



The Benefits of State Prevailing Wage Laws

Better Jobs and More Productive Competition in the Construction Industry

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The Keystone Research Center's policy brief, *The Benefits of State Prevailing Wage Laws: Better Jobs and More Productive Competition in the Construction Industry*, is available online at <http://goo.gl/2Va30>.

What Is Prevailing Wage? Construction workers on projects covered by Pennsylvania's prevailing wage law must be paid minimum "prevailing" wage and benefit levels that vary by occupation and geographical area within the state. This year, about 20 different proposals to weaken prevailing wage laws have been introduced into the Pennsylvania Legislature.

Prevailing Wage Laws Are Better for Consumers; They Promote Higher Skills and Quality Construction.

Research shows that prevailing wage laws lead to more workforce training, a more educated and experienced workforce, safer construction, and government savings because workers' depend less on social programs.

Prevailing Wages Do Not Increase Construction Costs. Research also shows that prevailing wage laws do not raise costs, so there is no public benefit from weakening prevailing wage laws. For example:

- Comparing school construction costs before and after Michigan's suspension of its prevailing wage law revealed no difference in costs.
- National analysis of data on school construction costs reveals that prevailing wage laws do not have a statistically significant impact on cost.
- In Pennsylvania, when prevailing wage levels were lowered substantially in rural areas during the second half of the 1990s (a period of declining unemployment and rising prices), school construction costs went up more in areas where prevailing wage levels fell the most.

Opponents Base Criticism of Prevailing Wage Laws on Flawed "What If" Calculations, Ignoring Real-World Experience and Careful Research.

Opponents perpetuate the myth that prevailing wage laws raise costs by using flawed hypothetical studies that assume nothing else changes when wages and benefits on projects are slashed sharply. This is a flimsy basis for making policy and unnecessary because of the years of careful research on the topic. Since some states have prevailing wage laws and others don't—and some states have laws at certain times but not others—it is easy for economists to sort out the real-world impact of these laws. This research shows that in the construction trades, as in other skilled occupations, you get what you pay for: lower wages and benefits mean a less qualified workforce.

The Way to Save Money Is to Begin Construction Projects Now, When Unemployment Is High. Construction bids are much lower at times of high unemployment. As a result, construction projects can cost over 20% less during times of low demand. Shifting projects to periods of higher unemployment—such as right now—is the best way to save money on state-funded construction. Based on the research and the pressing need for more jobs today, the Keystone Research Center has recommended launching the "Buy Low" Rebuild PA Initiative by increasing the state's bond-financed investments in schools, transportation, and infrastructure.

Prevailing Wage Laws Help Ensure that Pennsylvanians Who Work Hard and Play by the Rules Can Join the Middle Class. Research shows that prevailing wage laws lead to higher wages and higher health and pension coverage for workers. These laws allow the families of construction workers to consume more, bolstering local economies. With the middle class and our economy struggling, why would Pennsylvania take steps to eliminate more good jobs when there is no benefit for taxpayers?