



ALASKA DISTRICT COUNCIL OF LABORERS

Laborers' International Union of North America
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March 12, 2024

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House State Affairs Committee
State Capitol Room 120
Juneau, AK 99801

Submitted via email: House.State.Affairs@akleg.gov

Jacob Howdeshell

President
District Council

Business Manager
Laborers' Local 942

Subject: Oppose HB 173 – Increase to Little Davis Bacon Threshold

Dear Chair Shaw and House State Affairs Committee Members:

The Alaska District Council of Laborers opposes HB 173 because the Little Davis Bacon Act prevailing wage standards ensure that public investments result in high quality work and that state dollars are paying at least the prevailing wage to build public projects. This statute benefits workers, employers, and all Alaskans through safe, quality public construction. Increasing the threshold would undercut responsible employers and middle-class jobs in construction.

The Alaska Laborers is made up of over 5,000 Alaskans working across the construction, oil and gas, service, tourism, public, and healthcare sectors. Our members build and maintain our bridges and highways, work on critical energy infrastructure, and provide other public services that are essential for the safety and prosperity of our communities.

The current threshold is \$25,000 for Alaska's Little Davis Bacon Act. It is notable that the federal Davis Bacon prevailing wage threshold is much lower at \$2,000. The federal prevailing wage standards affect over one million workers and apply to around \$217 billion in federal construction spending each year.¹

Prevailing wage laws level the playing field for responsible employers.

Prevailing wage laws prevent low-road employers from using unreasonably low bids to undercut responsible employers that want to pay fair, livable wages and benefits. Clear standards for appropriate

¹ U.S. Department of Labor, "For the First Time in 40 Years, US Department of Labor Proposes Rulemaking for Davis-Bacon Act to Reflect Needs of Today's Construction Industry" (news release), March 11, 2022, <https://www.dol.gov/newsroom/releases/whd/whd20220311>.

compensation indicate to high-road employers that they can be competitive and win awards for public construction projects.

A common issue with labor law compliance is projects being broken up into small components to avoid coverage of certain baseline standards. Maintaining the \$25,000 threshold for the Little Davis Bacon prevailing wages ensures that public construction projects are subject to the prevailing rates for the area as determined by the Alaska Department of Labor and Workforce Development through its surveys.

Increasing the Threshold for the Prevailing Wage Statute Would Exacerbate an Ongoing Construction Worker Shortage.

Increasing the threshold to \$150,000 for coverage of the prevailing wage requirement would result in lower wages and benefits for construction workers. Reducing the minimum wage and benefit package is counterproductive when contractors already report they are struggling to recruit highly skilled workers.

The working-age population in Alaska has experienced a long-term decline as higher rates of people leave the state than move into the state.² There is a labor shortage particularly in the construction sector. The Associated General Contractors' 2024 Construction Outlook Alaska Survey, shows that, when asked about filling salaried and hourly craft positions, 63% of respondents report that they are having a hard time filling some or all positions. Seventy percent of contractors responding cited insufficient supply of workers or subcontractors as a major concern for 2024.³ As the cost-of-living increases, maintaining a prevailing wage system in construction is necessary to ensure that all construction workers on public construction projects are paid at the prevailed rate for the area. Removing projects from coverage of this standard risks workers building public projects at substandard pay rates and will only intensify the existing labor shortage.

Prevailing wages help lower racial pay gaps.

Statistical research has determined that the pay gap between white and African American construction workers would be around seven percent smaller if a state without a prevailing wage statute implemented such a standard.⁴ Researchers also concluded, "The

² Alex DeMarban, "Alaska's Working-Age Population Continues Its Long Decline, a Headwind for the Economy" Anchorage Daily News (Jan. 15, 2024), <https://www.adn.com/business-economy/2024/01/15/alaskas-working-age-population-continues-its-long-decline-a-headwind-for-the-economy/>.

³ AGC of America, 2024 Construction Outlook Alaska Survey Results, https://www.agc.org/sites/default/files/users/user21902/2024_Outlook_AK_FINAL_V2.pdf.

⁴ Jill Manzo, Robert Bruno, and Frank Manzo IV, "State Prevailing Wage Laws Reduce Racial Income Gaps in Construction: Impacts by Trade, 2013-2015" (La Grange, IL: Illinois Economic Policy

income gap between African American construction workers and white construction workers is 53 percent lower in states with prevailing wage laws (12 cents on the dollar) than in states without prevailing wage laws (26 cents on the dollar).”⁵ Prevailing wage standards help ensure that public construction funds promote fair wages for all construction workers.

Prevailing wages promote quality craftsmanship and high value for Alaskans.

