

**ANALYSIS OF PROPOSED CHANGE  
IN CONSTRUCTION TRADES APPRENTICE WAGES**

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## **I. INTRODUCTION**

This study is intentionally very narrow in scope. It examines the effect on apprentice wage rates of the proposed change to Minn. R. 5200.0390.

Under the current rule, where no bargaining agreement exists apprentice wages are set on a graduated schedule based on prevailing wage rates by county throughout the state. The prevailing wage rate is set by the Commissioner of the Department of Labor and Industry (DOLI) by determining the mode, or the rate paid to the greatest number of workers in a class of labor in a county. Currently in about half the counties in the state, that rate is the rate negotiated in local labor-management agreements.

The proposed rule change would, in substantial part, base apprenticeship wage rates upon data provided by Occupational Employment Statistics (OES), which is used by the Department of Employment and Economic Development (DEED).

Based upon the comparison of the current and proposed rule, it is clear that the likely overall effect of the proposed rule change will be a drastic reduction in apprentice wage rates.

## **II. METHODOLOGY**

Data used in this study is available on the DOLI and DEED websites. The DOLI website provides the current prevailing wage rates. The DEED website provides the OES wage data for occupations in multi-county Economic Development Regions established by that Department. This study compares wage rates from the end of 2005 for each data set.

OES/DEED wage rates were first compared to DOLI prevailing wage rates. The DOLI prevailing wage rate is a combination of a basic hourly wage rate and fringe fund contribution rate. The fringe rate can comprise any of the following: health insurance, life insurance, vacation, apprenticeship training, sick leave, Medicare, and OASDI (Old Age Survivor and Disability Insurance). OES/DEED does not include a fringe rate of any kind in its calculations. OES/DEED wage rates were next compared to DOLI prevailing wage base rates. The DOLI prevailing wage base rate includes only the basic hourly wage rate.

This study compared DOLI prevailing wage rates for nineteen current labor classifications, including Bricklayers, Carpenters, Electricians, Ironworkers, Laborers, Painters, Plumbers and Sheet Metal Workers with OES/DEED wage rates for nine labor classifications. The selected labor classifications were chosen because of the large number of Minnesotans employed in these trades. The DOLI data lists 147 separate labor classifications while the OES data condenses these job classifications into less than half that number. OES data also eliminates the distinction between highway & heavy and commercial types of construction.

The data presented is broken down specifically by labor classification, construction type and county, as well as consolidated in a comprehensive summary table.

### III. RESULTS

The results of the proposed rule change will be dramatic. The new rule change would result in wage decreases of no less than 24% and up to approximately 49% when the prevailing wage rate is the basis of comparison. When looking only at the basic prevailing wage rate, wages, in general, would decrease by 15-25%.

Tables A and B provide a clear look into the future if the proposed rule change is approved. These tables represent the mean change in wages rates by occupation across the state. More detailed data are available in the appendices.

TABLE A:

#### Projected Percentage Change in Total Rate Apprenticeship Compensation Under Proposed Rule Change

(Selected occupations listed below, data listed by current classifications of construction projects: highway & heavy (H & H) and commercial.)

<b>OCCUPATIONS</b>	<b>H &amp; H</b>	<b>Commercial</b>
Bricklayers	-31.42%	-41.68%
Carpenters	-48.95%	-43.79%
Crane, Over 135' Boom, without Jib	-34.10%	-36.53%
Derrick-Guy, Stfkeg, Pwr, Skd, Immov	-46.86%	-36.53%
Dual Tractor	-46.22%	-40.96%
Electricians	-46.46%	-44.87%
Elevating Grater	-46.22%	-40.96%
Front End Loader, up to/incl 1 Cubic Yrd	-29.05%	-24.60%
Front End Loader, over 1 Cubic Yrd	-45.97%	-42.65%
Front End Loader, 5 Cubic Yrds & Over	-46.86%	-36.53%
Grader or Motor Patrol	-46.86%	-36.53%
Ironworkers	-38.59%	-38.74%
Laborer, Common (Gen Labor Wrk)	-43.31%	-43.25%
Painters	-48.75%	-43.95%
Plumbers	-48.88%	-45.72%
Pipefitters – Steamfitters	-46.46%	-47.63%
Scraper, up to 32 Cubic Yrds	-45.97%	-42.65%
Sheet Metal Workers	-46.10%	-42.93%
Tower Crane	-34.10%	-36.53%
Tower Crane – Crawler Crane	-39.69%	-27.48%
Underground & Open Ditch Labor (8')	-42.68%	-43.40%

TABLE B:

Projected Percentage Change in Base Rate Apprenticeship Compensation  
Under Proposed Rule Change

(Selected occupations listed below, data listed by current classifications of construction projects: highway & heavy (H & H) and commercial.)

