Nevada Policy Research Institute

analysis

Who Really Prevails Under Prevailing Wage?

Nevada governments waste billions in subsidies to union labor

by Geoffrey Lawrence

Executive Summary

Nevada state and local governments are compelled by state law to compensate workers employed on taxpayer-funded construction projects not at market rates but according to schedules set annually by the Nevada Labor Commissioner.

While these state-mandated wage rates are ostensibly supposed to approximate the wages that "prevail" in the marketplace, state regulations have instead been engineered to ensure that the wages reflect the pay schedules demanded by local trade unions.

The methodology used to calculate these wage rates — for 38 unique job classifications within each county — systematically excludes responses from non-union employers. The result is that, although union labor comprises only 13 percent of the construction labor force, trade unions in Nevada currently control 77 percent of the wage rates announced as "prevailing."

As such, 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.

This paper compares the prevailing wage rates required by the Nevada Labor Commissioner with those found in the marketplace, as reported by the state Department of Employment, Training and Rehabilitation. While there is dramatic variation across counties and job classifications, analysis shows that 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.

In order to determine the total excess cost imposed on Nevada taxpayers as a result of the state's prevailing wage laws, wage premiums are calculated for public works projects undertaken in two recent calendar years, 2009 and 2010. These amounts totaled to $625 million and $346 million, respectively. The smaller figure for 2010 does not reflect a declining cost of prevailing wage laws; it is the result of fewer projects being undertaken as tax revenues declined.

This analysis makes clear that prevailing wage laws add substantially to the cost of public infrastructure in Nevada. As a result, fewer public funds are available to construct additional projects or to help alleviate fiscal stress within state and local governments. Instead, lawmakers channel hundreds of millions in tax dollars each year to benefit unionized construction labor — with some of that money, of course, subsequently flowing back into the same politicians' campaign coffers.

Introduction

Since 1937, state law in Nevada has imposed requirements on public works construction projects that are designed explicitly to undermine competition in the labor market.

In a free labor market, competitive wage-setting plays a critical role in economic planning because workers possessing a skill set for which there is high demand are drawn to employers that can offer the highest wages and best working conditions. When the need for skilled workers in a particular geographic area outstrips the number of workers possessing the needed skill set, the result is an increase in wages as employers signal an increased need for skilled workers in the area. This price signal lures workers from surrounding regions to relocate to the area of high demand in pursuit of better economic opportunity. As a result, workers with particular expertise tend to move toward geographic regions where that expertise is in greatest need.

When the additional demand for skilled labor in a region has been satiated, wages tend to return toward the level seen in surrounding regions, signaling that the additional demand has been satisfied and ending the stimulus for workers to relocate. This is how free markets allocate scarce labor resources to meet the needs of society.

However, the Silver State's "prevailing wage" law is designed to purposefully circumvent this vital market function.

Nevada's prevailing wage law requires contractors who bid on public works construction projects to compensate all employees on those projects at rates determined by the Nevada Labor Commissioner. However, due to methodological problems this analysis will outline, the state-mandated compensation levels offered on public works projects are strongly biased in favor of local trade unions. In fact, although union labor accounts for only 13 percent of the construction labor force, state law currently requires that union compensation rates be paid for 77 percent of construction job classifications in Nevada.

Because compensation rates sought by unions tend to be significantly higher than those found within a free labor market, Nevada's method of determining prevailing wage rates ensures that most workers on public works projects receive a state-mandated *wage premium*.

This wage premium is explicitly intended to prolong the conditions of regional scarcity for skilled labor by undermining the competitive advantage of workers who might otherwise relocate from areas where their skills are less needed. It effectively requires contractors to compensate workers at rates sought by local trade unions regardless of market conditions. This provides an obvious incentive for contractors to hire directly from local trade unions,

and not recruit workers from outside the area. Hence, the primary purpose of prevailing wage laws has been to protect unionized labor from competition.

