

SB 19-196 Fact Sheet

What the research tells us Colorado can expect with prevailing wages.

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Purpose of prevailing wages: Large government projects may attract contractors from low-wage areas motivating local contractors to cut wages and benefits to compete. Prevailing wage laws set minimum compensation rates that allow all contractors to compete without depressing local labor standards.

Peer-reviewed academic research on prevailing wages, construction costs, and bid competition.

- The statistical examination of CDOT highway resurfacing projects indicates that:
 - Prevailing wages do not increase costs or reduce bid competition.
 - Bid-costs do not change when prevailing wages decrease from union to average rates.
 - Bid-costs do no change when contractors moved on and off prevailing wage projects.
- Results from Colorado are consistent with the preponderance of peer-reviewed research based on the statistical examination of project costs and competition.

Why don't prevailing wages increase construction costs?

- According to the U.S. Census Bureau, construction labor costs are a low percent of total costs.
- Wage and benefits average 23% of total costs in the U.S and 22% in Colorado.
- Research also indicates that when construction wages increase so does labor productivity.
- Since labor costs are a low percent of total costs, small changes in productivity are needed to offset prevailing wages.

Results from research that has not been peer-reviewed.

- These studies (see Beacon Hill Institute and Anderson Economic Group for examples):
 - Are typically based on assumptions, wage differences, and incomplete cost information.
 - Do not consider changes in productivity as wages change.
 - Are not based on the statistical examination of actual project bids.
 - Provide cost estimates that are too high.
 - Have not been published in peer-reviewed academic journals.
 - Are not suitable as the basis of policy decisions.

Fiscal Note's cost estimate is too high.

- The Note estimates that construction costs will increase by as much as \$33 million (FY 2021-22).
- The Note assumes that construction costs will increase by as much as 10%.
- Policy should not be based on assumptions, but on the best research available.
- While there are administrative and enforcement costs, the fiscal impact will be substantially lower.

With prevailing wages more of Colorado's tax dollars will be used to employ Coloradans.

- By protecting local wages, prevailing wage laws protect work for local contractors & employees.
- Selected research findings:
 - Weakening & repealing Indiana's prevailing wage law means more work for Kentucky construction workers.
 - Prevailing wages in Minneapolis/St. Paul mean more work is completed by local builders.
 - Prevailing wages in Santa Clara County, CA protect work for county-resident contractors.

Prevailing Wage Laws are major drivers of apprenticeship training.

- Due to instability of work, there are few incentives to formally train construction workers.
- Lower apprenticeship wages on prevailing wage projects create incentives to use trainees.
- Lower trainee wages increase demand for apprentices, training enrollments, and completions.
- Strong prevailing wage policies assure that wages incorporate the cost of training.
 - For example, union compensation includes a ‘cents per hour’ addition for training.
 - While 8% of Colorado’s construction workers are unionized, 48% of apprentices were enrolled in union-sponsored programs between 2000 and 2017.
 - Open shop programs offer training for 20 trades (65% as electricians).
 - Union programs offer training across 28 trades (16% as electricians).

Prevailing wage laws reduce injuries.

- Construction is among the most dangerous industries.
- Formally trained workers are less likely to be injured.
- Injury rates are lower among union workers all of whom have completed apprenticeships.
- Injury rates are lower in states with adequate prevailing wage laws.

Prevailing wages increase incomes of all construction workers and reduce dependence on public assistance and insurance.

- Research indicates that prevailing wages increase average construction worker incomes from 2% to 16%.
- Minnesota’s prevailing wage law...
 - Increases average construction worker income by 5%.
 - Pension participation rates by 5%.
 - Health insurance coverage by 5%
 - Reduces food stamp use by over 2%.

Prevailing wages are not discriminatory.

- Some claim that prevailing wage laws were and are supported by unions to keep minorities out of the construction industry.
- The preponderance of peer-reviewed research finds no evidence that prevailing wage policies are discriminatory.
- All workers, regardless of race and gender earn the same prevailing wage rate.
- Evidence from Colorado suggests unions do not discriminate.
 - While women and some minorities are under-represented in construction, majorities of female, African-American, and Hispanic apprentices in Colorado were enrolled in union-sponsored apprenticeship programs between 2000 and 2017.
 - 65% of veteran apprentices were enrolled in union-sponsored programs between 2000 and 2017.

Veterans benefit from prevailing wage protections.

- Vets are disproportionately employed in construction and more so in states with the policy.
- Prevailing wages improve economic outcomes for veterans.
- In states with strong/average wage policies:
 - Vet incomes are 7% to 17% higher.
 - Vet health coverage is increases by 11% to 14%.
 - Vet poverty is reduced by 24% to 31%.