

## **Summary of Methodology to Calculate the Prevailing Hourly Rate of Wages in West Virginia**

### **1. Background**

During its 2015 Regular Session, the West Virginia Legislature enacted Senate Bill 361 which made substantial changes to West Virginia law governing the determination and administration of prevailing wage rates under Article 5A, Chapter 21 of the West Virginia Code. This legislation mandated that WorkForce West Virginia establish by June 1, 2015, a new methodology to determine the prevailing hourly rate of wages to be paid for the construction of public improvements subject to the article.

This document outlines the new methodology WorkForce West Virginia will use to determine the prevailing hourly wage rate in West Virginia. It also provides a brief analysis of the reasoning underlying the methodology. The new methodology described in this document is prepared by WorkForce West Virginia as the implementing executive agency under Article 5A, Chapter 21 of the West Virginia Code, and was developed in collaboration with West Virginia University's Bureau of Business and Economic Research ("BBER") and Marshall University's Center for Business and Economic Research ("CBER") (collectively, "WorkForce West Virginia").

This collaborative effort examined every state in the country that has a prevailing wage law and focused on identifying best practices to incorporate into West Virginia's revised methodology. The guiding principle embraced by each institution was to adopt a methodology that will produce the most accurate prevailing hourly rate of wages possible in the newly-defined regions of this state, as required by Article 5A, Chapter 21.

### **2. Defined Regions of this State**

Under Senate Bill 361, WorkForce West Virginia must determine how to segregate the state into regions for calculating the prevailing hourly rate of wages. See W. Va. Code § 21-5A-1(4) (stating that "[t]he term 'regions of this state' means the breakup of regions within the state as determined by WorkForce West Virginia for purposes of developing a methodology . . .").

In West Virginia, prevailing wage rates have historically been analyzed at the local county level. However, using county data is less desirable than regional data because competition for bids in West Virginia generally occurs over a larger geographic region than a single county. Further, it is unlikely that labor costs substantially differ in many of the state's counties that border one another. Finally, many counties have limited occupational wage data making it difficult to produce statistically reliable estimates that accurately reflect a region's true market wage rate.

WorkForce West Virginia therefore chose a broad regional definition to designate the regions of this state. Specifically, WorkForce West Virginia adopted the regional definitions set forth by the Workforce Investment Act of 1998 ("WIA"), which divided West Virginia into seven workforce regions. These regions use multiple counties that fall along county borders with the exception of Kanawha

County. Using the seven Workforce Investment Areas allows for geographic comparability to existing labor market and economic information. This approach is consistent with existing practices at WorkForce West Virginia and mirrors the agency's efforts to comply with the federal Workforce Innovation and Opportunity Act of 2014, which takes effect on July 1, 2015. The newly-defined regions of this state for purposes of calculating a prevailing hourly rate of wages will therefore align across multiple state and federal programs administered by WorkForce West Virginia and should produce better and more reliable occupation wage data than the previously collected county-level data.

### 3. Statutory Framework

To the extent that the prevailing wage law applies, Senate Bill 361 requires that a "fair minimum rate of wages" be paid to the laborers, workers, or mechanics who are engaged in the construction of public improvements. W. Va. § Code 21-5A-3. A "fair minimum rate of wages" is defined as the "prevailing rate of wages paid in the regions of this state . . . to the workers, laborers or mechanics in the same trade or occupation in the construction industry." *Id.* The term "wages" is defined as "the hourly rate paid for work performed by an employee for an employer." W. Va. Code § 21-5A-1(8).

Although Senate Bill 361 does not define the term "prevailing rate of wages" that term or phrase has carried a standard meaning in West Virginia for many years. For purposes of the methodology outlined herein, WorkForce West Virginia considered the "prevailing rate of wages" to be the hourly wage, fringe benefits, and overtime paid within newly-defined workforce regions of the state to the workers, laborers, and mechanics in the same trade or occupation in the construction industry.