State-Mandated Prevailing Wages Do Not Prevail

To the uninitiated, prevailing wage laws sound like they're intended to ensure that compensation rates paid on public works projects closely approximate the rates that prevail in the marketplace. In reality, these laws are designed to ensure that this is *not* the case. Instead, prevailing wage laws effectively guarantee that government bodies pay the higher wages for work on public construction projects that local trade unions demand. The explicit intent of these laws is to protect union workers from labor-market competition, while also ensuring that union workers are paid a premium for their labor.

This union protectionism comes at a heavy price to the public at large, which is thus forced to overpay for construction of public infrastructure. Wage rates demanded by trade unions are generally much higher than those that prevail on the marketplace. Indeed, the very point of unionization is to pressure employers into paying above-market wage rates for established workers, regardless of the impact on more junior workers, who are often forced into unemployment, or on consumers, who receive less value for their money.[1]

Due to the artificially high union wage rates that prevailing wage laws effectively require, taxpayers become liable for paying inflated labor costs on public works projects. As this analysis will show, Nevada's prevailing wage laws forced taxpayers to pay at least $972 million extra for public works projects in 2009 and 2010 alone.

In a free labor market, this money — almost a billion dollars — would have been available for the development of additional infrastructure or, perhaps, government operating costs during economic recession. Instead, through the state's prevailing wage laws, policymakers channeled hundreds of millions of dollars per year in wage premiums to local trade unions. While trade unions send some of these funds back to incumbent lawmakers[2] in the form of campaign contributions, Silver State taxpayers receive far less value for their tax dollars, in terms of public infrastructure, than would otherwise be the case.

Historical Background

Prevailing wage laws in Nevada and most other states are adapted from the federal Davis-Bacon Act of 1931. The Davis-Bacon Act subjects any public works project receiving federal funding in excess of $2,000 to prevailing wage requirements.[3] The ostensible purpose of the Davis-Bacon Act is to ensure that wage rates paid on these projects conform

to wage rates paid to workers performing similar work within the surrounding geographic area.

Davis-Bacon requirements were a component of what became the larger strategy in the 1930s of creating government make-work jobs in the construction industry through public works financing. It should be noted that the primary objective sought by federal policymakers during this period was not the cost-effective construction of public infrastructure, but the injection of disposable income into the pockets of construction workers.

An effect of the prevailing wage requirement on these projects — one explicitly intended by the law's creators — was to prevent lower-cost laborers from leaving areas where their skills were in low demand for areas where those skills were in greater need. The law was intended to circumvent the role that competitive wage-setting plays in allocating human capital resources to their most efficient use.

Racial Discrimination

Congressional records make it clear that the intent of the Davis-Bacon Act was to undermine the competitive advantage enjoyed by a specific category of highly mobile construction workers: Southern blacks. Sen. James Davis of Pennsylvania and Rep. James Bacon of New York, among others, feared that contractors who used black labor would underbid contractors using white labor and win federal contracts.

During the 1920s, construction work had offered an opportunity for unskilled black workers otherwise systematically excluded from many forms of employment. As a result, black labor was disproportionately represented in the construction industry. According to the 1930 Census, blacks accounted for 22.8 percent of unskilled construction labor, despite accounting for only 11.3 percent of the total workforce.[4] This trend was most pronounced in the South, where, in at least six cities, blacks accounted for more than 80 percent of the unskilled construction workforce.[5]

As the pace of federal public works projects accelerated in the late 1920s and into the 1930s, Northern congressmen like James Bacon became alarmed when Southern contractors employing black labor began winning contracts for projects commissioned in Northern districts. After an Alabama contractor employing black workers won a bid for a federal project in his Long Island district, Rep. Bacon submitted H.R. 17069 in 1927. It was an antecedent of the Davis-Bacon Act.[6]

Between 1927 and 1931, Bacon introduced 13 more bills designed to ensure that wage rates paid on federal public works projects would match the rates paid by local trade unions — who generally excluded blacks from membership.[7] Requiring payment of local union wage

rates would undermine the competitiveness of black workers and incentivize contractors to hire directly from local trade unions, who employed white labor.[8]

By 1931, a majority in Congress favored protecting unionized, white workers' salaries and passed the Davis-Bacon Act.[9]

