

Report Defending State-Mandated Construction Wage Rates ("Prevailing Wage") As Beneficial to Taxpayers Not a Credible Tool For Decision Makers



**By Kevin Dayton
President & CEO
Labor Issues Solutions, LLC**

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Executive Summary

An “Economic Policy Brief” entitled “Economic, Fiscal and Social Impacts of Prevailing Wage in San Jose, California” was published in April 2011 by Working Partnerships USA, a public policy institute based in San Jose that describes itself as an “independently funded social change organization.” The Working Partnerships USA report identifies numerous societal benefits that allegedly result when local governments in Santa Clara County, California require their construction contractors to pay wage rates determined by the State of California to be “prevailing” for each trade in that region.

Under the pretense of scholarly research, the Working Partnerships USA report attempts to prove that government-mandated wage rates for construction contracts are an “important economic development tool.” But a close analysis of the assumptions and claims in this report reveals numerous flaws.

Two problems in the report are especially serious:

- Its interconnected series of economic conclusions are based on a tiny sample of just two library projects in one county
- It relies on the assumption that workers on a project live near the main administrative office of their employer

Decision makers should also be wary of conclusions in the report because it lacks adequate source citations and has not been reviewed by academic peers. And also noteworthy is the funding of the Working Partnerships USA report by business associations whose construction contractor members are contractually bound in their master labor agreements to make the exact same employer payments as indicated in state prevailing wage determinations. These companies have a vested interest in using the government to eliminate the self-imposed competitive disadvantage of the terms and conditions in their union agreements.

While there is no recent unbiased scholarly study of the economic impact of state-mandated construction wage rates in California, the rigor of a recent study of the cost of project labor agreements on California school construction provides a dramatic contrast to the Working Partnerships USA report. “Measuring the Cost of Project Labor Agreements on School Construction in California” used a sample size of 551 school construction projects in 181 school districts to conclude that government-mandated project labor agreements are associated with a 13-15 percent higher cost.

This analysis provides a detailed explanation of problems in the Working Partnerships USA report, which include the following:

- Its data is too limited to make any reliable conclusions, lacks source citations (preventing independent testing of the hypotheses), and appears to be wrong.
- It fails to control for other variables besides government-mandated wage rates including geographical and cultural differences between the cities of Gilroy and Palo Alto.

- It fails to acknowledge or identify any potential “negative economic benefits” resulting from state-mandated construction wage rates.
- Its definition of “local” is subjective and of limited use. It also presumes all owners and employees live where the company’s administrative office is located. It never considers actual home addresses.
- Its “statistics” are generated by economic modeling software based on a very limited set of questionably accurate data.
- It essentially fabricates data about commuting patterns and distances.
- It is marred by hyperbole as well as unsubstantiated and derogatory claims about personal financial habits of construction company owners.
- It tries to conflate trades workers on building construction with a popular image of day laborers, even as it recognizes that these are two different classes in the same occupation.

Summary of Faulty “Key Findings” in the Working Partnership USA Report “Economic, Fiscal and Social Impacts of Prevailing Wage in San Jose, California”

1. Working Partnerships USA asserts, “Municipal building projects covered by a prevailing wage policy employ a higher proportion of local contractors and local workers. Prevailing wage laws therefore help reduce the leakage of local taxpayer dollars by directing public construction expenditures into the local economy.”

Flaws:

- The report examined just two projects yet assumes a global application of the data. No credible economist would use such a narrow sample. In contrast, a National University study used 551 school construction projects across 181 districts to determine that project labor agreements add 13-15% to construction costs.
 - The report did not consider how union jurisdictions and union hiring hall dispatching procedures could affect the composition of workers on a job site. For union locals with geographical jurisdictions that encompass multiple counties, workers may travel long distances to a job site. Large geographical jurisdictions may also result in a workforce that does not reflect the diversity of the city where the job site is located.
2. Working Partnerships USA asserts that “if prevailing wage coverage is removed from a municipal building project, then roughly 6% of the project’s value leaks from the Santa Clara County economy.” It asserts that if prevailing wage had not applied to San Jose’s 2007-2012 municipal building projects, total economic activity in the County would have fallen by \$164 million, 1,510 fewer local jobs would have been created in the County, and 88 jobs would have been lost in retail and food service and 57 jobs lost in health care.

Flaws:

- Even assuming the truth of this claim, any local economic benefit of a government-mandated prevailing wage would be offset by the increased cost of construction and the resulting reduction in the amount of construction work. The report neglects to account for any opportunity costs resulting from state-mandated construction wage rates.
 - The report relies entirely on IMPLAN modeling. While IMPLAN is widely used, most notably by people lobbying to justify new public spending, the input/output (I/O) model hinges entirely on valid inputs and valid multipliers. Without using the actual home addresses of workers as input data, the model cannot produce reliable conclusions about where workers will spend their paychecks. Instead of pulling publicly available certified records to determine worker addresses, the report authors used the office locations of the subcontractors and assumed workers dispatched by union hiring halls always lived in the vicinity of the contractor for whom they were temporarily employed.
3. Working Partnerships USA asserts, “In 2008, non-local construction workers employed in Santa Clara County cumulatively drove over 1 million miles per day to and from work. If the work done by non-locals was instead performed by locals with shorter commutes, then the estimated savings would be 123,619,000 miles per year.”

Flaws:

- Without knowing the home addresses of construction workers, the report cannot make such specific claims.
 - Commuting patterns can vary widely from county to county. Using commuting patterns in a single county and adding in assumed home addresses of construction workers to determine a universal application of commuter cost savings strains credibility.
 - Consistent with its pattern of ignoring any information that might conflict with its hypothesis, the report fails to account for reduced gas tax revenue that would result from less commuting.
4. Working Partnerships USA asserts, “A typical non-union construction employee on a non-prevailing wage project without health benefits would be eligible for \$3,665 in public assistance. At prevailing wage, the same worker would earn enough to support his or her family with no public assistance.”

Flaws:

- This is a hypothetical assertion without context. The report does not provide any evidence to justify its definition of a “typical non-union construction employee” working on a public works building project. In fact, a 2003 survey by the San Jose Unified School District of its union and non-union construction contractors showed 106 of the 110 contractors providing health and retirement benefits. There is no

backing for the insinuation that public works construction contractors will not provide benefits unless government requires it.

5. Working Partnerships USA asserts, “Prevailing wage also provides for employment of apprentices on public works. If apprenticeship programs could no longer enroll students, then the result would be a loss of about 2,340 full-time student slots.”

