

WHAT ARE THE IMPACTS OF PREVAILING WAGE POLICIES?

Public policy should be clear about the problem it intends to solve, how it will address the problem, who it helps, and who it leaves behind. Policy should also be data-driven and understood within economic, social, and political contexts. CHPC created the prevailing wage data portal to provide clarity about the challenges, benefits, and trade-offs involved in prevailing wage policies for affordable housing construction.

For more data to help policymakers evaluate the impact of prevailing wage policies, please visit: <https://chpcny.org/prevailing-wage-research/>.

What impact do prevailing wage policies have on **affordable housing production**?

Prevailing wages increase the cost of constructing affordable housing.¹ To offset the increase in cost, policymakers have three options: 1) increase government subsidy; 2) reduce affordability/serve higher incomes; or 3) produce less affordable housing.

What impact do prevailing wage policies have on **construction wages**?

Prevailing wages benefit construction worker earnings unevenly. The policy does not raise wages by a uniform dollar amount or percent amount. Nor does prevailing wage policy systematically lift the lowest paid construction workers. Different trades experience different gains based on the wages negotiated in the governing collective bargaining agreement. For example, Construction Laborers saw an increase of roughly \$27,000 or 48% relative to trade average across prevailing and non-prevailing jobs in NYC in 2018. Painters experienced an increase of about 37,000 or 69% and Glaziers saw \$12,000 or 19%.²

What impact do prevailing wage policies have on **worker benefits**?

Like wages, **prevailing wage policy impacts worker benefits unevenly.** Article 8 §220 prevailing fringe rates varied widely in 2018. A Painter-Metal Polisher making a base wage of approximately \$30/hr received \$7.06 in benefits, while a Structural Ironworker making roughly \$50/hr earned an additional \$72.53 in benefits.² Fringe may be paid into a bona fide benefit plan on behalf of a worker, but more often is paid to the worker as a cash equivalent. This practice does not ensure that all members of the construction workforce have access to basic benefits like health care.

¹ For estimates of the impact on construction cost, see (New York City Independent Budget Office, 2016) and (Roistacher, Perine, & Shultz, 2008).

² The prevailing wage rates referenced are from the Article 8 §220 wage schedule. (Office of the Comptroller, City of New York, 2018) For more on CHPC's wage comparison methodology see the Technical Note available at: <https://infogram.com/chpc-wage-comparison-technical-note-1h8n6mq3e7wv2xo?live>.

What impact do prevailing wage policies have on the lowest wage workers in NYC?

Construction is a well-paid sector relative to the labor force as a whole. In NYC, the 2018 median annual wage for construction and extraction occupations, exclusive of fringe, was \$70,040. This is much higher than the median for the NYC workforce overall (\$50,580) and is the highest among all blue-collar sectors.³ **Home health aides, retail sales people, waiters and waitresses, and cashiers rank as NYC's highest growth occupations and all earned a median annual wage less than \$30,000 in 2018.**⁴

What impact do prevailing wage policies have on gender equity?

Prevailing wage is a policy that almost exclusively benefits men. Men make up 97% of employees in construction occupations. By contrast, home health aides are largely women (89%).⁵ The median annual wage for construction and extraction occupations is \$70,040. In contrast, the median annual wage for a home health aide is \$25,600. The construction sector also offers substantial wage growth over the course of a career. A typical construction wage doubles over the course of a career (\$40,000 starting salary, \$87,000 for experienced workers). Home health aides begin their careers earning an average of \$25,000 and can expect to earn about \$26,000 as experienced professionals. Employees within both occupations typically attain a high school diploma or equivalent, but the prospects for construction workers are significantly better. Institutionalizing wage rates for men reinforces existing power-structures and limits opportunities for women's economic mobility.

What impact do prevailing wage policies have on racial disparities in the workforce?

We don't know! Expanding prevailing wage requirements today would mean doing so without any understanding of its racial impact. There are concerns that expanding prevailing wage requirements will negatively affect the hiring of minority workers and disadvantage minority- and women-owned businesses. Representation within apprenticeship programs appears to be increasing since the implementation of the Edward J. Malloy Initiative,⁶ but racial composition of the unionized construction workforce is still largely unknown. Both the NAACP and the 400 Foundation have called upon Building and Construction Trades Council to release data showing the number of minority workers employed within each trade union.

What impact do prevailing wage policies have on taxpayer-funded workers?

Government policy should not support poverty-wage jobs. Workers who do not make a living wage should certainly earn more, but as an occupation, **construction workers are not the most vulnerable among the taxpayer-funded workforce.** Home health aides are primarily funded through Medicaid. According to recent research by the Paraprofessional Healthcare Institute (PHI), one in six home care workers live in poverty, 62% of home care workers work full-time and 48% live in low-income households, 53% of home care workers rely on some form of public assistance.⁷

³ Blue collar sectors include Building & Grounds Cleaning and Maintenance, Installation Maintenance & Repair, Production, Transportation & Material Moving, and Farming, Fishing & Forestry. (NYS Department of Labor, 2018).

⁴ Wages and growth projections are available by labor-market. (NYS Dept. of Labor, Div of Research & Statistics, 2019)

⁵ Gender data reflects national-level participation. (Bureau of Labor Statistics, U.S. Department of Labor, 2019)

⁶ See Fig 5 for the change in racial composition of registered construction apprentices. (Fuchs, Warren, & Bayer, 2014)

⁷ (Paraprofessional Healthcare Institute, Inc., 2019)

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