The Nevada Policy Research Institute

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NPRI study: Nevada's prevailing wage laws benefit unions at taxpayers' expense

LAS VEGAS — Nevada's prevailing wage laws undermine competition on the labor market, subsidize unionized labor and drive up construction costs borne by Silver State taxpayers, a new study from the Nevada Policy Research Institute finds.

The study, titled "Who Really Prevails Under Prevailing Wage?" and authored by Geoffrey Lawrence, NPRI's deputy director of policy, explores the detrimental impact the state's prevailing wage laws have had since passage in 1937. In particular, the study reveals that prevailing wage laws have resulted in excess costs to Nevada taxpayers of nearly $1 billion over the past two years.

Lawrence writes that "prevailing wage laws in Nevada are used to protect unionized labor — whose wage demands are typically far higher than wages seen in open labor markets — from competition. This wage tampering benefits established, and primarily unionized, construction workers by ensuring they receive a wage premium and most of the work on publicly funded projects."

The study also details how prevailing wage laws significantly increase the cost of public infrastructure in Nevada. "As a result," writes Lawrence, "fewer public funds are available to construct additional projects or to help alleviate fiscal stress within state and local governments."

Under the state's prevailing wage laws, contractors who bid on public works construction projects must compensate all employees on those projects at rates determined by the Nevada Labor Commissioner. The study finds, however, that methodological problems cause the state-mandated compensation levels offered on public works projects to be biased strongly in favor of local trade unions. The result is that, while union labor accounts for just 13 percent of Nevada's construction labor force, union compensation rates are legally required to be paid for 77 percent of construction job classifications in the state.

The study also reveals that:

- Racial discrimination was a primary motive behind the creation of prevailing wage laws in the United States, as the laws were first adopted for the purpose of pricing black laborers out of the workforce.
- Because of prevailing wage laws, the average wage premium paid for the construction of public infrastructure is 44.2 percent in Northern Nevada and 45.8 percent in Southern Nevada.
- The excess cost to taxpayers as a result of prevailing wage laws was at least $972 million over the course of 2009 and 2010 alone.

"Nevada taxpayers today are witnessing a fierce debate over the appropriate levels of government spending, and they are hearing many state politicians claim that they have already done all they can, in the face of declining revenues, to reduce government's costs," said Lawrence. "This study makes it clear that the state's prevailing wage laws artificially and unnecessarily drive up the cost of public infrastructure — catering to the narrow interests of politically active trade unions — at a time when taxpayer resources are extremely limited. If lawmakers had not devoted millions of dollars to offering wage premiums for union workers, that money might have been available for education or other uses.

"As Nevada's fiscal and economic challenges continue to mount, policymakers owe it to Silver State citizens to pursue serious reforms to the way we fund public infrastructure."

An executive summary of the study is available online at http://www.npri.org/publications/who-really-prevails-under-prevailing-wage. The full study can be downloaded at http://www.npri.org/docLib/20110419_Who_Really_Prevails_Under_Prevailing_Wage.pdf.

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