



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE

Marc Elrich
County Executive


Tiffany Ward
Director and Chief Equity Officer

MEMORANDUM

January 14, 2022

To: Jennifer Bryant, Director
Office of Management and Budget

cc: Gabe Albornoz, President
County Council

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

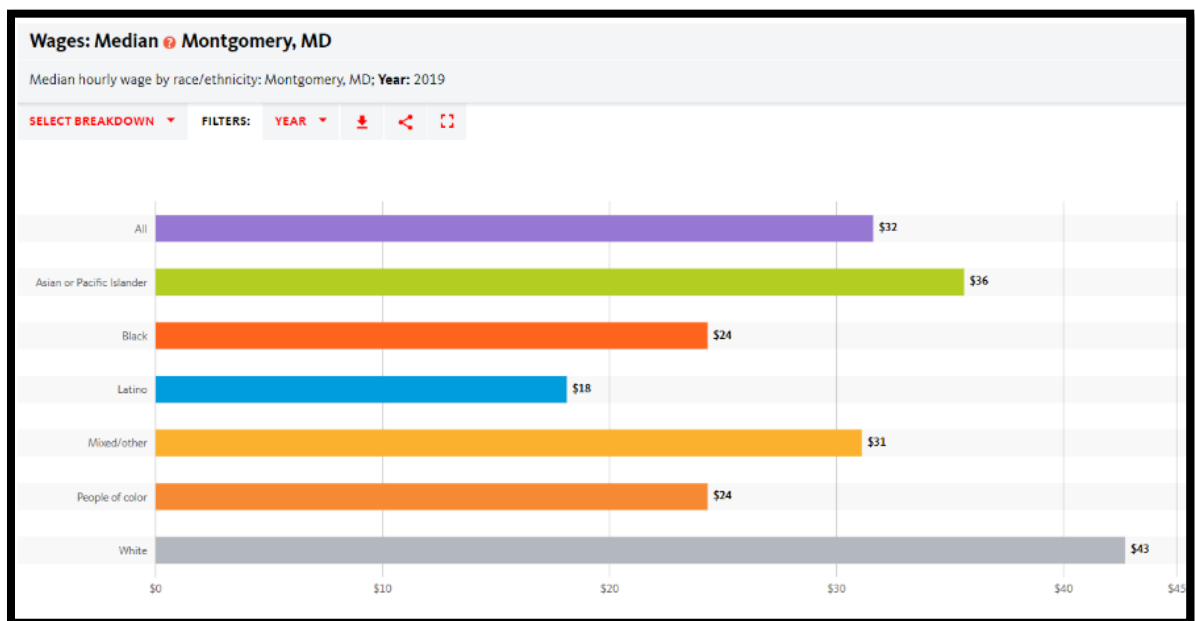
Re: Racial Equity Impact Assessment (REIA) for Supplemental Appropriation #22-54
Prevailing Wage

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that Supplemental Appropriation #22-54 Prevailing Wage is likely to advance racial equity for some in Montgomery County but not all people of color are affected in a similar way. Wages increases (to align with the prevailing wage) are more likely to affect Latino workers, helping to reduce racial disparities in household income; however, there is still room to advance racial equity by taking steps to include larger shares of Black workers in the construction industry and in occupations that provide prevailing wages and incomes that cover essential living expenses in the County.
- II. **BACKGROUND:** The goal of Supplemental Appropriation #22-54 is to increase funding allocation for a selection of school capital improvement projects. The increase is needed to fund the use of prevailing wage rates in projects that utilize funding under Maryland's Built to Learn Act.

Ordinarily, to examine the racial equity impacts of a supplemental appropriation involving education and schools, we'd look most closely at the schools receiving funding, intended use of funding, and whether the proposed funding addresses racial disparities in educational opportunity, resources, or outcomes. Because this

supplemental appropriation relates to funding of projects approved in a prior CIP, this analysis will not focus on the schools where construction is set to take place. Instead, this analysis will focus on who prevailing wage rates affect and the extent to which their use advances racial equity and social justice in the County.

School construction related to this supplemental appropriation will involve a range of workers across construction labor classifications¹. In Montgomery County, the hourly prevailing wage rate for these jobs range from \$19.07/hour to \$42.67/hour². For context, the median hourly wage in the County is \$32/hour³. However, when disaggregated by race and ethnicity, median wages range from \$18/hour among Latino residents and \$43/hour among White residents; the median wage for people of color overall is \$24/hours. See table from Policy Link's National Equity Atlas.



