

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

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Report Fact Sheet

Repealing Kentucky's prevailing wage law will not result in construction cost savings.

- More construction workers would qualify for public assistance, increasing costs to taxpayers.
- Repeal would adversely affect veterans, who are more likely to work and own businesses in construction.
- Apprenticeship training would decrease and injury rates would rise.
- More of the state's tax dollars would be used to employ out-of-state contractors and workers.

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 decreases construction worker income and increases reliance on public assistance.

- Repeal would lower construction worker incomes by 10%.
- An estimated 6,100 blue-collar construction workers would lose their employer-provided health insurance coverage and another 10,300 would lose their employer-provided pension plan.
- An estimated 5,700 Kentucky construction workers would fall below the poverty line due to the severity of the wage cut, qualifying them for food stamps and Earned Income Tax Credit government benefits.

Military veterans employed in the construction industry would be particularly harmed by repeal.

- Applying results from a first-of-its-kind national study commissioned by VoteVets.org reveals that veterans would be negatively affected if the state were to weaken or repeal prevailing wage.
- Repeal would result in 1,500 blue-collar veterans separating from their construction jobs.
- At least 600 veterans would lose their employer-provided health coverage.
- The market share of veteran-owned construction companies would decrease.

Prevailing wage laws support training and safety in the construction industry.

- Kentucky's prevailing wage law creates incentives to train and employ apprentices.
- The vast majority (80%) of Kentucky's apprentices are enrolled in, and graduate from, union-sponsored programs.
- Union-sponsored programs have a completion rate that is 35% higher than nonunion programs.
- Union-sponsored programs also provide training for the full-range of trades, while nonunion programs in Kentucky do not currently provide training for ironworkers, operating engineers, or sheet metal workers.

By protecting local wage rates, prevailing wage laws protect work for local contractors and workers.

- Repeal would reduce work for Kentucky-resident contractors and increase work by out-of-state contractors.
- reducing overall economic activity by about \$400 million annually and causing a total employment decline of 2,900 jobs – including 1,800 direct construction jobs and 1,110 retail and service industry jobs.
- The decrease in economic activity would reduce state and local tax revenue by \$12.5 million.

For the report, click: <https://illinoisepi.files.wordpress.com/2016/12/kentucky-report-duncan-and-manzo-2016-final.pdf>.