To determine the "prevailing rate of wages," Senate Bill 361 directs WorkForce West Virginia to develop a new methodology that will be deployed in the regions of this state, subject to the review of the Legislature's Joint Committee on Government and Finance. The legislation also sets out a clear road map that WorkForce West Virginia must follow to develop the methodology. Specifically, the new law provides that WorkForce West Virginia, in coordination with BBER and CBER:

[S]hall determine the methodology for annually calculating the prevailing hourly rate of wages as *evidenced by all appropriate economic data*, including, but not limited to, the *average rate of wages* published by the U.S. Bureau of Labor Statistics and *the actual rate of wages* paid in the regions of this state to the workers, laborers or mechanics in the same trade or occupation in the construction industry, regardless of the wages listed in collective bargaining agreements, to ascertain the prevailing rate of wages paid in the regions of the state in which the construction of the public improvement is to be performed.

W. Va. § Code 21-5C-5(2) (emphasis added).

This framework required WorkForce West Virginia to consider any and all economic data deemed appropriate for the purposes of determining the prevailing rate of wages in the regions of this

state. As a subset of this mandate, Senate Bill 361 further directs WorkForce West Virginia to utilize two specific factors to evidence its methodology: (1) average wages published by the U.S. Bureau of Labor Statistics, and (2) the actual rate of wages paid in the discrete regions of the state where the construction of the public improvement is to be performed.

#### **4. Methodology to Determine Prevailing Hourly Rate of Wages**

To arrive at an appropriate methodology, WorkForce West Virginia, BBER, and CBER examined all economic data deemed relevant to calculating a prevailing hourly wage rate estimate. The methodology incorporates U.S. Bureau of Labor Statistics survey data to the extent such data is reliable and useable, and includes a detailed occupational wage questionnaire to ascertain the actual rate of wages paid to workers, laborers, and mechanics in the newly-defined regions of this state where construction of a public improvement project is to be performed. This methodology is rooted in an exhaustive analysis of wage data collection methods used across the country for calculating prevailing hourly wage rates.

##### **A. U.S. Bureau of Labor Statistics – Occupational Employment Statistics Survey (“BLS-OES”)**

The starting point for the methodology considers relevant BLS-OES survey data. The BLS-OES survey is conducted semi-annually through a cooperative effort between the U.S. Department of Labor Bureau of Labor Statistics and the individual states. The BLS-OES survey samples the entire U.S. economy at the national, state, and metropolitan statistical levels. It therefore provides a high level of comparability across geographic areas for occupation, employment, and wage-related information. The survey is cost-effective with staff and resources already in place from the Bureau of Labor Statistics. Thus, it provides an appropriate baseline for determining and calculating the prevailing hourly wage rate(s).

Although the BLS-OES program provides highly regarded data and reliable occupational employment statistics, a careful examination of BLS-OES survey data reveals limitations that compromise its use as a solitary, or even primary, source of data for calculating prevailing wage rates.

Specifically, the BLS-OES survey suffers from geographic limitations because it fails to provide the level of detail needed to produce a full set of estimates for construction related occupations in the defined regions of the state. For example, using the most recent set of data from the BLS-OES survey, less than half of the wage estimates for construction-related occupations within the defined regions of the state met BLS standards for publication. If BLS-OES survey data is the only data used to determine regional prevailing hourly wage rates, WorkForce West Virginia would have to use statewide or national level wages as a proxy to compensate for the missing data. From a reliability standpoint, this proxy data is not the optimal estimate of the actual market wage rate within the regions of this state where other data is reasonably attainable.

The BLS-OES survey is also limited because it is an establishment-based method that focuses only on the area in which an employer’s business office is located, not where the employer’s

construction work is performed. For the vast majority of the economy, an establishment-based methodology is appropriate. However, the construction industry presents a unique circumstance in that construction work is frequently performed in locations that are not in the same geographic location as the employer's primary location. Construction workers are highly mobile and a single firm typically has multiple jobs in different locations. Consequently, standing alone, the BLS-OES survey data fails to reflect the geographic variation in project costs, calling into question the reliability of the wage data because it is non-representative of the area in which the work is performed.

