



PREVAILING WAGE TALKING POINTS

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(For sources and more detail, go to <http://keystoneresearch.org/issues-guides/prevailing-wage>)

Prevailing wage laws help prevent the construction industry from degenerating into destructive wage and price competition, which drives skilled and experienced workers from the industry, reduces productivity and quality, and leads to poverty-level jobs, without saving construction customers any money.

A rigorous body of economic research shows that the repeal of prevailing wage laws leads to:

- less workforce training,
- a younger, less educated and less experienced workforce,
- higher injury rates,
- lower wages; and
- lower health and pension coverage.

Rigorous research also shows that prevailing wage laws do not raise construction costs.

- When Pennsylvania lowered its prevailing wage levels briefly in the late 1990s, construction costs tended to go up more where prevailing wages fell the most.
- There was no difference in the cost of school construction costs in Michigan before and after it suspended its prevailing wage law.
- In a national sample of schools, prevailing wage laws did not have a statistically significant impact on construction cost.
- What does impact costs is when construction takes place: costs can be 20% lower if construction takes place with unemployment high and construction demand and prices are low.

Prevailing wage laws also help ensure that jobs go to local workers whose families shop in local businesses, strengthening local economies—and that jobs don't go to low-wage workers brought in from out of state.

Claims by opponents that prevailing wage laws costs by 20-30% are implausible hypothetical (“what if”) calculations not based on actual experience.

- Labor compensation in Pennsylvania accounts for only 24 percent of total costs on average, so the claim that prevailing wage laws raise costs by 20 to 30 percent is preposterous on its face.
- These hypothetical calculations ignore the ample evidence based real-world in states that repealed, weakened, or never had prevailing wage laws.
- These hypothetical calculations assume, implausibly, that when wages and benefits drop, everything else, including worker skill levels and productivity, remains unchanged.

Beyond the direct impact on public construction, repealing the state’s prevailing wage law could also increase public sector costs for health care and social services. It could

- lower the share of construction workers with employer-based health insurance, while increasing the share who rely on Medicaid and uncompensated care,
- increase the numbers of construction workers who will not have adequate retirement income, and,
- increase the chance that construction workers will need other public assistance.

If Pennsylvania policy makers want to save money on public construction, the best route would be to shift public construction to periods of higher unemployment—such as right now.

- Pennsylvania should launch the “Buy Low” Rebuild PA Initiative by increasing the state’s bond-financed investments in schools, transportation, and infrastructure.
- By ramping up construction projects now, the state would create additional jobs as well as get much better value for money.
- Longer-term, timing more public construction when the market is depressed would have the added advantage of making employment less volatile in the industry, enabling the industry to retain experienced workers.

In sum, prevailing wage laws promote “constructive competition” in the construction sector—competition based on skills, productivity, and quality—rather than “destructive competition” based on paying low wages to inexperienced workers in unsafe conditions.

There is never a good time to enact a policy that does not save the state and its localities money but does lower wages and destroy good middle-class jobs. But it is hard to think of a worse time.