OCCUPATIONS	H & H	Commercial
Bricklayers	+2.97%	-10.90%
Carpenters	-26.33%	-16.95%
Crane, Over 135' Boom, without Jib	-6.62%	-17.76%
Derrick-Guy, Stfkeg, Pwr, Skd, Immov	-20.54%	-15.07%
Dual Tractor	-21.31%	-19.58%
Electricians	-11.64%	-16.01%
Elevating Grater	-21.31%	-19.58%
Front End Loader, up to/incl 1 Cubic Yrd	-4.12%	+1.93%
Front End Loader, over 1 Cubic Yrd	-18.53%	-22.33%
Front End Loader, 5 Cubic Yrds & Over	-20.54%	-15.07%
Grader or Motor Patrol	-20.54%	-15.07%
Ironworkers	-6.78%	-2.46%
Laborer, Common (Gen Labor Wrk)	-13.24%	-19.55%
Painters	-26.86%	-25.65%
Plumbers	-25.50%	-22.39%
Pipefitters – Steamfitters	-22.67%	-23.10%
Scraper, up to 32 Cubic Yrds	-18.53%	-22.33%
Sheet Metal Workers	-22.15%	-19.61%
Tower Crane	-6.62%	-12.70%
Tractor Crane – Crawler Crane	-9.94%	-6.13%
Underground & Open Ditch Labor (8')	-16.16%	-21.84%

**IV. CONCLUSION**

The use of the OES/DEED data is problematic for several reasons. First, this data represents a significant departure from prevailing wage rates in Minnesota counties. As Tables A and B demonstrate, use of the OES/DEED data in establishing apprentice wage schedules will result in extraordinarily low apprentice wages. This is particularly the case because apprentices only earn a fraction of journey worker wage rates.

Moreover, the reduction in the number of job classifications in the OES/DEED data poses significant difficulties for establishing an appropriate apprentice wage. For example, the OES/DEED job classification of Operating Engineers & Other Construction Equipment Operators combines tens of job classifications into one. The data provided in Appendix Tables 6.1 and 6.2 illustrates the fact that different jobs with different pay scales will be merged into one under the DEED approach. The different labor classifications currently have different pay structures because of the specific nature of the work performed and the required skill levels needed to effectively perform the task. By

contrast, the current prevailing wage data is calibrated to reflect the reality of specialization in the trades. The current DOLI prevailing wage categories distinguish jobs that require different levels of skill and training, and which consist of distinct sets of duties. In fact, compressing several distinct labor classifications into one broad category will result in wage categorizations that have no relationship to real world trade classifications.

Moreover, the data the Department has proposed to use does not control for industry or the skill of the worker. The DEED data includes all workers skilled or not. So it is likely the median worker in the sample may in fact not at all represent the pay rate of a journey worker in the craft.

Given these problems, while the DEED rate is statistically significant in the sense of how it is collected, it is not a statistically valid way of determining journey worker wages. The complete breakdown and comparison of current DOLI prevailing wage rates and the proposed OES/DEED rates by labor classification, county, and construction type are found in the Appendix.

## **V. ANALYSIS AND CONCLUSIONS**

The decrease in apprentice compensation is likely to have a negative impact on retention of apprentices within the construction trades. Efforts to attract new talent will also suffer. These negative effects could not come at a more inopportune time. According to DEED, Minnesota's demand for construction workers is expected to increase 10-15% from 2002 to 2012. Nevertheless, the best and the brightest workers will not flock to apprenticeship programs that offer 40% less in total compensation. It is counterintuitive to assume that lowering apprentice wages is a viable strategy for the long-term health and growth of Minnesota's construction trades.

Moreover, lowering wages will not only undercut the apprenticeship programs, but also local communities and the state. Lowering wages will decrease buying power, dampen economic transactions, and reduce tax revenues for the state. The wage cuts associated with the proposed rule change would be debilitating to the state economy and treasury.