Flaws:

- The report contends that eliminating government mandates to require contractors to pay prevailing wage means that apprenticeship programs could no longer enroll students. This argument is unclear: it’s either worded wrong or it’s just plain wrong. Presumably union-affiliated Joint Apprenticeship Training Committee programs, non-union Unilateral Apprenticeship Committee programs, and individual company apprenticeship programs will continue to operate as long as companies see the need for quality training and workers see the need to get quality training.
 - While state-approved apprenticeship programs are an excellent way to get training, they are not the only legitimate way to learn a trade, and those programs are not ideal for every individual worker. Workers learn a trade at community colleges, in private technical post-secondary schools, in company programs, in the military, and sometimes even from their fathers.
6. Working Partnerships USA asserts that “Relative to the total construction workforce in Santa Clara County, joint apprenticeship programs employ 1.4 times more women and 4.7 times more African-Americans.”

Flaws:

- This “statistic” is meaningless and presented without any context. Its relationship to state-mandated construction wage rates is tenuous.
- Historically, prevailing wage and apprenticeship policies were associated with efforts to control who and how many people enter the construction workforce. Often those efforts were discriminatory and based on prejudice against racial groups or immigrants. Much more elaboration is needed to claim with any credibility that government-mandated wage rates enhance African-American participation in the construction workforce.

1. What Are the Policy Implications Behind Organizations Distributing This Working Partnerships USA Report to California’s State and Local Governments?

Article XI of the California Constitution authorizes cities to adopt a charter for “home-rule” self-governance of purely municipal affairs. As of June 2013, 121 of the 482 cities in California have enacted a charter.

As the California Supreme Court ruled in July 2012 in the case *State Building and Construction Trades Council v. City of Vista*, cities with a charter can exercise the right to supersede the state's construction wage rates with their own policies for purely municipal construction projects. Almost half of the state's charter cities have established their own policies concerning government-mandated construction wage rates ("prevailing wages") for municipal projects funded solely with city money. Because of the broad definition of "public works" in California law, these policies usually apply to private projects that receive city government assistance.

The California Department of Industrial Relations never attempts to survey contractors or workers or consult wage data from the California Economic Development Department to determine the true "prevailing wage" in a market region for a construction trade. In practice, the state determines rates by obtaining the union collective bargaining agreements that apply to each trade classification within the geographical jurisdictions of each union. It then adds up the amounts of each employer payment and establishes the total as the prevailing wage. Wage rates even include payments to union-affiliated trust funds that are not direct benefits to employees, such as labor-management cooperation committees.

Construction trade unions and certain unionized construction associations oppose the right of cities to circumvent state-mandated construction wage rates. As part of their campaign to end the practice, organizations such as www.SmartCitiesPrevail.org and the State Building and Construction Trades Council of California are circulating an "Economic Policy Brief" entitled Economic, Fiscal and Social Impacts of Prevailing Wage in San Jose, California to city councils and state legislative committees.

2. Working Partnerships USA Finds Two Useful Anecdotes and Exploits Convenient Circumstances to Make a Deceitful Comparison

The centerpiece of this report is the comparison of contracts awarded in the summer of 2010 for two library projects in Santa Clara County: a 54,000 square foot library project for which the City of Gilroy required contractors to pay "prevailing wage" rates set by the state and a 56,332 square foot library project for which the City of Palo Alto did not require contractors to pay specific rates. A June 14, 2010 staff report to the Gilroy City Council described its library project as a "large and complex public project involving multiple interrelated contracts and contractors." The Palo Alto library project could be described in the same way.

Ironically, there was consideration of bidding the Gilroy library project without a government mandate for contractors to pay prevailing wages. On March 17, 2010, the Gilroy City Council voted 6-1 at a special meeting to not exercise its authority as a charter city to establish its own prevailing wage policy for its library project. A staff report prepared for the meeting indicated that not requiring state-mandated wage rates could result in labor cost savings between \$1,570,000 and \$2,826,000, depending on whether prevailing wage rates were 20 percent or 30 percent higher than market rates and on whether labor costs were 50 percent or 60 percent of the project's total costs.

A phone survey conducted at that time by staff of the Golden Gate Chapter of Associated

Builders and Contractors determined that all five general contractors prequalified to bid on the project were signatory to unions. Meeting minutes and news coverage shows that union officials and activists attended the meeting in substantial numbers to urge the city council to require contractors to pay state-mandated wage rates (and to require contractors to sign a Project Labor Agreement with unions as a condition of building the library). (For news coverage, see “Should Gilroy Pay Prevailing Wage or Save 20 to 30% on New Library?” – Gilroy Dispatch – March 15, 2010; “Council Holds Off on Prevailing Wage Discussion for Library” – *Gilroy Dispatch* – March 15, 2010; and “Council to Pay Prevailing Wage for Library Project” – *Gilroy Dispatch* – March 18, 2010.)

One city councilmember voted against it, saying, “I believe in the free market system and capitalism.” He was subsequently warned via the IBEW Local 332 web site about the political consequences of his position: “...we will be sure to remind our many members (whom live and vote in Gilroy) at election time how you voted against their best interests.” Obviously Gilroy City Council members had other factors to weigh besides economic and fiscal analysis.

The Gilroy City Council awarded the construction contract for its library in June 2010 at an amount of \$17.3 million, well below the engineer’s estimate of \$23.7 million. The Working Partnerships USA report does not consider if the low bid would have been even lower without the city requirement for contractors to pay state-mandated wage rates, or whether the engineer’s estimate was artificially inflated.

Meanwhile, the Palo Alto City Council awarded the construction contract for its New Mitchell Park Library & Community Center in August 2010 at an amount of \$24.4 million, also well below the engineer’s estimate of \$32.4 million. As customary for municipal projects, the city did not require its construction contractors to abide by state-mandated wage rates. The Working Partnerships USA report does not consider if the low bid would have been higher with a city requirement for contractors to pay the state-mandated prevailing wage rates.

Bids well below the engineers’ estimates for these two projects were not inexplicable. As stated in the August 5, 2010 staff report to the Palo Alto City Council, “The low bids for this project can be attributed to the current depressed economic conditions, which are highly conducive to competitive bidding.”

It’s not surprising that supporters of government-mandated prevailing wage rates would center their arguments on comparing these two projects. While winning bid amounts for both projects were about 25% under engineers’ estimates, the Gilroy library was completed and fully operational in April 2012 as an obvious success, while the Palo Alto library has numerous change orders and significant cost overruns. It remains incomplete and far behind schedule as of August 2013. The city blames the prime contractor, the prime contractor blames the architect, and ultimately the courts will probably decide who is to blame.

Construction trade unions and allied organizations proclaim that the project failed because the City of Palo Alto did not require its contractors to pay state-mandated construction wage rates. It’s to be expected that an organization looking to associate a lack of government-mandated wage rates with failure would spend years waiting for just such a case study, neglecting any contrary projects along the way that prove otherwise.