The geographic limitations inherent in the BLS-OES survey data and its establishment-based methodology conflict with the statutory mandate to build "the actual rate of wages" into the methodology. W. Va. Code § 21-5A-5(2). Because the BLS-OES survey data insufficiently represents the defined regions of the state, it was necessary to design a separate data collection tool that can produce data showing the "actual rate of wages paid in the regions of the state" as required by Article 5A, Chapter 21.

#### **B. Actual Rate of Wages Paid in Regions of the State Where Construction is Performed**

Senate Bill 361 requires WorkForce West Virginia to include in its methodology data showing "the actual rate of wages paid in the regions of this state to the workers, laborers or mechanics in the same trade or occupation in the construction industry, regardless of the wages listed in collective bargaining agreements . . . in which the construction of the public improvement is to be performed." W. Va. Code § 21-5A-5(2).

To determine the actual rate of wages paid in the defined regions of the state, WorkForce West Virginia designed a detailed occupational wage questionnaire for the construction industry modeled on a questionnaire utilized by the state of Oregon. The construction and implementation of the questionnaire is intended to capture hourly wage and benefit information that will allow WorkForce West Virginia to estimate occupational wage rates reflective of the construction industry within the seven defined regions of this state. Where data are available and appropriate, the questionnaire will be merged with applicable BLS-OES survey data.

WorkForce West Virginia will combine the collected hourly wage data with the total employment reported for each occupation to create a trimmed average weighted by employment for that classification-region combination. The top five percent and lowest five percent of total responses for a given occupation in a region will be removed from the final calculation to remove outliers that may skew the calculation in one direction or another. Where responses to the occupational wage questionnaire are insufficient to generate a valid estimate, statewide BLS-OES estimates will be substituted as appropriate.

The occupational wage questionnaire offers a number of advantages. For example, WorkForce West Virginia significantly reduced the number of occupational categories used in the previous prevailing wage survey to focus on those occupations believed to be most relevant to West Virginia. Collapsing the occupational categories into a more user-friendly format allows for higher levels of

aggregation, for example asking firms to report wages for Laborers broadly, as opposed to different individual classes of laborers.

Moreover, BLS-OES survey data focuses on base wages and does not contain any information about fringe benefits. National Compensation Survey data indicate that fringe benefit combinations relevant to construction workers and related occupations vary widely, and each state has its own definitions of appropriate fringe benefits for inclusion. By employing the occupational wage questionnaire, WorkForce West Virginia can capture information specifically tailored to firms in West Virginia consistent with the definition of fringe benefits as outlined in State Code.

It is anticipated that response rates will be substantially higher than West Virginia's previous prevailing wage survey because WorkForce West Virginia is fully staffed with professionally trained research personnel who have extensive expertise and experience with labor market data collection and analysis. WorkForce West Virginia will administer the questionnaire to all West Virginia firms from industry sectors that have historically been involved as a contractor or sub-contractor on private or public construction projects. As of 2015, approximately 5,250 firms met this classification. Employers will have the option of responding by postal mail, fax, email, telephone, or an online survey portal. WorkForce West Virginia will also provide a dedicated website with a variety of resources to assist respondents. These tools include frequently asked questions, a questionnaire response tutorial, electronic and paper materials, and a fringe benefit calculator. Additionally, WorkForce West Virginia staff will be available to personally assist and guide employers through the response process. WorkForce West Virginia anticipates that data collection will be complete by the end of summer 2015 with publication of revised prevailing hourly wage rates expected by early fall 2015.

## **5. Conclusion.**

As the foregoing pages explain, WorkForce West Virginia's methodology will consider BLS-OES data and actual data to ensure a more accurate prevailing hourly wage rate calculation for the State of West Virginia, as required by Senate Bill 361.

# WEST VIRGINIA PREVAILING WAGE SURVEY

Administered by WORKFORCE WEST VIRGINIA

**For Staff Use Only**

Date Received: \_\_\_\_\_

Entered By: \_\_\_\_\_ Status: \_\_\_\_\_

West Virginia law (§21-5A-5) requires WorkForce West Virginia to determine prevailing wage rates for specified trades and occupations involved in the construction of a public improvement. The data that you provide will be aggregated with similar information collected from other sources and will be published in a manner that will guarantee the confidentiality of your information. Please retain a copy of your forms for your records.

