

Prevailing Wage in Pennsylvania

SUMMARY

- Prevailing wage law dictates the minimum wage rates paid to workers on public construction projects if the project's estimated costs exceed a certain threshold.
- Pennsylvania's threshold for prevailing wage requirements applied to a public construction project has not changed since 1963, subjecting an increasing number of projects to these expensive requirements.
- Prevailing wage requirements increase the cost of public construction projects, and limiting or eliminating these requirements will reduce costs. Six states (Michigan, Arkansas, Kentucky, Wisconsin, West Virginia, and Indiana) repealed their prevailing wage laws during the past ten years and saw cost savings.
- Lawmakers should raise the threshold for prevailing wage requirements and exempt more projects from these costly requirements.

WHAT IS PREVAILING WAGE?

- The prevailing wage is the minimum rate contractors must pay a worker on a public construction project. Currently, 29 states and the District of Columbia have [prevailing wage laws](#).¹
- In Pennsylvania the threshold for prevailing wage projects is an estimated cost exceeding \$25,000. These wage rates are meant to approximate the rates paid to the same workers in the private sector and vary based on a worker's job classification.
 - The Pennsylvania Department of Labor and Industry (L&I) determines the [prevailing wage rate](#) for a given public construction project.² L&I bases its prevailing wage determinations on geographic location, job classification, county-level wage data, and collective bargaining agreements.
 - If a contractor does not offer a fringe benefit package, a prevailing wage determination includes both hourly compensation rates and cash equivalent fringe benefit rates for workers. Often, union shop contractors are [exempt](#) from this requirement because of a union's benefit plan.³
 - L&I has four prevailing wage categories: Building, Highway, Heavy, and Residential. These categories encompass several types of work and carry different wage rates. Some projects span multiple categories. For example, some aspects of an asbestos removal project are paid at "construction" rates and others at "heavy" rates.⁴

PROBLEMS WITH PREVAILING WAGE

- Prevailing wage requirements drive up costs on public construction projects, even far beyond the costs of equivalent private sector projects. The Pennsylvania State Association of Boroughs found

that prevailing wage rates exceed market rates between 30 percent and 76 percent across the commonwealth.⁵ In this sense, the prevailing wage is an inflated wage.

- A [review](#) of a 2016 prevailing wage project at East Stroudsburg University found that painters on this project had wages 64 percent higher than the average painter’s wage in Pennsylvania. Laborers were paid 25 percent higher than the state average.⁶
- Research in [West Virginia](#) and [Ohio](#) suggests exempting school construction from prevailing wage requirements could reduce costs by 7 to 10 percent.^{7, 8}
- Studies in [Michigan](#) and [New York](#) estimate that prevailing wage mandates increase costs on public construction projects between 8.5 and 25 percent.^{9, 10} Despite the [cost savings](#), Michigan lawmakers [reinstated](#) prevailing wage requirements in 2023.¹¹
- Data from the United States Census Bureau shows that Pennsylvania state and local governments [spent](#) \$15.6 billion on construction in 2021.¹² Using estimates from Michigan and New York, prevailing wage mandates in Pennsylvania represent between \$1.25 and \$3.9 billion in increased construction costs. Eliminating prevailing wage requirements would save taxpayers billions, or free up billions of dollars that could fund additional construction projects.
- There is no evidence to suggest that prevailing wage requirements impact the quality of construction. Projects are subject to the same codes and regulations regardless of wage mandates.
- Pennsylvania’s Prevailing Wage Act [became law](#) in 1961, and in 1963, the Pennsylvania General Assembly set the threshold for prevailing wage projects at \$25,000.¹³ Outside of a 2013 [reform](#) raising the prevailing wage threshold to \$100,000 for local highway and bridge projects, this threshold has not changed since 1963.¹⁴ As such, an increasing number of public construction projects are subject to prevailing wage requirements.
- Prevailing wage requirements can be a significant barrier to public construction projects. Pennsylvania currently does not have an appropriate classification for workers laying broadband lines. These workers, who normally receive a respectable \$55 an hour in the private sector, are instead classified as “electric linemen,” who carry prevailing wage rates exceeding \$90 hourly.
 - In October of 2023, the Broadband Communications Association of Pennsylvania [testified](#) that “the labor rates being cited ... will make it impossible to bring broadband to all the Commonwealth’s unserved residents.”¹⁵
- Prevailing wage laws have racist origins. In 1931 Congress passed the federal prevailing wage law, the Davis-Bacon Act. The law’s design was, in part, to [prevent](#) workers from other states—primarily black laborers from the South—from working on public construction projects.¹⁶

PROPOSED LEGISLATION

- [House Bill \(HB\) 2153](#) would prohibit contractors from paying workers multiple rates on one project and subject off-site custom fabrication work to prevailing wage requirements.¹⁷
 - This legislation will drive up costs and limit flexibility on the job site by preventing workers from working across crafts or wage categories on a project.
 - For example, pouring concrete may require a concrete finisher to set forms or rebar, tasks covered in different crafts (such as Iron Worker or Carpenter) that receive a different rate

than a concrete finisher. Limiting workers to one rate, and, thus one craft, will limit their earning potential.

- HB 2153 would subject all off-site work (except HVAC duct cleaning) done for a public works project to prevailing wage. This subjects off-site contractors to the same reporting, compliance, and enforcement regulations as on-site contractors and will make public construction projects more expensive.
- Meanwhile, [HB 208](#) proposes to increase the threshold for prevailing wage projects from \$25,000 to \$243,000 and require annual increases at the rate of inflation.¹⁸
- The current threshold has not changed in over 60 years. Increasing the prevailing wage threshold to adjust for six decades of inflation and indexing it to inflation would help keep the scope of prevailing wage requirements in line with the law’s original intent.