3. Only One Variable Considered in Comparing the Two Libraries

The Working Partnerships USA report found the Gilroy library project to have a higher number of contractors based in Santa Clara County than the Palo Alto library project. This report perceives profound meaning in these findings, claiming they “suggest that prevailing wage increases local contracting.” It then takes what it initially says is a suggestion and proceeds to extend it as a certainty to economic analyses of many more projects in a “region-wide perspective.” In the process, it neglects to consider how other variables besides government-mandated wage rates may have influenced the geographical location of the administrative offices of the prime contractor and its subcontractors.

There is at least one credible alternative theory to explain the difference in the percentage of Santa Clara County contractors on the two library projects. Numerous Santa Clara County subcontractors had just obtained work on the Gilroy library project in June 2010. These companies may have chosen not to extend themselves beyond their capabilities with participation in another equivalent project awarded two months later. Without surveying contractors to determine their reasons for participating or not participating in the bids, Working Partnerships USA is merely speculating on the reasons for the difference.

4. Sample Size Is Too Small

An ideal case study for examining the immediate economic impact of state-mandated wage rates would be a project simultaneously bid both with a wage requirement and bid without a wage requirement. Although such a case is not available, a comparison of an adequately sized sample of projects that isolates the government-mandated wage variable from other variables could identify a statistically significant pattern.

Working Partnerships USA relies on a lone comparison of two projects. This is obviously not a large enough sample size to extrapolate as a rule to other projects or groups of projects. Extraneous arguments throughout the 14-page brief tend to disguise the paltriness of the core data and how numerous claims in the report depend on it.

5. Is Office Location the Prime Measure of Quality and Value?

Working Partnership USA produced this report under the apparent presupposition that a top priority of public works construction for local governments within Santa Clara County should be to keep economic activity confined within the borders of Santa Clara County. The report never considers the capability of a contractor to fulfill its contractual obligations or the obligation of the local government to procure construction at the best price for the taxpayers. As noted elsewhere in this analysis, Working Partnerships USA chooses to ignore or reject the idea that state-mandated wage rates increase labor costs and construction contracts.

Several of the subcontractors not based in Santa Clara County were listed in more than one bid on both the Gilroy library project and on the Palo Alto library project, suggesting these particular subcontractors were highly regarded in the Northern California construction industry for potential performance on the specified work at a reasonable price. Is this wrong?

It is not unusual, unreasonable, or inappropriate for elected officials to set policies that encourage local businesses to win contracts in their own communities. To expect (or dream) that owners and employees of companies that perform public works building construction all live in the same community (or at least in the same county) is absurd.

6. Only Winning Bidders Were Analyzed for Local Contractor Participation

Working Partnerships USA did not include an analysis of the office locations of the prime contractors and subcontractors of the bidders that did not win the library contracts. This would have at least enlarged the number of contractors and provided a more accurate assessment of the percentage of contractors from Santa Clara County interested in bidding the two projects.

In fact, an analysis of all of the bids for the Gilroy library shows that the number and percentage of participating local contractors in Devcon Construction’s winning bid were exceptional.

All Bids for Gilroy Library

Bidder/Prime Contractor	Total Number of Contractors Prime + Subs	Number and % of Contractors with an Office in Santa Clara County	
Devcon	32	17	53.1%
Taisei	19	8	42.1%
Rudolph & Sletten	32	12	37.5%
Swinerton	24	8	33.3%
Total	107	45	42.1%

All Bids for Palo Alto Library

Bidder/Prime Contractor	Total Number of Contractors Prime + Subs	Number and % of Contractors with an Office in Santa Clara County	
Doug Ross Construction	60	17	28.3%
S.J. Amoroso	27	7	25.9%
West Coast Contractors	28	5	17.6%
Overaa Construction	29	3	10.3%
Flintco	23	1	4.3%
Midstate Construction	19	0	0%
Total	186	33	17.7%

Clearly, the Gilroy library project attracted more companies with an administrative headquarters based in Santa Clara County. Reasons for that remain unknown, as noted above in the section “Only One Variable Considered in Comparing the Two Libraries.”

Working Partnerships USA found a circumstance in which the lowest bidder for one library project had the highest rate among all bidders for participation of contractors with an administrative office in Santa Clara County. It was able to compare this favorably to another library project in which the lowest bidder had the second lowest rate among all bidders for participation from contractors with an administrative office in Santa Clara County. This is a very weak basis to conclude that local governments adopting state-mandated wage rates reap “positive economic benefits.”

7. The Sixteen San Jose Libraries Cited in the Report Were Not Analyzed for Local Contractor Participation

Notably, the report briefly references an unidentified set of 16 libraries apparently built by the City of San Jose under prevailing wage requirements from 2003 to 2009 at a total cost of \$177 million (in 2010 dollars), for which the IMPLAN economic model spit out a 6% loss of over \$11 million in “leakage from the Santa Clara County economy if the city did not require its contractors to pay prevailing wage rates.

Why weren’t these 16 library projects analyzed for local contractor participation? The report claims these libraries had 21% more “local hiring” because of prevailing wage, but this percentage was apparently obtained from the IMPLAN software calculation derived from the comparison of the Gilroy library with the Palo Alto library.

8. Lack of a Government Mandate Does Not Necessarily Mean Contractors Weren’t Paying Wages and Benefits Near or at State-Mandated Wage Rates

By not requiring its contractors to submit to the state-mandated prevailing wage laws, the City of Palo Alto freed itself from the administrative burden and expense of collecting and maintaining certified payroll records to determine if wages matched the rates set by the California Department of Industrial Relations. For this reason, Working Partnerships USA has necessarily based its conclusions on assumptions about wages paid (assuming they were lower), rather than information about actual wages paid.

9. Source Data about Contractors for the Gilroy and Palo Alto Libraries Is Suspect

The report claims that 33 contractors (prime contractor and subcontractors) were listed for the winning bid on the Gilroy library project in Gilroy and 33 contractors (prime contractor and subcontractors) were listed for the winning bid on the Palo Alto library project. Allegedly 18 of the 33 contractors working on the Gilroy library were “local” (that is, with an administrative office based in Santa Clara County), while one of the 33 contractors working on the Palo Alto library were “local” (once again, with an administrative office based in Santa Clara County).

Because the report does not cite the source of this information or list the contractors and their

office locations, there is no way to check the Working Partnerships USA data for accuracy. However, information about subcontractors obtained directly from the City of Gilroy and the City of Palo Alto do not agree with the claims made by Working Partnerships USA.