**1** SURVEY ID NUMBER (FOUND ON TOP OF EACH PAGE):

FIRM: \_\_\_\_\_

COMPLETED BY (PLEASE PRINT NAME): \_\_\_\_\_

TITLE: \_\_\_\_\_

PHONE: (    ) \_\_\_\_\_ E-MAIL: \_\_\_\_\_

**2** Did your firm do non-owner labor and non-residential construction hours performed on the construction site for the work weeks specified below (see relevant definitions contained in this form):

**August 12, 2014**

**November 12, 2014**

**February 12, 2015**

**May 12, 2015**

**YES,** the firm did non-residential construction work during one or more of these weeks?

**Review the instructions and move to step 3 on the Wage Data Form.**

**NO,** the firm did not do any non-residential construction during any of these weeks.

Which of the following best describes why your firm answered no?

THE FIRM DID ONLY RESIDENTIAL WORK DURING THE SELECTED DATES.

THE FIRM IS CLOSED.

THE FIRM HAD NO EMPLOYEES OTHER THAN OWNERS OR CORPORATE OFFICERS.

THE FIRM HAD NO WORK IN WEST VIRGINIA DURING THE SELECTED DATES.

THE FIRM SUBCONTRACTED OUT ALL WORK.

THE FIRM DOES NOT DO CONSTRUCTION WORK.

(Please write on the WAGE DATA FORM a brief description of the type of work the firm does.)

Thank you for participating in this survey. Once you have completed the Wage Data Form, or checked the appropriate box(es) above, you may return the form in the provided pre-paid envelope. Please see page 3 of this form for more details.



**Non-residential construction includes initial construction, reconstruction, and major renovation. Labor performed on-site in connection with material deliveries is also considered construction work. Routine maintenance work (as described below) is not included except as noted.**

**Construction (Report):**

Construction means the initial construction of buildings and other structures, or additions thereto, and of highways and roads. Construction does not include the transportation of material or supplies to or from a construction project by employees of a construction contractor. However, labor performed on the job-site in connection with the delivery of materials is considered construction work.

**Major Renovation (Report):**

Major renovation means the remodeling or alteration of buildings and other structures within the framework of an existing building or structure and the alteration of existing highways and roads.

**Reconstruction (Report):**

Means highway and road resurfacing and rebuilding, the restoration of existing highways and roads, and the restoration of buildings and other structures.

**Demolition (Report as noted):**

Demolition is included only if it is to prepare for planned construction or renovation. If no construction is planned to replace the demolished property, then do not include the hours in this survey.

**Maintenance (Exclude except as noted):**

General maintenance work such as sweeping, cleaning, and landscaping is not covered unless it is done as part of a construction, reconstruction, major renovation, or painting project. Maintenance work such as repairing or replacing a roof or re-carpeting part of a building is considered to be reconstruction work.

**Residential (Exclude):**

Residential construction projects are projects for any building or structure used or intended to be used for residential occupancy, which contains not more than 3 distinct floors which are above grade in any structural unit regardless of whether the building or structure is designed and constructed for one or more living units. The residential project includes all incidental items associated with the project, such as site work, parking areas, utilities, streets, and sidewalks.

**Examples of Residential Construction:**

Residential buildings (3 stories or less)

- |                                 |   |
|---------------------------------|---|
| <i>Married student housing</i>  | <i>All work incidental to residential projects:</i> |
| <i>Town or row houses</i>       | <i>Residential sitework</i>                         |
| <i>Mobile home developments</i> | <i>Residential parking areas</i>                    |
| <i>Single family houses</i>     | <i>Residential utilities</i>                        |
| <i>Multi-family houses</i>      | <i>Residential streets</i>                          |
|                                 | <i>Residential sidewalks</i>                        |