¹ United States Department of Labor Wage and Hour Division, “Dollar Threshold Amount for Contract Coverage,” January 1, 2023, <https://www.dol.gov/agencies/whd/state/prevailing-wages>; Mark C. Knoth, “Michigan’s Reinstated Prevailing Wage Law Will Go Into Effect Soon,” Kerr Russell, October 25, 2023, <https://www.kerr-russell.com/michigans-reinstated-prevailing-wage-law-will-go-into-effect-soon/>.

² Pennsylvania Department of Labor and Industry, “Prevailing Wage Frequently Asked Questions,” accessed September 13, 2024, <https://www.pa.gov/en/agencies/dli/resources/forms-and-documents/labor-law/prevailing-wage/prevailing-wage-faqs.html>.

³ Jake Haulk, “Prevailing Wage Rate Debate Goes On,” Policy Brief: Volume 21, No. 8, Allegheny Institute for Public Policy, February 24, 2021, <https://www.alleghenyinstitute.org/wp-content/uploads/2021/02/Vol21No8.pdf>.

⁴ Pennsylvania Department of Labor and Industry, “Prevailing Wage Frequently Asked Questions”; Pennsylvania Department of Labor and Industry, “Prevailing Wage Quick Links: Notes as Referenced in Predeterminations,” <https://www.pa.gov/en/agencies/dli/resources/forms-and-documents/labor-law/prevailing-wage/quick-links.html>.

⁵ Priya Brannick, “County Data Shows Prevailing Wage Hikes Costs,” Commonwealth Foundation, December 16, 2011, <https://www.commonwealthfoundation.org/2011/12/16/county-data-shows-prevailing-wage-hikes-costs/>

⁶ Frank Gamrat, “Pennsylvania’s Prevailing Wage Law Needs to Go,” Policy Brief: Volume 18, No. 25, Allegheny Institute for Public Policy, June 27, 2018, <https://www.alleghenyinstitute.org/wp-content/uploads/2018/06/Vol18No25.pdf>

⁷ Center for Business and Economic Research, “Study: School Construction Costs Down,” University of Kentucky Gatton College of Business and Economics, August 29, 2018, <https://cber.uky.edu/news/2018/study-school-construction-costs-down>.

⁸ Ohio Legislative Service Commission, “The Effects of the Exemption of School Construction Projects from Ohio’s Prevailing Wage Law,” May 20, 2002, <https://www.lsc.ohio.gov/assets/organizations/legislative-service-commission/files/2000-2009-special-reports-the-effects-of-the-exemption-of-school-construction-projects-from-ohios-prevailing-wage-law.pdf>

⁹ Michael J. Hicks, “The Costs of Prevailing Wage: Evidence from State Road Construction Spending,” Mackinac Center for Public Policy, May 8, 2023, <https://www.mackinac.org/S2023-04#executive-summary>.

¹⁰ E.J. McMahon and Kent Gardner, “Prevailing Waste: New York’s Costly Public Works Pay Mandate,” Empire Center for Public Policy, April 24, 2017, <https://www.empirecenter.org/publications/prevailing-waste/>.

¹¹ Michigan Chamber of Commerce, “Right to Work, Prevailing Wage Repeal Bills Signed By Governor,” March 24, 2023, <https://www.michamber.com/news/right-to-work-prevailing-wage-repeal-bills-go-to-governor/>; Knoth, “Michigan’s Reinstated Prevailing Wage Law.”

¹² United States Census Bureau, “2021 State & Local Government Finance Historical Datasets and Tables,” accessed September 13, 2024, <https://www.census.gov/data/datasets/2021/econ/local/public-use-datasets.html>.

¹³ 1961 Act 442 Pennsylvania Prevailing Wage Act, P.L. 987, No. 442, Pennsylvania General Assembly, <https://www.legis.state.pa.us/CFDOCS/LEGIS/LI/uconsCheck.cfm?txtType=HTM&yr=1961&sessInd=0&smthLwInd=0&act=0442.&CFID=341789689&CFTOKEN=68930824>.

¹⁴ 2013 Act 89 Transportation (74 Pa. C.S.) and Vehicle Code (75 Pa. C.S.) Omnibus Amendments, P.L. 974, No. 89, Pennsylvania General Assembly, <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=89>.

¹⁵ Todd Eachus, “BCAP Testimony on Regulatory Reform,” Broadband Communications Association of Pennsylvania, October 25, 2023, <https://policy.pasenategop.com/wp-content/uploads/sites/140/2023/10/BCAP-Regulatory-Reform-Testimony-10.25.23.pdf>.

¹⁶ U.S. Congress, Congressional Record – House, Rates of Wages for Laborers and Mechanics on Public Buildings of the United States: 6504–6521, February 28, 1931, <https://www.congress.gov/71/crecb/1931/02/28/GPO-CRECB-1931-pt7-v74-1-2.pdf>. See also Scott Bullock and John Frantz, “Davis-Bacon Act,” Institute for Justice, accessed October 1, 2024, <https://ij.org/case/brazier-construction-co-inc-v-reich/>.

¹⁷ Rep. Jason Dawkins, House Bill 2153, Pennsylvania General Assembly, Regular Session 2023–24, <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2023&sInd=0&body=H&type=B&bn=2153>.

¹⁸ Rep. Barb Gleim, House Bill 208, Pennsylvania General Assembly, Regular Session 2023–24, <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?year=2023&sind=0&body=H&type=B&bn=208>.