and hour data to the Industrial Statistician. If the majority of workers in a trade or occupation in the largest city in a county are paid at the same wage rate, that wage becomes the prevailing wage. If not, an average wage is calculated.

The prevailing rate of wage also includes usual benefits. Usual benefits include medical insurance, pensions, apprenticeship training programs, and vacation and holiday pay. Employers must pay a wage and usual benefit package that adds up to the prevailing rate of wage. If an employer does not provide usual fringe benefits, then the total prevailing wage rate must be paid as an hourly wage. Special overtime rates are also established for each trade and occupation.

Who receives the Prevailing Wage?

L&I administers the prevailing wage law. The prevailing wage is the rate of hourly wage, usual benefits, and overtime paid in a locality to a majority of workers, laborers, or mechanics, in the same trade or occupation. It does not apply to work that is clerical, executive, administrative or professional in nature. For example, the Act does not apply to the work of a secretary, engineer or administrator, unless he or she is performing construction work, alteration work, repair work, etc. Prevailing wage application depends on the work that is performed, regardless of the worker's job title.

The Controversy

It is often stated that the laws enforcing prevailing wage add substantially to the cost of public construction. The wages that are referred to as “prevailing wages” are typically the same as those that have been negotiated by construction unions with private construction firms – which are typically well above market wages. Thus, because these super-minimum wages are required, competition in contracting is substantially reduced or eliminated. Without this wage competition, contract prices cannot be driven down, resulting in an increased final price.

Critics of prevailing wage assert that the system should be reformed so that wage costs for public works projects across the state are not based on the cost of living in the state's largest cities. Changing the law to accurately reflect local wages would allow major savings on all state projects. Reform would especially help rural areas that have a lower wage base than high-priced urban areas, allowing the state to provide more and better roads with limited funding.