## How do I Submit my Information?

**\*Retain a copy of your completed survey for your records\***

**RESPOND BY MAIL:** You may return your survey form in the postage-paid envelope provided.

**RESPOND BY ELECTRONIC FILE:** (Recommended for reporting 10 or more employees)

- Go to our website: <http://www.workforcewv.org/LMI/PrevailingWageSurvey/pwrs.html>
- Download the Survey Spreadsheet for Electronic Filing. Save a copy with the information you have to report.
- Complete section **1** - **14** and return either by mail, fax, or email as an attached document.
- Email your spreadsheet to [pwrsurvey@wv.gov](mailto:pwrsurvey@wv.gov). Please write in the subject line:

WAGE DATA FORM SURVEY ID \_\_\_\_\_ . (Your survey ID number is on the top of each survey page.)

**COMPLETE ONLINE SURVEY:** (Recommended for fewer than 10 employees, or no wage data)

- Go to our website at: <http://www.workforcewv.org/LMI/PrevailingWageSurvey/pwrs.html>
- Click on the link "Report Online" under the "Survey Links" section.
- Follow the instructions IN THIS FORM to report information.
- If you need a copy of what you submitted online please contact our staff.

**RESPOND BY FAX:** Fax copies of the Wage Data Form to: (304) 558-1343

**IF YOU NEED ASSISTANCE PLEASE CONTACT US**

Phone: (304) 558-3484  
Fax: (304) 558-1343

Email: [pwrsurvey@wv.gov](mailto:pwrsurvey@wv.gov)  
Website: <http://www.workforcewv.org/LMI/PrevailingWageSurvey/pwrs.html>

## Instructions for Reporting on the Wage Data Form:

NOTE: When working on Prevailing Wage Projects there is a Base Wage Rate and a Fringe Benefit Rate. **Please separate the two rates.**

GO TO: <http://www.workforcewv.org/LMI/PrevailingWageSurvey/pwrs.html> to watch a tutorial that walks you through the steps for completing this survey.

- 3 REVIEW ACTIVITY DURING REFERENCE WEEKS:**  
Review the four reference weeks on the form and identify the periods where your company performed construction or construction-related services on a non-residential construction site.
- 4 REVIEW THE JOB CLASSIFICATION BOOKLET:**  
To identify the occupations your employees performed work in, use the Job Classification Booklet to determine the job title to use on the Wage Data Form.
- 5 WAGE RATE REGION:**  
Identify the region where the work took place. A map and a list of West Virginia counties and the applicable wage rate regions are provided on page 6.
- 6 JOB TITLE OF EMPLOYEE:**  
Provide the job title for all the employees listed on the line. If a single employee worked in more than one occupation or in more than one region during the required weeks, report the employee on more than one line according to the hours worked. Job Titles and Occupational Codes are on page 7.
- 7 SKILL LEVEL:**  
Please enter a 1 for Skilled Craftsman/Journeyman or 0 for Entry-level Craftsman/Sub-Journeyman.  
  
**Skilled Craftsman/Journeyman:** A fully skilled craftsman who can work independently in the trade or occupation. Generally, a skilled craftsman has a minimum of four years of verifiable trade-specific experience or has completed a state certified apprenticeship program in the applicable trade. Skilled craftsmen/journeymen are licensed where licensing is required.  
  
**Entry-level Craftsman/Sub-Journeyman:** A worker who cannot work independently in the trade or occupation. Generally, an entry-level craftsman/sub-journeyman has fewer than four years of trade-specific experience and has not completed a state certified apprenticeship program in the applicable trade.  
  
**Apprentice:** You are not required to submit information for the registered apprentices within your firm. If a worker does not qualify as a Skilled Craftsman/Journeyman or is not in a state approved apprenticeship program, the worker should be listed as an "Entry-level Craftsman/Sub-journeyman".
- 8 BASIC HOURLY RATE:**  
Enter the rate of hourly wage paid. Include ONLY the basic worker rate.

Exclude:

- overtime pay but include overtime hours
- per diem
- zone pay
- fringe benefits including vacation pay
- supervisor differentials
- crew leader differentials
- production bonuses

Note: If you are reporting work performed on a project subject to state or federal prevailing wage laws, and have paid required fringe benefits in cash, please separate these amounts on the Wage Data Form. See Example on next page.

