

# Prevailing Wage and The Local Market Rate

# ALL 10 THINGS YOU NEED TO KNOW ABOUT PREVAILING WAGE AND... THE LOCAL MARKET RATE

**1. The Truth:** Prevailing wages are based on records of what local contractors *actually* pay workers on public works and similar projects.

**2. Fast Fact:** Prevailing wages prevent government from using its huge purchasing power to undercut privately-established wages in a community.

**3. Fast Fact:** Prevailing wages are market wages set by local standards and competitive practices.

**4. Fast Fact:** Prevailing wages do not alter the level of bid competition.

**5. Fast Fact:** Using data from the Bureau of Labor Statistics to set prevailing wage rates would *significantly* underreport actual market wages.

**6. This Quote:** “We have no role in setting prevailing wages nor in determining what data are appropriate for that purpose.” –Bureau of Labor Statistics  
Commissioner Erica Groshen (2013)

**10. The Takeaway:** Prevailing wage ensures that workers can afford to live where they work.

## 7. This Figure:

$$\text{Project Bid} = \text{Labor Costs} + \text{Quality} + \text{Productivity} + \text{Materials} + \text{Technology} + \text{Management Practices} + \text{Profit}$$

Contractors pay the prevailing rate and compete over all other areas of construction efficiency.

**8. This Study:** [\*The Effect of Prevailing Wage Regulations on Contractor Bid Participation and Behavior\*](#) by Jaewhan Kim, Chang Kuo-Liang, Peter Philips at the University of Utah (2012).

**9. This Study:** [\*Problems with using Occupational Employment Statistics in the Determination of Prevailing Wage Rates\*](#) by Kevin Duncan and Peter Philips at the University of Utah(2015).