

RESEARCH SUMMARIES

The Adverse Economic Impact from Repeal of the Prevailing Wage Law in Missouri.

M. Kelsay, R. Wray and K. Pinkham, University of Missouri-Kansas City, 2004.

Summary: Attempts to repeal the prevailing wage law in Missouri are based upon claims that repeal will save dollars on total construction costs and bolster state and local budgets. This study shows that repeal of the prevailing wage statute in Missouri would not save money on construction costs.

Conclusion: The benefits of repeal are not there, whereas the costs of repeal are real and substantial. Repeal of the prevailing wage law would have a negative economic impact on families in Missouri, taxpayers in Missouri, and state/regional economies in Missouri.

Analysis of Regression and Surveys in Ohio LSC Report on S.B. 102 on Claimed Cost Savings from Exempting School Construction from Prevailing Wage Requirements. Herbert J. Weisberg, Ohio State University, July 8, 2002.

Summary: In May 2002, the Ohio Legislative Service Commission (LSC) issued Staff Research Report #149, claiming \$489 million in cost savings since S.B. 102 took effect in August 1997, exempting school construction from the state's prevailing wage requirements. This examination of the statistical analysis in the LSC Report shows that estimate is not valid.

The main statistical problem is that the LSC Report's regression equations explain a miniscule portion of the differences in costs between projects. Regression estimates would be meaningful only if the equations account for 70+ percent of the differences between projects, but these account for only a trivial 1 to 3 percent of the cost differences. The regression equations do not fit the data, so the cost-savings estimates are statistical fiction.

Conclusion: LSC's claimed cost savings obtained by exempting school construction projects from Ohio's prevailing wage law are based on flawed interpretations of statistical analysis.

A Comparison of Public School Construction Costs In Three Midwestern States that Have Changed Their Prevailing Wage Laws in the 1990's. Peter Philips, University of Utah Economics Department, February 2001.

Summary: The report focuses on Ohio, Kentucky and Michigan and examines whether or not the application of prevailing wage laws raises construction costs, and if so, by how much. It analyzes new public school construction in those states from 1991 to 2000, to determine whether or not changes in the prevailing wage policies as they applied to public school construction raised or lowered the cost of public school construction.

Conclusion: Analysis of school construction completed in the three states during the years prevailing wage laws were in effect, suspended, or repealed found no statistically significant difference between those schools built with or without prevailing wage regulations. In fact, in a number of instances construction costs actually rose, such as in Ohio, following repeal of the prevailing wage law there.

Prevailing Wage Regulations and School Constructions Costs: Evidence From British Columbia. Peter Philips and Cihan Bilginsoy. *Journal of Education Finance*, Winter 2000.

Summary: The report examines the theory that eliminating prevailing wages reduces school construction costs and analyzes construction final-cost data from the United States and British Columbia, Canada. It specifically focuses on the prevailing wage law in British Columbia where public construction wages must reflect 90 percent of the collectively bargained wage rate for each construction occupation. The report utilized final-cost data from new elementary and secondary public school construction projects from six school districts in British Columbia from 1989 to 1995.

Conclusion: The study refutes the theory that BC's prevailing wage law was the sole or primary factor in school construction costs in the specified time period.

Kentucky's Prevailing Wage Law: It's History, Purpose and Effect. Peter Philips, University of Utah Economics Department, November 1999.

Summary: This report on Kentucky's prevailing wage law analyzes construction cost data, historical information, training, health and safety statistics. It examines the positive impact that prevailing wage law has had on Kentucky in improving worker benefits, training and job safety. The author also includes information on the history and economic impact of prevailing wage laws on minorities in the national construction industry.

Conclusion: The study concludes that prevailing wage jobs are not more expensive, and they achieve solid benefits in the form of lower injuries, greater minority employment, a larger pool of skilled workers, and increased health and welfare benefits.

Prevailing Wage Laws and School Construction Costs. Mark J. Prus, State University of New York, Cortland, N.Y., January 1999.

