



The Keystone Research Center  
412 North Third Street  
Harrisburg PA 17101  
[www.keystoneresearch.org](http://www.keystoneresearch.org)

Contact: Mark Price, 717-255-7158; 717-440-2360  
Briefing Paper on line at [www.keystoneresearch.org](http://www.keystoneresearch.org)

## **FOR IMMEDIATE RELEASE**

### **PA Prevailing Wage Law Lifts Skills, Productivity, Safety, Keystone Research Finds**

*States without such laws have worse jobs, not lower costs. To lower public construction costs, PA should time projects to the market trough*

**HARRISBURG, PA (October 3, 2011)** — With the Pennsylvania House Labor and Industry Committee scheduled to vote today on seven proposals to weaken Pennsylvania’s construction sector prevailing wage law, the Keystone Research Center today released a policy brief summarizing research on the impact of these laws. The research shows that prevailing wage laws do not raise construction costs on public projects but do increase investment in skills, improve health and safety, and lower dependence of construction workers on safety net programs.

“The research shows that there’s one surefire way to lower public construction costs,” said KRC labor economist and briefing paper co-author Dr. Mark Price, “and that is to do more construction when unemployment is high. When the market is soft, contractors bid 20% or more below prices at the market peak.”

Dr. Price explained that the myth that prevailing wage laws raise costs is perpetuated by flawed cost accounting studies that assume that nothing else changes when wages and benefits on projects are slashed sharply. In fact, Dr. Price said, we don’t need to rely on “what if” hypotheticals to see the impact of prevailing wage laws. Instead, variation in prevailing wage policies across states—some states have laws and some states don’t and some individual states have such laws at some times but not others—provides a wealth of “natural experiments” that allow statistical research to determine the impact of these laws.

A rigorous body of economic research examining these natural experiments shows that their repeal leads to less workforce training; a younger, less educated and less experienced workforce; higher injury rates; lower wages; and lower health and pension coverage.

Research also reveals that prevailing wage laws do not raise costs. 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. Schools built at times of higher unemployment, when construction bids are much lower, however, can cost over 20% less per square foot than schools built during times of high demand.

- 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.

“Lawmakers know from their own experience that in any skilled field, you get what you pay for,” said KRC economist and briefing paper co-author Dr. Stephen Herzenberg. “The research on prevailing wage laws and construction costs indicates that any potential cost savings of paying lower wages and benefits are eaten by lost productivity or by higher profits or salaries for construction owners and top managers.”

“In an economy with a shortage of middle-class jobs,” said Dr. Price, “it doesn’t make sense to jeopardize family-supporting construction jobs, especially when there’s no public benefit in the form of cost savings.”

*The Keystone Research Center is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy. Learn more: [www.keystoneresearch.org](http://www.keystoneresearch.org).*