An appropriate threshold for prevailing wage standards promotes high value and quality work for the public at large. Research demonstrates that prevailing wage standards increase worker productivity, lower injury rates, and grow apprenticeship training opportunities, which alleviate the ongoing shortage of skilled labor across the construction industry.⁶ By ensuring well-trained construction workers building quality public projects, prevailing wage standards are valuable for Alaskans who rely on these public projects for transportation and other public services.

Multiple studies prove false the arguments that prevailing wages increase the cost of construction.⁷ By contrast, prevailing wage requirements help the local economy by

Institute, 2018), available at <https://illinoisepi.files.wordpress.com/2018/02/ilepi-pmcr-prevailing-wage-reduces-racial-income-gaps-final.pdf>.

⁵ *Id.*

⁶ Peter Philips, “Kentucky’s Prevailing Wage Law: An Economic Impact Analysis” (Salt Lake City: University of Utah, 2014), available at <http://www.faircontracting.org/wp-content/uploads/2014/02/Kentucky-Report-2014-Philips.pdf>; Alison Dickson Quesada and others, “A Weakened State: The Economic and Social Impacts of Repeal of the Prevailing Wage Law in Illinois” (Chicago: University of Illinois at Urbana-Champaign, 2013), available at https://ler.illinois.edu/wp-content/uploads/2015/01/PWL_policy-brief_spreads041.pdf; Cihan Bilginsoy, “Wage Regulation and Training: The Impact of State Prevailing Wage Laws on Apprenticeship” (Salt Lake City: University of Utah Department of Economics, 2003), available at https://ideas.repec.org/p/uta/papers/2003_08.html; Manzo and Duncan, “An Examination of Minnesota’s Prevailing Wage Law.”

⁷ Dr. Kevin Duncan & Dr. Russell Ormiston, “Prevailing Wage Laws: What Do We Know?” Institute for Construction Economic Research, available at <https://iceres.org/wp-content/uploads/2014/10/prevailing-wage-review-duncan-ormiston.pdf>; Matt Hinkel and Dale Belman, “Should Prevailing Wages Prevail? Reexamining the Effect of Prevailing Wage Laws on Affordable Housing Construction Costs” (East Lansing, MI: Institute for Construction Economic Research, 2020), available at <https://faircontracting.org/wp-content/uploads/2020/01/Should-Prevailing-Wages-Prevail.pdf>; Hamid Azari-Rad, Peter Philips, and Mark J. Prus, “State Prevailing Wage Laws and School Construction Costs,” *Industrial Relations* 42 (3) (2003): 445–447, available at <https://onlinelibrary.wiley.com/doi/abs/10.1111/1468-232X.00299>; Kevin Duncan and Jeffrey Waddoups, “Unintended Consequences of Nevada’s Ninety-Percent Prevailing Wage Rules,” *Labor Studies Journal* 45 (2) (2020): 166–185, available at <https://journals.sagepub.com/doi/abs/10.1177/0160449X19897961>.

boosting the work performed by local construction contractors.⁸ By setting a minimum standard, prevailing wage laws reduce reliance on government assistance by construction workers.⁹

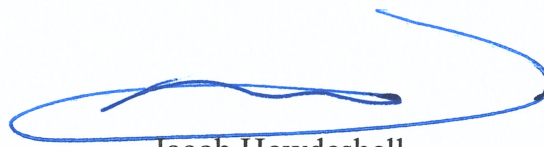
Prevailing wages support middle-class jobs.

Many fundamental values cut across party lines. A fair day's pay for a fair day's work is one of those bipartisan principles. Prevailing wage laws embody this value. An Alaskan performing the tough work of building our prized public projects should earn sufficient wages and benefits to support their family and remain in the middle class. The Laborers worked closely with former Congressman Don Young for many years, and he was an ardent champion for prevailing wages at the federal level.

Prevailing wage laws standardize fair pay for construction workers on public projects, increase access to health care coverage, and expand the number of workers with pension plans.

Thank you for your consideration of this matter.

Sincerely,



Jacob Howdeshell

⁸ Working Partnerships USA, "Economic, Fiscal and Social Impacts of Prevailing Wage in San Jose, California" (San Jose, CA: 2011), available at https://www.wpusa.org/5-13-11%20prevailing_wage_brief.pdf.

⁹ Frank Manzo IV, Alex Lantsberg, and Kevin Duncan, "The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry" (La Grange, IL: Illinois Economic Policy Institute and Smart Cities Prevail, 2016), available at <https://illinoisepi.files.wordpress.com/2017/03/pw-national-impact-study-final2-9-16.pdf>.