**FRINGE BENEFITS**

**Report only the contributions made or costs incurred by the employer (not the contributions or amounts paid by employees). DO NOT report any payments required by federal, state, or local law, such as workers' compensation or unemployment insurance.**

**9 HEALTH & WELFARE:**  
Monthly premium, adjusted hourly rate, or annual rate.

**10 PENSION:**  
Employer contribution amount. Please enter adjusted hourly rate, monthly rate, annual rate, or percentage.

**11 HOLIDAY & VACATION:**  
Number of paid days off employee receives each year.

**12 Apprentice Training:**  
Employer contribution amount. Please indicate if the number is an Adjusted Hourly Rate, Monthly Rate, or Annual Rate.

**13 OTHER BENEFITS:**  
Cash paid in lieu of fringe benefits should be reported here. DO NOT include: drug testing, industry funds, trade promo funds, safety training, travel pay per diem, equipment costs or workers' compensation.

**14 NUMBER OF WORKERS:**  
If more than one employee worked in the same region, has the same pay rate, skill level, and all of the same fringe benefits the total number of employees may be entered.

**Note:** If an employee was paid more than one rate of pay, or worked in more than one occupation or region, you need to provide the hours and wages for each case. When this occurs, you will need to use more than one line on the survey form for that employee.

Example 1: Projects Subject to Prevailing Wage Rate

<b>8</b> Basic Hourly Rate <sup>5</sup> Please use separate lines for each wage rate.  <small>Do not include shift or overtime differentials, bonuses, awards, zone pay, or per diem</small>	<b>FRINGE BENEFITS:</b> Report only contributions made by the employer <sup>55</sup>					<b>14</b> Number of Workers Total number of employees  <small><u>ONLY</u> If all other information on the row is EXACTLY the same</small>
	<b>9</b> Health & Welfare  <small>Monthly premium for employee, or adjusted hourly rate</small>	<b>10</b> Pension  <small>Employer contribution amount. Please enter adjusted hourly rate, monthly rate, annual rate, or percentage.</small>	<b>11</b> Holiday & Vacation  <small>Number of paid days off employee receives each year, or adjusted hourly rate. If included in the Hourly Rate, do not include twice</small>	<b>12</b> Apprentice Training  <small>Employer contribution amount. Please indicate if the number is an Adjusted Hourly Rate, Monthly Rate, or Annual Rate.</small>	<b>13</b> Other Benefits  <small>Do not include Drug testing, Industry funds, Trade promo funds, Safety training, Workers comp</small>	
\$21.53	\$34.68	\$5.61	25	\$5.00	\$1.75	1



## JOB CLASSIFICATION TABLE

COMPLETE JOB DESCRIPTIONS ARE LOCATED IN THE PREVAILING WAGE JOB CLASSIFICATION BOOKLET

<b>WorkForce Job Title</b>	<b>Code</b>
Asbestos & Lead Abatement Worker	47-4041
Asbestos Fire Stop Technician	47-2132
Boilermaker	47-2011
Bricklayer & Stone Setter	47-2021
Carpenter	47-2031
Cement Mason, Plasterer & Stucco Mason	47-2051
Diver	49-9092
Dredger	53-7031
Lather, Ceiling Installer, Drywall Installer & Taper	47-2081
Electrician	47-2111
Elevator Constructor & Mechanic	47-4021
Glazier	47-2121
Heavy Equipment Operator - Group 1	47-2073
Heavy Equipment Operator - Group 2	53-7091
Insulation Worker	47-2131
Ironworker	47-2221
Laborer/Helper	47-2061
Mechanic	49-3042
Painter	47-2141
Power-Line Constructor	49-9051
Plumber/Pipefitter	47-2152
Roofer	47-2181
Sheet Metal Worker	47-2211
Soft Floor Layer	47-2041
Striper Operator-Highway & Parking Lot	47-4051
Telecommunication Installer	49-2022
Truck Driver-Heavy & Tractor-Trailer	53-3032
Truck Driver-Light Truck & Forklift Operator	53-3033