The report appears to be erroneous in claiming that 18 of the 33 contractors on the Gilroy library project were local, with 71.2% of the total contract value. A listing of subcontractors obtained from the City of Gilroy indicates 17 of 32 listed contractors (including the prime contractor) are local under the definition of “local” being an administrative office based in Santa Clara County. So there is only a small difference between the numbers in the report and the information obtained directly from the City of Gilroy.

The total amount of the contract of these 17 contractors is \$9,408,054 of the \$17,263,444 contract award, or 54.5%. This contrasts with the 71.2% claimed by Working Partnerships USA.

Working Partnerships USA fails to cite the source of its data in footnotes or reference a source in the text. For this reason, the data cannot be cross-referenced to determine the reason for the discrepancy. Below is data obtained from the City of Gilroy and City of Palo Alto.

**Local Contractors in Bids for Gilroy Library
(Prime Contractor and Listed Subcontractors)**

Trade	Company	Office Location	Contract Value
Prime Contractor	Devcon	Milpitas	2,705,928
Grading and Paving	Jos J. Albanese	Santa Clara	160,000
Site Utilities	Robinson & Moretti	Gilroy	97,000
Misc. Metals	Westco Iron Works	San Jose	381,500
Millwork	Amberwood Products*	San Jose	650,000
Roofing	Bartek	Sunnyvale	168,000
Flashing and Sheet metal	Wildcat Metals	San Jose	183,450
Glass and Glazing	Silicon Valley Glass	Morgan Hill	732,600
Plaster	O'Donnell Plastering	Santa Clara	238,000
Drywall/Metal Framing	Custom	Milpitas	795,000
Plaster ceilings	O'Donnell Plastering	Santa Clara	87,000
AV systems	Musak	Gilroy	131,868
Elevators	Otis Elevator Company	San Jose	141,000
Electrical	Sprig	San Jose	2,775,474
Security systems	Comtel	Sunnyvale	161,234
PV systems	Fresco Solar	Morgan Hill	Not Quoted
Controls	Automated Control	San Jose	Not Quoted
Total			\$9,408,054

**Non-Local Contractors in Bids for Gilroy Library
(Prime Contractor and Listed Subcontractors)**

Trade	Company	Office Location	Contract Value
Site concrete	Galetti & Sons	Martinez	197,000
Rebar	Alamillo Steel	Benicia	591,135
Structural concrete	RJS & Associates	Hayward	2,502,360
Rough carpentry	McClone	El Dorado Hills	658,500
Insulation	Res-Com Insulation	Hayward	89,970
Clay tile roofing	Rideout Roofing	San Leandro	197,700
Terrazzo	Marbella Flooring**	Lake Elsinore	345,268
Acoustial ceilings	PCI**	Hayward	345,268
Wall panels	Wall Covering Designs***	San Carlos	86,317
Painting	Custom Painting***	Livermore	86,317
Fire Protection	Ayoob & Perry	San Francisco	148,000
HVAC	West Bay Heating Sheet Metal	Redwood City	1,929,971
Plumbing	Quality Plumbing	Salinas	283,000
Flooring	Floor Connection	Arroyo Grande	172,634
Library stacks	Systems & Space	Pleasanton	221,950
Total			\$7,855,390

* Appears to have a non-local subcontractor – Evans Bros. Cabinets in Redwood City – performing work on cabinet installation. (Source: photo caption for New Library, Gilroy Dispatch, March 30, 2011).

** Listed as 2% of the bid

*** Listed as .5% of the bid

Meanwhile, the Working Partnerships USA report appears to err when it claims there are 33 contractors on the Palo Alto library project. A listing of subcontractors indicates 25 companies.

**Local Contractors in Bids for Palo Alto Library
(Prime Contractor and Listed Subcontractors)**

Trade	Company	Office Location
Stone Assembly	International Tile	San Jose

**Non-Local Contractors in Bids for Palo Alto Library
(Prime Contractor and Listed Subcontractors)**

Trade	Company	Office Location
Prime Contractor	Flintco	Folsom

Demolition/Abatement	W.C. Maloney	Stockton
Earthwork, Site Concrete	Beebe	Sacramento
Electrical Utilities	Emard	Loomis
Landscape/Irrigation	Park West	Dublin
Concrete/Building	Galetti & Sons	Pacheco
Reinforcing Steel	Alamillo Steel	Benicia
Structural Steel	Skyline Steel Armour Steel (substitute)	Gilbert, AZ Rio Linda
Decorative Railings	HDI	Columbia, PA
Roofing/Panels	Kodiak	Lincoln
Glazing	Fast Glass	Carson City, NV
Metal Studs/Drywall	LB Construction	Rocklin
Plaster	Shapiro	Novato
Acoustic Ceilings	PCI	Hayward
Modular Floor System	Pugliese	Rancho Santa Margarita
Flooring	MCC	San Francisco
Library Shelving	SSI	Pleasanton
Elevators	Kone	San Leandro
Roller Shades	Revo Design Studio (substitute not known)	Traey
Fire Protection	Automatic Fire Protection	Pittsburg
Plumbing & HVAC	Diablo Plumbing	Pleasanton
Electrical/Photovoltaic	Applegate Johnson	Modesto
HVAC	Bay City Mechanical	Richmond (CA)
Dimensional Stone	Columbia Stone	Tualatin, OR

It is unknown how Working Partnerships USA identified 33 contractors (instead of 25) on the Palo Alto library project, unless it obtained documents that identified subcontractors of subcontractors or identified subcontractors not listed in the bid submissions because they comprised less than one-half of one percent of the work. By failing to cite the source of the data in footnotes or reference it in the text, Working Partnerships USA eliminates any opportunity to cross-reference its data with data provided by the City of Gilroy.

Even more mysterious is how Working Partnerships USA obtained dollar amounts of work for each of the subcontractors on the Palo Alto library project in order to determine the “project value” of their work. It does not cite the source of the data in footnotes or reference it in the text. Nevertheless, the report claims that 11.7% of the “total project value” of the Palo Alto library went to the one of 33 “local contractors.”

10. The Two Libraries Are in Santa Clara County, But Gilroy and Palo Alto Are Geographically and Culturally Different Cities

Although they are both located in Santa Clara County, Palo Alto and Gilroy are not close in distance, nor are the two cities as similar as the report insinuates. Gilroy is the most southern city in Santa Clara County, bordering rural San Benito County. Palo Alto is the most northern city in Santa Clara County, located on the densely populated Peninsula bordering San Mateo County. According to Google maps (a source cited in this report to estimate commute distance), Gilroy and Palo Alto are 49 miles apart, based on the shortest travel route. Travel time between Gilroy and Palo Alto during commuter periods is at least one hour if not much more.

