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NY's "Prevailing Wage" Law Inflating Costs Up to 25 Percent

The cost of publicly funded construction projects in New York is inflated up to 25 percent by the state's outdated "prevailing wage" mandate, which requires contractors to pay workers the amounts required by union collective bargaining agreements, according to a report issued today by the Empire Center for Public Policy.

The law, dating to 1894, effectively requires public works contractors to compensate workers and organize worksites in line with union-negotiated collective bargaining agreements, even though unions represent a shrinking minority of all construction employees in the state.

The Empire Center report, titled "Prevailing Waste: New York's Costly Public Works Pay Mandate," was coauthored by E.J. McMahon, research director of the Empire Center, and Dr. Kent Gardner, principal and chief economist of the Center for Governmental Research in Rochester. Key findings include the following:

- The impact of the prevailing wage law on construction costs ranges from a minimum of 13 percent more in the Albany area to 25 percent more in the New York City area.
- The law effectively saddles contractors with productivity-sapping union work rules—such as a requirement that highly paid operating engineers stand by to push the buttons on automated elevators used by other workers on a construction site.
- The state-mandated pay levels are not truly "prevailing," instead applying whenever union contracts cover as few as 30 percent of the workers in a given locality. Census data indicate union membership falls short of the mark in much if not most of New York, but the state Labor Department does not collect data verifying the threshold is being met and does not make public the source material for its prevailing wage calculations.
- The "wage"—ranging to upwards of $100 an hour for some skilled trades in New York City—includes union fringe benefits, the cost of which can approach or exceed straight cash pay. Much of the hourly benefits rate flows not to workers themselves, but to the unions' financially struggling benefit funds.
- New York's top 25 construction union pension funds have $12 billion in unfunded liabilities for their rapidly aging memberships, with fewer workers supporting a growing number of retirees. The state law effectively subsidizes these funds, providing what amounts to a taxpayer-funded bailout.

The report recommends reforming New York's law to create "a better, fairer, more cost-effective prevailing wage"—including a requirement, modeled on the federal Davis-Bacon Act, that would base pay on collective bargaining agreements only when unions cover at least 50 percent of workers in a given trade in a locality. When the threshold isn't met, the wage would be based on regional average pay, as shown in regular government occupational surveys.

The Empire Center, based in Albany, is an independent, nonpartisan, not-for-profit think tank dedicated to promoting policies to make New York a better place to live, work and do business.

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