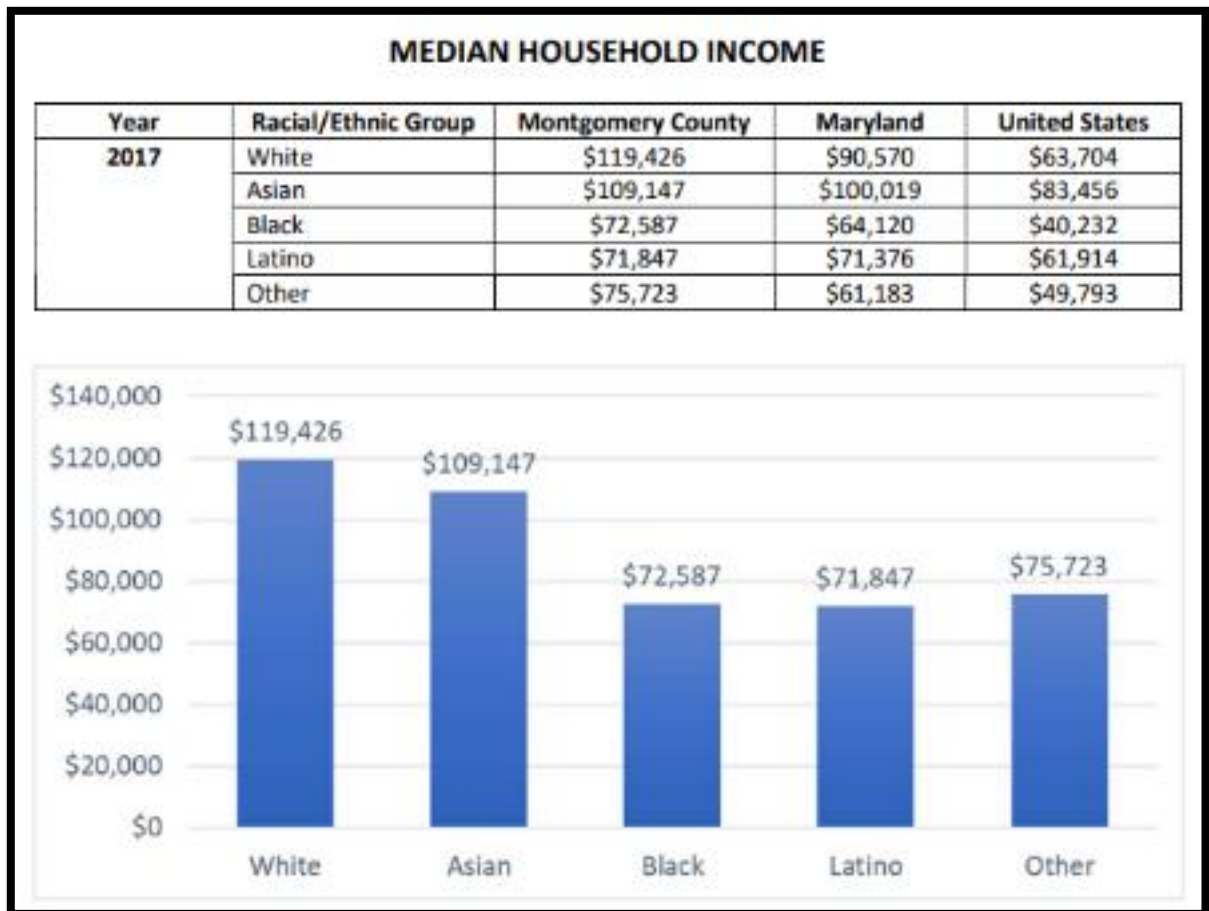
¹ Informational Wage Rates. State of Maryland Division of Labor and Industry, Prevailing Wage Unit. Montgomery County, MD. Building Construction. January 13, 2022. Available at:

<https://www.dlir.state.md.us/PrevWage/web/content/TempLetters/F7BBFCAD-1CC1-4464-85B9-9F95FB5C3A34.pdf>

² Informational Wage Rates.

³ National Equity Atlas. Median hourly wage by race/ethnicity: Montgomery, MD; 2019. Policy Link. Available at:

https://nationalequityatlas.org/indicators/Wages_Median#/?geo=04000000000024031



These disparities are also seen in median household income in the County. In 2017, median household income for Black and Latino residents was about 60% of the median household income for white residents. See table below from Office of Legislative Oversight Report Number 2019-7 “Racial Equity Profile Montgomery County”.