11. The Definition of “Local” Is Subjective and Arbitrary

The definition of “local” is based on Santa Clara County borders rather than actual proximity of the contractor’s office to the project. In the case of the Palo Alto library, a company based in Redwood City, nine miles from Palo Alto, would be regarded as a contractor that is not local because it is in San Mateo County, while a contractor based in Gilroy, 49 miles away, would be regarded as a local contractor. Companies based in Fremont are regarded as non-local because they are located on the wrong end of the Dumbarton Bridge.

The report never explains its choice for its definition of local, which regards mid-sized construction companies as something comparable to residential plumbing repair firms that focus on the hometown market. Is Working Partnerships USA unaware that Northern California is a standard geographical territory for contractors that perform major building construction? The definition may be a cynical attempt to pander to local politicians who have no vested political interest in regional economic markets, or it may simply reflect the geographical jurisdiction of the Santa Clara-San Benito Counties Building and Construction Trades Council.

12. Hypocrisy or Just Not Thinking Outside the County Lines?

Is Working Partnerships USA critical of companies based in Santa Clara County working on prevailing wage projects outside of the county?

The Milpitas-based general contractor Devcon Construction – the general contractor on the Gilroy library project – is regarded as a “local contractor” because its closest (and main) office is based in Santa Clara County. Devcon Construction won a contract in 2008 to be the Construction Manager at Risk for the Interim Library at the Annex Building of the City of Brentwood, California. In 2004, it bid on the Live Oak Library Project of the County of Santa Cruz.

According to its web site (www.devcon-const.com) as of June 10, 2013, Devcon has satellite offices in Petaluma, Stockton, Santa Cruz, and Reno, Nevada, and has built projects in Nevada, Idaho, Oregon, Texas, Massachusetts and Florida. The ownership may live anywhere and could even be a New York City hedge fund. Further, some of these states don’t even require contractors to pay prevailing wages! Does Working Partnerships USA object to this violation of its principles of local contracting?

13. Conclusions Abound about “Local Workers” Despite Not Knowing Employee Addresses

The report does not provide or cite any evidence to show that the geographical location of these contractors’ offices actually correlates with home addresses of the employees who worked on the library projects. It is unlikely that construction trade workers traveled to the job site from the office location of the contractor. A company with an office 50 miles away from the job site may employ workers who predominately live 10 miles away from the job site.

As noted above, Palo Alto did not require contractors to maintain and provide certified payroll records, so even a labor-management cooperation committee would not have been able to obtain the addresses of workers on the Palo Alto library project.

14. It’s Not Unusual for Construction Workers on Building Projects to Travel within Northern California

The State Building and Construction Trades Council stated in its opening brief to the California Supreme Court in *State Building Trades Council v. City of Vista* that “construction workers today routinely commute to projects outside the cities in which they happen to live” and “it is not uncommon for today’s construction workers to commute more than 100 miles to work at a job site.” (This happens because construction trade unions have geographical jurisdictions that often encompass large regions and because they use a “traveler” classification so out-of-area union workers have access to jobs.)

Ignoring the union arguments that workers often travel to job sites, the Working Partnership USA report tries to evoke a horrifying image of hordes of underpaid out-of-town workers penetrating Santa Clara County to build the Palo Alto library. In reality, Northern California is a typical market region for trained construction trade workers who perform major building construction. A footnote in the report even acknowledges, “It is likely that large commercial or public jobs attract a higher proportion of non-local workers than does the residential sector.”

Surely there are construction workers living in Santa Clara County who have recently worked in other areas of Northern California, especially during the time of difficult economic circumstances for the California construction industry in the years before and after the cities of Gilroy and Palo Alto awarded contracts to build their libraries. In fact, a counter-report analyzing the economic impact of government-mandated prevailing wage rates in San Joaquin County would likely reveal that prevailing wage encourages workers in some trades to travel from the expensive Bay Area to the Central Valley for work, because workers do not have to accept a lower local market wage that reflects a lower local cost of living.

15. Running a Single Case Through an Amazing Computer Program

After making poorly-developed assertions about local contractors and local workers from flawed, limited data that compares winning bids for two suburban library projects, the researchers then hired an economist to use statistical software called IMPLAN to extrapolate what would allegedly happen if the City of San Jose did not require contractors to pay state-mandated

construction wage rates for 16 libraries built from 2003 through 2009. Then it applies those results on City of San Jose capital improvement projects in a five-year period from 2007 through 2012. Then it applies these conclusions to \$1.24 billion in unspecified public works construction for the entire County of Santa Clara from 2008 to 2010. Setting aside issues of the credibility of IMPLAN and the appropriateness of using IMPLAN for this kind of work, this kind of analysis relies on fundamental errors in deductive reasoning that are revealed in the appendix of this analysis.

16. Source Data for the City of San Jose Projects Is Suspect

What are the 16 library projects from 2003 to 2009 that had a total cost of about \$177 million? It appears these projects were built by the City of San Jose, although the report is not clear about it. Working Partnerships USA uses these projects as the basis for the key IMPLAN calculation that shows an alleged 6% “leakage” of about \$11 million of economic activity from Santa Clara County if those libraries were built without government-mandated prevailing wage rates and had the same rate of participation from subcontractors with administrative offices based in Santa Clara County as the rate of the Palo Alto library.

The footnote for the 2007-2012 Capital Improvement Program of the City of San Jose does not actually indicate the source of the information. In addition, the section addressing the 2007-2012 Capital Improvement Program of the City of San Jose never indicates the total amount of these projects or whether or not these projects were actually built. It does not indicate if the total program cost includes land purchases, pre-construction services, or other expenses not related to actual contract labor work.

17. Subsequent Conclusions Based on Extrapolating Library Data to San Jose Data Are Faulty

Following the application of the one library comparison to a set of San Jose building projects and making unsubstantiated conclusions about a “local workforce,” the report runs the numbers through the IMPLAN formula and asserts a series of conclusions about economic activity, job creation, and property and sales tax revenue. To add credibility to these conclusions, the report provides specific numbers and compares them to specific amounts of subsidies or proposed subsidies for construction projects in the City of San Jose.

Put this procedure in perspective: Working Partnerships USA identified the cities where subcontractors on two different library projects have their administrative offices. With that information, it produced a report asserting the additional amount Santa Clara County receives in property tax revenue because most government projects are built with prevailing wage mandates. Do you have confidence in such a conclusion?

18. Transportation Conclusions Are Based on Broad, Unproven Assumptions

In addition to depending on fundamental logical errors in deductive reasoning, the report’s

conclusions about commuting and greenhouse gas emissions are invalid because the report does not provide or cite any evidence to show how construction trade workers traveled to the job site. It assumes that every construction worker from outside the county drove alone to the job site from one standard location in the county where the employer has its administrative office. Even if that was the case, three workers traveling together in one vehicle from 50 miles away will produce less emissions than three “local” workers traveling in their own vehicles from 25 miles away.