Testifying in support of the measure, Rep. Clayton Allgood clearly stated what he saw as the rationale for Davis-Bacon, saying "cheap, colored labor is in competition with white labor throughout the country."[10]

Allgood was not alone in articulating Davis-Bacon's racially discriminatory motivation. Rep. John J. Cochran said that he had "received numerous complaints in recent months about Southern contractors employing low-paid colored mechanics getting work and bringing the employees from the South."[11] Similarly, Rep. William Upshaw responded to one version of Bacon's bill by saying, "You will not think that a Southern man is more than human if he smiles over the fact of your reaction to that real problem you are confronted with in any community with a superabundance or large aggregation of Negro labor."[12]

Davis-Bacon Comes to the States

Passage of the federal Davis-Bacon Act immediately inspired state lawmakers across the country to enact similar provisions at the state level. In the 1930s alone, 17 states, including Nevada, passed prevailing wage laws for state-funded construction projects. By the high-water mark in 1978, 41 states had enacted prevailing wage statutes.[13]

Since then, nine states have repealed their prevailing wage laws while one state supreme court (Oklahoma's) has declared the provision unconstitutional. Yet, despite its ignominious origins and economic inefficiency, Nevada's prevailing wage law continues to be enforced.

Today, prevailing wage laws across the country continue to exert a racially discriminatory impact, undermining the competitiveness of black workers, who remain statistically less likely to belong to construction trade unions. A 1999 study published by the National Bureau of Economic Research concluded that "repeal [of prevailing wage laws] is associated with a sizeable reduction in the union wage premium and a significant narrowing of the black/nonblack wage differential for construction workers."

Prevailing Wage Inflates Construction Costs

Given that prevailing wage laws are explicitly intended to undermine competition within the labor market, it should come as no surprise that these laws inflate labor costs and, consequently, the total construction cost of public works projects. As Nevada Labor Commissioner Michael Tanchek stated in an October 2010 letter to Assemblyman Pete

Goicoechea and then-governor Jim Gibbons, "State and local government agencies pay more for construction projects than the private sector pays for comparable projects. Saying otherwise would be denying the obvious."[14]

Analyses performed in other states that impose prevailing wage requirements confirm that those requirements significantly increase the cost of public works projects. A 2007 analysis of the additional labor costs imposed by prevailing wage laws in Michigan concluded that contractors for public works projects are forced "to pay wages that average 40 to 60 percent higher than those found in the marketplace" and that this "increases the cost of construction by 10 percent to 15 percent."[15] According to economist Richard Vedder, a temporary court-mandated suspension of Michigan's prevailing wage law may have saved taxpayers in that state $275 million in 1995 alone.[16]

In 1997, Ohio lawmakers, wary of the excess costs imposed by prevailing wage, exempted the construction of that state's public schools from prevailing wage requirements with the passage of Senate Bill 102.[17] Legislative staff reviewed the impact of that change in 2002, revealing that Ohio's public school districts had saved $487.9 million — an amount directly attributable to the exemption. This accounted for 10.7 percent of construction spending on public schools during the time period examined.[18] In other words, prior to the exemption, Ohio taxpayers were receiving only nine schools for the price of 10 — shortchanging taxpayers and children.

Similarly, a 2008 analysis of the financial impact of the Davis-Bacon Act on federal public works projects concludes that the law artificially inflates labor costs by 22 percent, on average, with dramatic variations across particular job classifications and geographic regions. The study found that unskilled laborers in the Las Vegas metro region, for example, received a premium of $12.74 per hour on projects subject to the Davis-Bacon Act, while the average premium nationwide and across all job categories was "only" $4.43 per hour. In some cases, the premium was as high as $26 per hour.[19]

This body of evidence confirms the validity of standard economic theory regarding the impact of restricted competition in the labor market. It is clear that prevailing wage laws artificially inflate labor costs on public works projects — benefitting unionized construction workers to the detriment of the public at large.

Problems with Nevada's Prevailing Wage Calculation

In the Silver State, how much are the excess costs that result from the prevailing wage statutes? This figure can be derived by comparing official prevailing wage rates with wages paid in the marketplace.

