

The Facts About Prevailing Wage

What is Prevailing Wage?

- Prevailing wage require that construction workers on public projects be paid the wages and benefits that are found by the Department of Labor to be “prevailing” for similar work in or near the locality in which the construction project is to be performed.

History of Prevailing Wage in Kansas

- Kansas was the first state to pass a "prevailing wage" for its own public works projects in 1891.
- In 1987 Kansas repealed its state prevailing wage law.
- In 2013 the Kansas Legislature passed, and Sam Brownback signed HB 2069. HB 2069 banned local government from requiring contractors to pay a prevailing wage on public projects.

Benefits of Prevailing Wage

- Prevailing wage ensures that all workers are provided with basic health care and paid leave protection, the economic data is clear: Jobs are not destroyed, employer profits do not decline, and regions with high standards do not suffer disinvestment.
- Studies have shown that prevailing wage leads to local job growth with more work being completed by local contractors.
- The repeal of the prevailing wage statutes in Kansas did not decrease total construction costs as claimed by proponents.¹
- Prevailing wages provide social benefits from higher wages, better workplace safety, and increased government revenues, and increases overall workforce skill levels.²
- The argument is frequently made that the prevailing wage raise wages and must, by default, increase construction costs. This argument makes the fatal assumption that, when wages increase, there is no impact on labor productivity. It has been shown (Kelsay, 2011, 2016) and other literature that construction workers in prevailing wage states get more formal apprenticeship training and generate more value added per worker than those construction workers in non-prevailing wage states.³

- Prevailing wage reduces the incentive to bid on public construction projects that rely on cheap, inexperienced, untrained and unformed labor.⁴
- Prevailing wage decrease the incentive to cheat on safety by emphasizing competition based upon skills training and management organization rather than on competition based upon unskilled and cheap labor. ⁵
- Opponents of prevailing wages state that by keeping wages low, the costs of construction can be decreased. However, the negative impact from the weakening or repeal of the prevailing wage often results in the abandonment of health insurance, pension coverage, and payroll taxes that funds the unemployment system and the workers compensation system throughout the United States.⁶
- Prevailing wage force bidders on public works projects to include all costs in their bids. This means that the construction worker living next to you can afford health insurance for their families, will receive a pension for his/her years of work, can buy rather than rent a home, can pay their taxes, and become members of the middle class.⁷
- Prevailing wage curbs harmful competition and a destructive economic “race to the bottom”.

1. Michael P Kelsay, *An Economics Analysis of the Impact of Kansas Repeal of Prevailing Wage Statutes in Sedgwick County, Kansas And Wyandotte County, Kansas* (University of Missouri – Kansas City, 2016), 5
2. Nooshin Mahalia, *Prevailing Wages and Government Contracting Costs* (Economics Policy Institute, 2008), 1-2
3. Kelsay, *An Economics Analysis of the Impact of Kansas Repeal of Prevailing Wage Statutes in Sedgwick County, Kansas And Wyandotte County, Kansas*, 10
4. Kelsay, *An Economics Analysis of the Impact of Kansas Repeal of Prevailing Wage Statutes in Sedgwick County, Kansas And Wyandotte County, Kansas*, 11
5. Kelsay, *An Economics Analysis of the Impact of Kansas Repeal of Prevailing Wage Statutes in Sedgwick County, Kansas And Wyandotte County, Kansas*, 11
6. Kelsay, *An Economics Analysis of the Impact of Kansas Repeal of Prevailing Wage Statutes in Sedgwick County, Kansas And Wyandotte County, Kansas*, 12
7. Kelsay, *An Economics Analysis of the Impact of Kansas Repeal of Prevailing Wage Statutes in Sedgwick County, Kansas And Wyandotte County, Kansas*, 12