The report never actually attempts to quantify the number of commute miles driven by construction trade workers on any of these sets: the Gilroy library, the Palo Alto library, 16 library projects of the City of San Jose, capital projects of the City of San Jose, or all prevailing wage projects in Santa Clara County.

Researchers introduce a number of 123,619,000 total miles driven in 2008 by construction workers who work in Santa Clara County but do not live there. Even if this alleged statistic was valid, the report does not establish how many of those workers are performing prevailing wage work or working on building construction.

The concept of “non-local workforce” in this report distorts actual commuting patterns. Someone who travels nine miles from Redwood City to Palo Alto to work on the library is regarded as a non-local worker, because his residence is in San Mateo County. Someone who travels 49 miles from Gilroy to Palo Alto is regarded as a local worker.

Finally, the report never takes into account the possibility that state-mandated prevailing wages might actually encourage commuting. A counter-report in San Joaquin County might reveal that state-mandated construction wage rates are encouraging workers in some trades to make long commutes from Santa Clara County to San Joaquin County, because prevailing wage neutralizes the disincentive to work in an area with lower market wage rates.

19. Costs to Taxpayers Does Not Adequately Address Potential Savings of Market Wage Rates: Opportunity Costs of Government-Mandated Prevailing Wage Rates Aren’t Considered

Authors of the Working Partnerships USA report were determined not to betray their arguments by acknowledging that a government might possibly be able to build a project successfully at a lower cost by allowing its contractors to pay market wage rates instead of state-mandated wage rates. Nor were they inclined to address the possibility that lower costs for construction might translate into more projects with more steady work opportunities in an occupation that Working Partnerships USA describes as “employed only for the length of a construction contract.”

State-mandated wage rates for construction trade workers are higher than actual market wages. In comparing costs of the two library projects, wage rates would seem to be the easiest of fiscal variables to isolate and quantify as an issue of interest to taxpayers – certainly easier than determining how much additional property tax revenue goes to Santa Clara County because of state-mandated wage rates.

Yet the report can’t escape the reality that state-mandated construction wage rates are higher

than market wage rates. To evade this difficulty in its argument, the report contends – without citing any sources for the claim besides “standard economic theory” – that lower wages are squandered in lower productivity from a less-motivated workforce. One is left wondering if Working Partnerships USA believes that California’s prevailing wage rates – determined by the government using collective bargaining agreements – achieve the perfect relationship between wages and productivity.

Using “standard theory about the nature of humanity,” one could counter-argue that government-mandated wage rates may actually *discourage* worker motivation to be productive, because compensation is unrelated to performance. In addition, confidence in the government guarantee of specific wage rates may encourage trade employees to stoke a disrespectful, adversarial relationship between management and trade employees, thus compromising productivity.

And just in case the productivity claim is proven to be false, the report also asserts – again without citing any sources for the claim – that company owners pocket any savings in their own bank accounts. (See below for an analysis of this claim.)

The report also turns to authorities to defend its position. It rather glibly asserts that studies “have overwhelmingly found no significant cost effect of prevailing wage,” but within the report text it cites only one journal article, which was co-authored by a University of Utah professor who routinely prepares studies on behalf of labor unions. In fact, this one professor is involved with most of the academic studies claiming that prevailing wage does not increase the costs of construction. To be objective and avoid the appearance of propaganda, this report should have noted, at least in passing, that some studies – including studies from non-partisan government budget analysts – have shown that government-mandated prevailing wage rates increase construction costs.

Numerous charter cities in California besides Palo Alto choose not to impose state-mandated construction wage rates on purely municipal projects, but apparently Working Partnerships USA wants the reader to believe these cities have no fiscal basis behind their choice to reject this “economic development tool.” Such unfounded assertions insult the elected and appointed officials and professional staff who govern and manage the affairs of these cities.

20. Basing Economic Models on Assumptions of Selfish and Greedy Business Owners

The report contends that company owners would not have reduced their bid amounts if the City of San Jose did not require contractors to pay state-mandated construction wages rates, but would instead bid the same amounts and divert the increased profit margins to their own personal bank accounts as “income for the contractor/owner.” The report claims these company owners would spend \$34,000 less in the local economy (presumably, Santa Clara County) for each \$1 million they diverted from their workers, who are deprived of government-mandated wage rates.

This reasoning has numerous flaws:

- The report does not provide or cite any evidence to show that company owners do not

reduce bid amounts for projects without government-mandated construction wage rates.

- The report does not provide or cite any evidence to show that companies make higher profits on projects without government-mandated construction wage rates.
- The report assumes that employees do not share in the profits of the company, either through a formal program or indirectly through wages, benefits, or other compensation.
- The report assumes that a company owner would choose not to use greater profit to boost employee wages, benefits, or other compensation.
- The report assumes that a company owner would choose not to use greater profit to upgrade equipment, expand operations, or otherwise invest in the growth of the company, thus becoming more productive and also needing to hire more employees.
- The report does not provide or cite any evidence to show that construction company owners spend less money in Santa Clara County than construction trade workers, although the percentage apparently is only 3.4% less. Is the reader supposed to guess the exotic locales where the money is spent instead of in Santa Clara County?
- This conclusion – along with others in the report – betrays the lack of knowledge of the construction industry among the scholarly researchers of Working Partnerships USA. Instead, this conclusion seems to be predicated on academic theories of class-consciousness.

21. Unrelated and Unsubstantiated Claims about Health Insurance Coverage Are Appended

- Abruptly moving into a new arena of argument, the report asserts that a typical non-union construction employee working on a non-prevailing wage project without health benefits would be eligible for \$916 to \$8,032 in public assistance for his or her family. This claim inspires numerous questions:
- The report never defines “a typical non-union construction employee on a non-prevailing wage project without health benefits.” It includes a graph entitled “Secondary Public Subsidy for a Non-Prevailing Wage Construction Job Without Health Benefits, Santa Clara County, 2009” based on a “*Government Transfers to Low-Wage Workers Calculator*” developed by the Los Angeles Alliance for the New Economy (LAANE), another union-oriented policy institute. The report does not explain this calculator or the source of wage data or government subsidy data.
- The researchers have pulled an intellectual bait-and-switch. Initially the report seemed to focus on public works building construction for a \$17 million library and a \$24 million library. Now the report addresses workers with low wages and no health coverage for their families, which presumably includes unskilled laborers who repair fences in residential neighborhoods and day laborers who are picked up for residential landscaping work.

