

The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry

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Report Fact Sheet

This study is an objective, data-driven, and reproducible examination of the economic, fiscal, and social impact of state prevailing wage laws.

Prevailing Wage Laws (PWL) Have No Impact on Total Construction Costs

- **Prevailing wages do not increase construction costs:** Labor comprises just 23% of total construction costs. Research indicates that when construction wages increase, contractors respond by utilizing more capital equipment, substituting skilled workers for less-productive counterparts, and by reducing material and fuel costs that offset any higher labor cost.
- **Preponderance of peer-reviewed research** finds no impact of prevailing wages: 75% of recent peer-reviewed studies find that construction costs are not affected by prevailing wages. Weakening or repealing prevailing wages does, however, increase poverty, shrink economic activity and local hiring, and reduce work-site productivity .
- **“Wage Differential” Studies Asserting “Cost Savings” are Unscientific:** Studies promising “cost savings” from repeal of prevailing wage laws rarely undergo academic peer review; only one has been reviewed and that was 15 years ago. They are rooted in the myth that low-skilled, lower paid workers offer the same productivity as higher skilled workers. By focusing exclusively on wage differences these studies ignore the effect of prevailing wage standards on material and fuel expenditures, worker productivity, as well as the substitution of high skilled for low skilled workers and capital for labor. Because labor costs are a low percent of total costs (23%) relatively minor adjustments are needed to offset the effect of prevailing wages.

Prevailing Wage Repeal Would Cost Taxpayers Money

- **Prevailing wage laws increase worker self-sufficiency:** Construction workers in states with prevailing wage laws are 8% more likely to have health insurance and 4% more likely to have a retirement plan. Adequate prevailing wage laws decrease the probability that a construction worker will earn a poverty-level income by 3%.
- **Prevailing wage laws reduce reliance on public assistance:** States with weak or no prevailing wage laws currently spend \$367 million more per year on food stamps and Earned Income Tax Credits for blue collar construction workers than states with average/strong PWL.
- **Prevailing wage laws increase income tax contributions:** Construction workers in states with strong/average prevailing wage laws contribute over \$5.3 billion more in federal income taxes (on average after credits and deductions) per year than their counterparts in weak/no law states.
- **Prevailing Wage Repeal Would Strain public budgets:** If all 25 states with strong/average prevailing wage laws weakened or repealed their policies, the loss in federal income taxes and added public assistance expenditures would cost American taxpayers at least \$4 billion more every year.

Prevailing Wage Laws Close Racial Gaps, Help Veterans, and Reduce Income Inequality

- **Prevailing wage laws close racial employment gaps in construction:** Prevailing Wage policies increase the probability a nonwhite individual will work in construction by 6%.

- [Repeal of prevailing wage would disproportionately impact military veterans](#): Military Veterans are employed in construction at a higher rate than in other industries. And they comprise a larger share of the construction workforce in Prevailing Wage states than in non-prevailing wage states.
- [Prevailing wage laws close the income gap in construction](#): Construction workers in Prevailing Wage states earn 17% more than their counterparts in states without PWL policies. Repealing prevailing wages is associated with income declines of up to 8%, pushing low earners onto public assistance. Prevailing wage laws have no effect on the incomes of construction managers and supervisors.

Prevailing Wage Repeal Hurts Local Contractors and Local Economies

- [Prevailing Wage Laws Promote Local Hiring and Strong Economies](#): The main purpose of a prevailing wage law is to protect local construction wage standards from distortions associated with publicly funded construction. By protecting local wages, prevailing wage laws also protect work for local contractors and employees. In states with avg./strong prevailing wage policies, locally based contractors perform a higher share of the work than in states with weak/no PWL policies. The effects ripple throughout each state's economy, affecting overall output and job growth across all economic sectors.
 - [Michigan is considering repeal of PWL](#): Research shows that the state economy would decrease by \$1.5 billion, lose over 9,700 total jobs, and lose over \$55 million in tax revenue from the leakage of construction expenditures to firms in neighboring states.
 - [Wisconsin just weakened its PWL](#): Research shows the state economy is will decrease by \$1.1 billion, lose over 6,700 total jobs, and lose over \$40 million in tax revenue from the leakage of construction expenditures to firms in neighboring states.

State Level Prevailing Wage Repeal Would Harm Workers, Taxpayers and the Economy

- [Prevailing wage repeal would shrink worker earnings](#): If the 25 states with strong/avg. prevailing wages were to weaken or repeal their laws, construction worker wages and benefits would fall by \$23 billion.
- [Prevailing wage repeal would harm the economy](#): If the 25 states with strong/average prevailing wages were to weaken or repeal their laws, it would result in a total employment decline of 400,000 jobs. The national impact of this reduction in workers' labor income would shrink the economy by \$65 billion and reduce total tax revenues by over \$8 billion.

Conclusion: Prevailing Wage is the "High Road" Choice

- [Prevailing wage promotes a strong construction industry](#): Prevailing Wage encourages middle-class wages that support working families and increased participation in health insurance and retirement coverage, along with more apprenticeship training, and greater workplace safety,
- [Prevailing wage laws support a "high road" economy](#): By establishing the underlying legal framework for the construction industry, the policy provides the skills needed to build quality infrastructure for a growing, technologically-sophisticated, and competitive economy. In fostering a strong middle class, the policy promotes fiscally-responsible public sector budgets.
- [Legislators who repeal or weaken prevailing wage laws are choosing the "low road"](#): By weakening or repealing prevailing wage laws, the construction skills shortage is worsened, construction worker poverty is increased, reliance on public assistance is increased, economic activity is reduced, and American taxpayers are forced to foot a larger bill.