

# An Examination of Minnesota's Prevailing Wage Law Effects on Costs, Training, and Economic Development



May 2018

By Frank Manzo IV, M.P.P. and Kevin Duncan, Ph.D.

## Key Findings

At a time when unemployment is historically low and 72% of contractors are having trouble filling craft positions, one policy has helped recruit and retain skilled workers into Minnesota's construction industry: the Minnesota Prevailing Wage Act. The policy provides local minimum wages for construction workers employed on public projects and levels the playing field for contractors.

### The Minnesota Prevailing Wage Act keeps construction costs stable.

- The vast majority studies find that prevailing wage laws have no effect on public construction costs.
- Labor costs are a low and historically declining share of total project costs— about 23%.
- A new analysis of 640 bids on school construction projects in Minnesota finds that winning bids on projects with prevailing wages are no more costly than bids on projects without prevailing wages.

### The Minnesota Prevailing Wage Act is an effective job skills advancement policy.

- Prevailing wage laws increase apprenticeship training, boost worker productivity, and reduce injury rates— helping to address the skilled labor shortage in construction.
- 93% of all registered apprentices in Minnesota are enrolled in joint labor-management programs.
- In 2015, the 10 largest joint labor-management apprenticeship programs had \$29.8 million in annual revenue and \$68.5 million in total assets while the program associated with the employer-only Associated Builders and Contractors had just \$297,000 in revenue and \$290,000 in total assets.

### The Minnesota Prevailing Wage Act provides pathways into the middle class and boosts the economy.

- Minnesota's prevailing wage law increases annual incomes by 5.2%, expands health insurance coverage by 5.0%, and improves pension coverage by 5.3% for blue-collar construction workers.
- Prevailing wage reduces the share of construction workers receiving food stamps by 2.1%.
- When school districts in Minnesota include prevailing wages on projects, local contractors account for a 10% higher market share— with tax dollars staying in the local economy.
- By protecting work for in-state contractors, Minnesota's prevailing wage law improves the state economy by \$981 million and generates \$37 million in state and local tax revenue.
- Compared to Indiana, which recently repealed its prevailing wage law, construction worker productivity has grown 7.7% faster and worker turnover rates have fallen further in Minnesota.

Minnesota's prevailing wage law produces positive impacts on the economy. By protecting local standards, prevailing wage supports work for local contractors and makes it easier for contractors to recruit, train, and retain skilled workers. The Minnesota Prevailing Wage Act is the best deal for taxpayers.