- The report leads the reader to assume that workers who aren't getting prevailing wage are not local and are commuting to Santa Clara County from elsewhere. So why would their families get public assistance from Santa Clara County? And if their families get public assistance from Santa Clara County, apparently they aren't really commuting from out of the area – they are local. The report contradicts itself.
- The report attempts to lure the reader into assuming that the contractors on the Palo Alto library project were paying low wages and denying health insurance to their workers' families because the city did not require state-mandated construction wage rates. The report does not provide or cite any evidence to show this is the case.
- Public assistance as defined in this report includes “children’s health coverage, low-income tax credits, and free or reduced school lunches.” Once again, the report does not provide or cite any evidence to show that trade workers on the Palo Alto library were accessing such services. It would be interesting to survey families getting public assistance to determine how many primary wage-earners work for an employer or employers who typically perform construction contract work for building construction.
- The report does not cite any sources concerning how many construction workers have a “family” or whether or not these workers obtain health insurance coverage from the employer of a spouse.
- Since this report contends that most workers on the Palo Alto library lived outside of Santa Clara County, why does the report address public services provided by Santa Clara County to such employees and their families?

22. Societal Dysfunction Is Attributed to Commuting, Without Evidence

The report contends that construction workers commuting into Santa Clara County from other counties are causing “less livable neighborhoods” and “lower social cohesion” and “reducing civic participation and straining families.” It does not provide or cite any evidence to show that commuting results in such devastating impacts on neighborhoods and families. In fact, some of the counties and cities in the United States with the most community involvement and lowest crime rates are dominated by commuters. One could counter-argue with the same amount of evidence that long commute times reduce idle time and result in fewer opportunities for disorderly or destructive personal behavior in the home or neighborhood.

23. Will There Really Be Dire Consequences for Training If Government Does Not Mandate Prevailing Wage?

The report argues that not requiring contractors to pay prevailing wage means that apprenticeship programs could no longer enroll students. This argument is unclear: it's either worded wrong or it's just plain wrong. Presumably union-affiliated Joint Apprenticeship Training Committee programs, non-union Unilateral Apprenticeship Committee programs, and individual

company apprenticeship programs will continue to operate as long as companies see the need for quality training and workers see the need to get quality training.

While state-approved apprenticeship programs are an excellent way to get training, they are not the only legitimate way to learn a trade, and those programs are not ideal for every individual worker. Workers learn a trade at community colleges, in private technical post-secondary schools, in company programs, in the military, and sometimes even from their fathers.

This argument hints at the regrettable reality that apprenticeship training has a political component – program admissions can be manipulated to control who and how many people enter the construction workforce. The claim that Joint Apprenticeship Training Committee programs train more African-Americans and women than Unilateral Apprenticeship Committee programs is somewhat ridiculous, because the numbers for both are relatively small.

24. Funders of the Report Have a Financial Interest in Imposing Government-Mandated Prevailing Wage Rates on the Public Works Projects of Local Governments

As stated in a December 2012 analysis of another Working Partnerships USA report, *Effect of Project Labor Agreements on Local Business Utilization in Santa Clara County, California*, just because an organization funds a report that argues in support of its positions doesn't necessarily mean that the conclusions of the report are invalid. However, special scrutiny of that report is appropriate.

This particular report is funded by the Construction Employers' Association, the Bay Area Chapter of the Sheet Metal and Air Conditioning Contractors' National Association, the Santa Clara Valley Chapter of the National Electrical Contractors Association, and the Northern California Mechanical Contractors Association. While the source of funding in itself should not necessarily lead someone to discount the report, the reader should be aware that these contractor associations are comprised of member companies that signed agreements with unions to pay prevailing wages on all projects whether the awarding body requires it or not. They regularly lose business to competitors not bound to union collective bargaining agreements.

As outlined in California law, these associations submit Master Labor Agreements to the California Department of Industrial Relations, where the agency incorporates the employer payments indicated in the agreements into its determinations of state-mandated prevailing wage rates. As instituted by law in 2003, those rates even include employer payments in the collective bargaining agreements that are not direct employee benefits. These contractor groups have an economic interest in using the government to require all competing contractors to make the equivalent employer payments as a "prevailing wage."

Note that while the report states that "industry and community have developed tools" such as prevailing wage, these are apparently euphemisms for "unionized contractor associations" and "unions." But these groups don't impose prevailing wage on contractors: it is government that does so, subverting both voluntary collective bargaining and voluntary individual bargaining.

25. The Group That Produced the Report Has an Overt Ideological Bias

This report does not list the authors or their background and qualifications. There is no evidence as of August 2013 that any outside parties reviewed the research or findings of this report.

Working Partnerships USA has been described as a “think and do” institute, because it both conducts research and pursues strategies for the implementation of specific public policies (oriented toward union objectives). As indicated on the Working Partnerships USA web site, this organization is directed by a board consisting largely of current and former labor union officials. At the time Working Partnerships USA produced this study, the group’s executive director was a former executive for the South Bay AFL-CIO Labor Council.

Of course, just because an organization has an explicit ideology and wants to see its theoretical work implemented in the political arena doesn’t necessarily mean that its research and conclusions are invalid. However, special scrutiny of its reports is obviously appropriate.

26. Reality: This Working Partnerships USA Report Has Little Practical Impact on Public Policy Decisions

In practice, the choice of a state or local government to impose specific construction wage rates on its construction contractors is primarily a function of the political power of construction trade unions in the community served by that government. When the Gilroy City Council voted 6-1 to require its contractors to pay state-mandated construction wage rates on its library, it downplayed the economic analysis in the staff report and paid attention to the aggressive objections of union officials and activists who organized to oppose market wage rates. Their lobbying was not offset by individuals or groups who might have argued for a policy that placed the highest priority on fiscal concerns. And the International Brotherhood of Electrical Workers Union Local No. 332 did not respond to the one dissenting vote on the Gilroy City Council by arguing about “positive economic impacts” – it informed that city council member that unions would engage in campaign activity to defeat him in the next election.

Appendix: How the Working Partnership USA Report “Economic, Fiscal and Social Impacts of Prevailing Wage in San Jose, California” Developed Its “Key Findings”

Source Data on Local Contractors

The definition of a local contractor for both the Gilroy and the Palo Alto libraries is having an administrative office based in Santa Clara County, regardless of the proximity of adjacent counties to the project site.

17 of 33 contractors on the Gilroy library had an administrative office based in Santa Clara County – source not cited and undetermined.

1 of 33 contractors on the Gilroy library had an administrative office based in Santa Clara County – source not cited and undetermined.

The claim of 33 total contractors on the Palo Alto library conflicts with the 22 contractors identified in the prime contractor’s listing of subcontractors submitted with the bid.

Source Data on Dispersion of Funds to Local Contractors

Contractors on the Gilroy library with an administrative office based in Santa Clara County (presumably 17 of the 33 contractors) obtained 71.2% of the total project value – source of project value for each subcontractor is not cited and undetermined.

