

The Economic, Fiscal, and Social Effects of Kentucky's Prevailing Wage Law

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A prevailing wage law establishes the minimum wage for skilled construction work on state-funded projects, consistent with local market conditions. Long supported by leaders in both political parties, prevailing wage laws are designed to promote quality craftsmanship, local hiring, and local economic benefits. This 2016 study utilizes economic data, industry standard IMPLAN software, and other peer-reviewed research from leading economists to assess the impacts of repealing prevailing wage for Kentucky's 82,000 skilled trade workers and taxpayers.

The preponderance of peer-reviewed research finds no evidence that prevailing wage laws increase costs.

- 76% of the studies examining the effect of prevailing wage laws on construction costs find no impact, including 82% of the studies focused on public school construction.
- Labor costs are a low and historically declining percentage of total construction costs (about 23%).
- Only minor changes in labor productivity and other costs are needed to offset the effect of the wage policy.
- Studies by the Legislative Research Commission and the Associated Builders and Contractors of West Virginia are based on incomplete information and claim savings that are unrealistically too high.

Prevailing wage repeal means lower wages, fewer jobs, and more poverty for Kentucky.

- Would reduce construction worker incomes by 10%.
- Work would be reduced for Kentucky-resident contractors as low-road, out-of-state contractors complete more taxpayer-funded projects, reducing overall economic activity by about \$400 million annually.
- Would result in a net loss of 2,900 jobs across all sectors of Kentucky's economy
- More than 6,000 blue-collar construction workers would lose their health insurance coverage and more than 10,000 would lose their pensions.
- More than 5,700 Kentucky construction workers would fall below the poverty line due to the wage cut.

Repeal of prevailing wage hurts Kentucky taxpayers.

- The decrease in economic activity would reduce state and local tax revenue by \$12.5 million.
- More construction workers would qualify for food stamps, Medicaid, EITC, and other public assistance.
- Lower standards for construction workers means less-efficient projects, and increased spending on materials, fuels, and other items.

Repeal of prevailing wage disproportionately hurts military veterans.

- Kentucky veterans work in construction at higher rates than non-veterans.
- Would result in 1,500 blue-collar veterans separating from their construction jobs.
- Would reduce the wages of Kentucky veterans working in construction by \$80 million per year.

Repeal of prevailing wage undermines workplace safety and workforce development programs.

- Prevailing wages fund apprenticeship programs that train the next generation of skilled workers.
- Research shows that repeal could reduce enrollment in these programs by about 40%.
- States without prevailing wage laws have up to 9% more construction-related injuries and significantly more workplace fatalities.
- 80% of Kentucky's apprentices are enrolled in, and graduate from, union-sponsored programs, which have a completion rate that is 35% higher than nonunion programs.