Summary: This study analyzes the impact of prevailing wages on costs for public school construction in Maryland and the Mid-Atlantic States. The study includes: a comparison of school construction costs in states with prevailing wage laws to those without them in the mid-Atlantic region; a comparison of school construction costs within Maryland for those local jurisdictions that pay prevailing wages to costs in those areas that do not; an analysis of the extent to which local contractors on school construction projects have been harmed by unfair competition from outside contractors due to the absence of prevailing wage laws; and an examination of the extent to which the absence of prevailing wage rates in school projects impacts construction industry wages.

Conclusion: Based upon analysis of construction cost data on school construction projects provided by the F. W. Dodge Corporation, the study found conclusive evidence of the positive impact of prevailing wage laws on construction quality, labor markets, worker wages and construction costs.

Kansas and Prevailing Wage Legislation. Peter Philips, University of Utah Economics Department. February 1998.

Summary: Dr. Philips studies the difference in the Kansas workforce before and after the repeal of their PWL. He maintains that the 21 percent increase in serious injuries in the construction industry can be attributed to a combination of lower wages, less training, and a younger and less-skilled workforce. While Kansas was the first state to have a prevailing wage law established in 1891, it was repealed over 100 years later in 1991 on the promise of significant tax payer savings on public construction projects. Instead, training and productivity fell by 38 percent, with even higher percentages in minority populations, and injury rates jumped. In addition, the study found that new construction costs were virtually identical between the states with and without prevailing wage laws. Dr. Philips concludes that individual states with prevailing wage laws have more apprenticeship training taking place resulting in a safer workplace, more productive construction workers, and no significant increases in construction costs.

Conclusion: The construction industry maintains higher safety standards, better employee benefits, and a better trained workforce without increasing costs in states with prevailing wage laws.

Square Foot Construction Costs for Newly Constructed State and Local Schools, Offices and Warehouses in Nine Southwestern States. Peter Philips, University of Utah Economics Department, September 1996.

Summary: The author compares public square foot construction costs in nine southwestern states – five of which have state prevailing wage laws and four of which do not. His findings showed that states with such laws consistently had

lower square footage construction costs on public projects such as schools and warehouses. He attributes this to a significantly higher graduation rate for union/management supported apprenticeship training, resulting in increased productivity in the states with collective bargaining agreements. The lack of formal and organized apprenticeship training in non-prevailing wage states resulted in lower productivity, accounting for the fact that lower wage rates do not necessarily lead to lower construction costs.

Conclusion: Prevailing wage laws promote collective bargaining and apprenticeship training – consequently lowering public construction costs.

The Effect of State Prevailing Wage Laws on Total Construction Costs. Mark J. Prus, State University of New York, Cortland, N.Y., January 1996.

Summary: This paper looks at the impact prevailing wage laws have on publicly funded construction costs. Many opponents say that they raise costs and that a repeal of the prevailing wage laws would result in a cost-savings of up to 30 percent. The author contends that wage differences have only a moderate effect on total construction costs. In states with prevailing wage laws, workers with more experience and training result in increased productivity – often resulting in fewer hours of labor being required and offsetting any higher wage rates.

Conclusion: This study concludes that there are no measurable differences in construction costs between similar structures in states with prevailing wage laws.

Losing Ground: Lessons from the Repeal of Nine "Little Davis-Bacon" Acts. Peter Philips, Garth Mangum, Norm Waitzman and Anne Yeagle, Economics Department, University of Utah, February 1995.

Summary: In the 10 years after Utah's repeal of the Davis-Bacon Act, cost overruns on road construction tripled, occupational injuries rose by 15 percent, and there was a 40 percent reduction in construction training – a percentage that was even higher among minority workers. Because of the nature of the construction industry, with its seasonal and cyclical fluctuations, unions are instrumental in creating a stable environment with career opportunities for people of all ages and ethnic backgrounds. The unions have historically lowered training turn-over and increased job productivity by investing heavily in apprenticeship programs and creating wage incentives and career longevity through the promotion to journeyman status.

Conclusion: Construction injuries are up while productivity is down in states that have repealed the Davis-Bacon Act.