Contractors on the Palo Alto library with an administrative office based in Santa Clara County (presumably 17 of the 33 contractors) obtained 71.2% of the total project value – source of project value for each subcontractor is not cited and undetermined.

Effect of Prevailing Wage on Cost of Construction

The cost per square foot (based on the winning low bid) for the Gilroy library was \$326. The City of Gilroy required contractors to pay state-mandated prevailing wage rates.

The cost per square foot (based on the winning low bid) for the Palo Alto library was \$430. The City of Palo Alto did not require contractors to pay state-mandated prevailing wage rates.

Therefore, “there is no obvious support for the hypothesis that prevailing wages increase project costs.”

Note: staff for the City of Palo Alto speculate that its library was more expensive than a standard building because of the “complexity of the architectural layout of the building” resulting from accommodating a large oak tree in the center courtyard, as well as exceptional quality and sustainability of outer finishes and the significant initial cost of installing specialized control systems.

Effect of Government-Mandated Prevailing Wage Rates on Local Contractors

Contractors with an administrative office based in Santa Clara County had substantially more total project value on the Gilroy library than on the Palo Alto library.

The City of Gilroy required contractors to pay state-mandated prevailing wage rates on its library; the City of Palo Alto did not.

The libraries are municipal building projects.

Contractors with an administrative office based in Santa Clara County are “local.”

Therefore, government-mandated prevailing wage requirements cause a higher percentage of total project value on municipal building projects to be “local.”

Effect of Government-Mandated Prevailing Wage Rates on Local Workers

Contractors with an administrative office based in Santa Clara County employ construction trade workers who live in Santa Clara County – source not cited and undetermined.

Contractors with an administrative office based outside of Santa Clara County employ construction trade workers who do not live in Santa Clara County – source not cited and undetermined.

As concluded above (through errors in deductive reasoning), government-mandated prevailing wage requirements cause a higher percentage of total project value on municipal building projects to go to contractors with an administrative office based in Santa Clara.

Therefore, government-mandated prevailing wage requirements cause a higher percentage of construction workers on municipal building projects to be “local.”

Effect of Government-Mandated Prevailing Wage Rates on Santa Clara County Expenditures

Imputing the Gilroy and Palo Alto library data into an economic model called IMPLAN shows that government-mandated prevailing wage rates on Santa Clara County municipal building projects are shown to prevent 6% of the total project value from being spent in other counties besides Santa Clara County.

Economic and Fiscal Effect of Government-Mandated Prevailing Wage Rates for City of San Jose Capital Improvement Projects on Santa Clara County Expenditures

The City of San Jose anticipated or implemented a five-year Capital Improvement Program for 2007-2012 of a total project value not indicated in the report.

By applying the questionable 6% obtained from the earlier IMPLAN software calculation on 16 libraries, the IMPLAN software calculates that government-mandated prevailing wage on City of San Jose municipal building projects from 2007 through 2012 prevents \$164 million from being spent in other counties besides Santa Clara County, which means 1,510 more local jobs, including 88 jobs in retail and food service and 57 jobs in health care, and \$1.9 million more in property and sales tax revenue. This assumes that construction workers on Santa Clara County projects whose companies have an administrative office outside of Santa Clara County are more likely to spend money outside of Santa Clara County. At this point questionable data and unsubstantiated assumptions have been stretched beyond reason.

Effect of Shifting Capital from Owners to Workers Through Government-Mandated Prevailing Wage Rates

Prevailing wage does not affect total construction costs because the workers who get prevailing wage are more productive and apparently complete the work faster, therefore requiring fewer hours of work overall. Nevertheless, in ways never explained and contrary to the above assumption about total construction costs, owners of construction companies increase profits and their own personal income at the expense of their employees when they pay market wages instead of government-mandated prevailing wages.

For every \$1 million that goes to company owners instead of workers, \$34,000 less is spent in Santa Clara County – this appears to be an assumption of the IMPLAN economic model.

Effect of Government-Mandated Prevailing Wage Rates on Transportation and Environment

Through the series of errors in deductive reasoning (identified above), construction workers are assumed to be more likely to drive to Santa Clara County from other locations if government-mandated construction wage rates are not imposed on a project.

The construction industry in the City of San Jose and the surrounding metropolitan area (assumed to Santa Clara County) employs more than 30,000 people each year, although it is not known how many hours are worked, what percentage of those unknown hours are performed under government-mandated prevailing wage, or what percentage of those unknown hours are on building construction.

It is assumed that construction workers living outside Santa Clara County drove a total of either 1 million miles or 123,619,000 miles in 2008 to work on projects in Santa Clara County.

Therefore, the lack of prevailing wage on Santa Clara County construction projects necessitates 123,619,000 additional commute miles, with corresponding greenhouse gas emissions resulting from that commuting.

Effect of Government-Mandated Prevailing Wage Rates on Societal Peace and Family Harmony

Workers who commute to another county cause their neighborhoods to decline and their family harmony to deteriorate.

Through the series of errors in deductive reasoning identified above, construction workers are assumed to be more likely to drive to Santa Clara County from other locations if government-mandated prevailing wage rates are paid on a project.

Therefore, government-mandated prevailing wage rates create better neighborhoods and social cohesion.

Effect of Government-Mandated Prevailing Wage Rates on a “Typical” Non-Union Construction Worker Who Works on a Project Without Prevailing Wage and Who Is Also “Without Health Benefits” or Does Not Have Health Insurance for Dependents

A “typical” construction worker without health benefits is eligible for \$3,665 in public assistance for his or her family.

Under prevailing wage, a worker earns enough to afford health benefits for his or her family.

Therefore, families of workers on projects with government-mandated prevailing wage have enough money for food and have health insurance coverage, while families of workers on projects without government-mandated prevailing wage must avail themselves of subsidized school meals, income tax credits, and publicly-subsidized medical care.

Effect of Government-Mandated Prevailing Wage Rates on “Higher Education”

Lack of government-mandated prevailing wage means apprenticeship programs would no longer be able to enroll students. (This is false.)

As a result, there would be 2,340 fewer “full-time students.” (Apparently an apprentice who obtains classroom instruction with on-the-job training is defined as a “full-time student.”)

Effect of Government-Mandated Prevailing Wage Rates on “Diversity”

Union-affiliated apprenticeship programs in Santa Clara County “employ” (enroll?) 1.4 times more women and 4.7 times more African-Americans than non-union apprenticeship programs.

It’s unclear how this statistic is relevant, since the report claims (above) that lack of government-mandated prevailing wage means apprenticeship programs would no longer be able to enroll students, and this would presumably include union and non-union apprenticeship programs.