Comparing hourly prevailing wages and annualized salaries for occupations in the construction and extraction industry help approximate whether construction jobs paying the prevailing wage will provide enough income to support an individual or family. For one adult with no children, the living wage in Montgomery County is \$19.82/hour, meaning that almost all construction workers receiving prevailing wages for County and State funded projects, would be able to support themselves in meeting their basic needs, if they are a single adult with no children. By contrast, different family configurations require a higher living wage. For example, for two adults (1 working) and no children, the living wage is \$28.62, when children are included that

increases to \$33.57 for one child, \$37.16 for two children, and \$40.93 for three children. If both adults in the family are working, the required living wage is slightly less⁴.

According to calculations from the MIT Living Wage Calculator, a typical annual salary in Montgomery County for occupations in the construction and extraction industry is \$48,728⁵. The required income to cover expenses in the living wage estimate (before taxes) is \$41,222 for a single adult with no children; meaning that a person making a typical salary in the construction and extraction industry would be able to meet their minimum expenses to live in Montgomery County. When children are included, the amount needed ranges from \$69,826 for one child (one working adult) to \$134,152 for three children (and two working adults). This means that very few families would be able to support themselves on a typical salary in the construction and extraction industry, particularly if only one adult in the household is able to work.

Looking at the range of prevailing wages for construction labor classifications, about 99% percent of jobs would allow a single adult with no children to meet the typical expenses required to live in Montgomery County. However, when children and other adults are included in the household, for example two working adults and two children, about percent 50% of jobs. This means that economic security may be available for a single adult with no children but is likely to diminish as children and other adults are added to the household (particularly if only one adult is working).

To understand who is most affected by any gaps between prevailing wages and the County's living wage and median household income, we look at the demographic makeup of the construction industry workforce and occupations that include construction (along with natural resources and maintenance occupations). We've used 2019 American Community Survey 1-year estimates to understand the racial and ethnic composition of the construction industry and the natural resources, construction, and maintenance occupations in the County⁶.

In Montgomery County, among the civilian employed population 16 and older, the two racial groups with the largest percentage of people working in the construction industry are Latino and of some other race. In fact, compared to other industries, the construction industry employs the largest percentage of Latino workers. For context,

⁴ Living Wage Calculation for Montgomery County, MD. MIT Living Wage Calculator. Accessed January 12, 2022. Available at: <https://livingwage.mit.edu/counties/24031>

⁵ Living Wage Calculation for Montgomery County, MD.

⁶ ACS 1-Year Estimates Selected Population Profiles. US Census Bureau. Accessed on January 11, 2022. Available at: <https://data.census.gov/cedsci/table?t=-01%20-%20All%20available%20basic%20races%20alone%3A400%20-%20Hispanic%20or%20Latino%20%28of%20any%20race%29%3A450%20-%20Not%20Hispanic%20or%20Latino%3AOccupation&g=0500000US24031&tid=ACSSPP1Y2019.S0201>

among the employed non-Hispanic population, only 3.5% work in the construction industry: 5.7% of white workers, 2.3% of Black workers, and 2.2% of Asian workers.

In terms of occupation, a combined 50% of Latinos and those of some other race—who are employed—have occupations in natural resources, construction, and maintenance occupations. Only 2.7% of non-Hispanic workers carry out occupations in this category. For example, 4.5% of white workers, 2.8% of Black workers, and 1.9% of Asian workers are employed in natural resources, construction, and maintenance occupations.

Presuming that workers involved with these construction projects are comparable to the racial and ethnic makeup of the county's construction workforce, many of the beneficiaries of wage increases to align with the prevailing wage requirement in the Built to Learn Act are likely to be Hispanic or Latino. This increase could help to put a dent in racial disparities in household income and increase the number of Latino workers receiving a living wage.

While prevailing wages are likely to support the narrowing of household income gaps between Latino and White households, they may not have the same effect on Black households. As the data indicates, of employed workers who are Black, 2.3% are involved in the construction industry. This is disproportionately low compared to the representation of Black employees in the workforce overall, meaning that Black employees are less likely to benefit from wage increases due to the Act's prevailing wage requirement.

In November 2021, The Montgomery County Council, Office of Legislative Oversight conducted a REIA of Bill #35-21: Prevailing Wage Requirements—Construction Contracts—Amendments, which outlines many of the racial inequities in access to higher-paying jobs offered in the construction industry, including racially exclusionary training, and hiring practices⁷. Expanding access to these jobs through the removal of these barriers, could help to increase economic opportunities for Black residents in the County and expand the racial equity benefits of using the prevailing wage as outlined in Supplemental Appropriation #22-54.

cc: Ken Hartman, Director, Office of Strategic Partnership, Office of the County Executive

⁷ <https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2021/Bill35-21RESJ.p> Montgomery County, Maryland Office of Legislative Oversight Montgomery County Racial Equity Profile. Available here: <https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/RevisedOLO2019-7.pdf>