Ironically, the data sets reflecting these two routinely conflicting pieces of information are each compiled by state government offices.

Nevada's Department of Employment, Training and Rehabilitation (DETR) — on behalf of the U.S. Department of Labor — conducts a semi-annual survey of employers, learning the gross pay amounts paid to employees in over 800 occupations. The statistical information gathered goes into the national Occupational Employment Survey.

The survey used to calculate prevailing wage rates, on the other hand, is conducted annually by the Nevada Labor Commissioner. It suffers from several methodological problems that, unsurprisingly, bias the resulting prevailing wage rates upward, in conformity with the desires of trade unions.

Sampling Error

The Labor Commissioner's survey suffers from numerous issues that contribute to sampling error. The gold standard for statistical surveys is the use of "simple, random sampling." Under that standard, survey respondents are selected without bias in order for the survey results to best reflect what is occurring within the population of examination.

If, for example, a researcher wants to know the median or average wage paid to an unskilled construction worker in Nevada, the researcher should randomly select a large sampling of employers. If the survey results are restricted to a particular subset of employers possessing some distinguishing feature that is unreflective of the general population, then the survey results will be biased. Any trends unique to the over-represented subset of employers will make the sample unlikely to reveal pay rates for workers in the open marketplace.

Nevada's prevailing wage survey is engineered to produce this type of sampling error by eliciting higher response rates from union firms and lower response rates from non-union firms.

First, the Labor Commissioner requires employers to report the value of fringe benefits provided to workers in terms of hourly compensation. This can include paid vacation and sick days, training or apprenticeship programs, and employer contributions toward a health plan, retirement account, life insurance policy, etc.

However, few employers in the private market break down the cost of fringe benefits into hourly compensation terms. Indeed, the hourly cost of fringe benefits provided by non-union contractors is likely to vary greatly from one employee to the next, as each selects different health plans, retirement contribution levels, etc. Hence, the additional accounting requirements necessary to calculate an average value of fringe benefits per labor hour for each job classification is often deemed overly burdensome by employers who do not already

report this data. As a result, most contractors —especially those who do not regularly bid on public works projects — would incur notable extra costs to complete the Labor Commissioner's survey.

Second, the survey requests hourly compensation rates for very narrowly defined job classifications that conform to union definitions. However, the relatively inflexible work rules to which union contractors must adhere are generally foreign to non-union contractors.

For instance, if a worker who is employed as an unskilled laborer picks up a hammer and helps to drive nails into an A-frame for an hour, then survey respondents must claim that hour's wages and benefits as compensation for a "carpenter" instead of a "laborer." Indeed, respondents would have to maintain a detailed accounting of the tasks completed by every worker during every hour of each workday so as to report the compensation correctly.

The administrative burden imposed by these accounting requirements is sufficiently large to discourage non-union contractors from even completing the prevailing wage survey. Current Labor Commissioner Michael Tanchek estimates that, although more than 14,000 contractors are included in the survey, he averages fewer than 700 responses each year. As he says, "It's a lot of work to fill out the forms."[20]

As a result, the survey receives responses from only a small, self-selected subset of employers for whom the additional accounting requirements necessary to complete the survey impose little additional cost. Naturally, these firms are nearly always union-organized — already maintaining rigidly structured pay and benefits scales that conform to the narrowly defined job definitions outlined within the survey.

Survey Average Versus Union Rates

From among those employers who actually complete the survey and return it to the Labor Commissioner, the average reported wage is calculated for each job classification within each county. If the sampling error issues could be ignored, it might be reasonable to expect that the survey average would then be set as the official "prevailing wage" within a county, but it is not.

Instead, state regulations[21] instruct the Labor Commissioner to disregard the survey average if at least 50 percent of the *reported* billable hours within a county are subject to a collective bargaining agreement. In these cases, the collectively bargained rates become, by default, the state-mandated "prevailing wage" for particular job classifications within each county. In other words, even after its survey methodology has systematically excluded most non-union contractors, the State of Nevada leans even further backward to ensure that unions set prevailing wage rates.

This intricate set of criteria allows union labor — which comprises only 13 percent of the construction labor force[22] — to control the prevailing wage rates within each county. In fact, of the 38 job classifications surveyed by the Labor Commissioner, union rates currently "prevail" in a minimum of 27 cases in Churchill, Eureka, Mineral and Pershing counties and as many as 34 cases in Clark and Lincoln counties.

Thus, it becomes clear that the Labor Commissioner's required calculation of prevailing wage rates yields a pay schedule that bears no meaningful relationship to the wages that each class of workers actually receives in the marketplace. In fact, the Labor Commissioner does not really calculate the prevailing wage, but the wage that would prevail if the wage-setting process were dictated solely by trade unions.

DETR Data Has Limitations Also

If policymakers were interested in knowing the wage rates that would prevail in the absence of this corrupted calculation process, they could easily learn that information by simply removing the prevailing wage statutes and allowing employers and employees to negotiate wages freely.

Short of this approach, the best available method of approximating the difference between the prevailing wage rates published by the Labor Commissioner and those that actually characterize the marketplace is to compare the prevailing wage for each job classification to the mean wage reported by DETR for the corresponding job classification. There are, however, important limitations to the data collected by DETR, which should be noted.

The survey data collected by DETR as part of the national Occupational Employment Survey is more robust, more frequent, and more methodologically accurate than the data collected by the Labor Commissioner. However, the DETR dataset is no strict reflection of the wages that prevail in the local marketplace for private construction projects. Since the survey targets all employers — including those who contract for public works projects and are required to pay prevailing wage rates — the wage data is biased upward by an overrepresentation of union wages. Thus any estimate of the wage premium paid to workers on public works projects based on the DETR dataset will still be *understated*.

A further complication is that state-mandated prevailing wage rates published by the Labor Commissioner include the value of fringe benefits on a per-labor-hour basis, whereas the DETR survey does not collect data on fringe benefits. This paper's analysis controls for that qualitative difference by incorporating reasonable assumptions regarding the value of fringe benefits into the wage data provided by DETR. Data published by the Labor Commissioner shows that the additional value of fringe benefits offered by trade unions, on average, amounts to 29.7 percent of wages in Northern Nevada and 31.0 percent in Southern Nevada.

Therefore, a reasonable approach might be to increase the wage data provided by DETR by a similar proportion in order to yield an apples-to-apples comparison.

This analysis assumes that benefits are valued at 40 percent of wages on the open market — proportionally more generous than those offered by trade unions — and increases the DETR wage numbers by that amount to generate an apples-to-apples comparison. This further ensures that any estimate of the wage premium offered on public works projects will be *conservative.*[23]

Measuring the Excess Cost Imposed by Prevailing Wage

After the DETR wage data is adjusted upward to account for the additional cost of providing fringe benefits, a substantial gap still remains, in most cases, between state-mandated prevailing wage rates and the adjusted DETR wages. This amount is the wage premium enjoyed by workers on public works projects. The size of the wage premium varies significantly across counties and job classifications. For instance, painters in Carson City receive a 59.8 percent wage premium, on average, while carpenters in Douglas County receive a 28.9 percent wage premium.

All together, the average wage premiums for public works projects in Northern and Southern Nevada are 44.2 and 45.8 percent, respectively. The detailed analysis of wage premiums for specific job classifications is available as an accompanying spreadsheet.[24]

Wage Premium for Unskilled Laborer by County	
Carson City	7.98%
Churchill County	28.73%
Clark County	65.95%
Douglas County	36.16%
Elko County	40.03 %
Lander County	-5.33%
Lyon County	18.15%
Nye County	34.54%
Washoe County	21.32%

The degree of variability in the wage premium from one county to the next for workers in the same job classification is particularly noteworthy. Unskilled laborers, for example, receive a slightly negative wage premium in Lander County whereas the same workers in Clark County receive a wage premium of 66.0 percent.

Due to low population figures in Nevada's rural counties, there are many instances within the DETR survey data for which no mean wage is available for particular job classifications within a particular county. As such, it is impossible to calculate the wage premium received by workers on public works projects in these cases.[25]

This analysis assumes, as is standard,[26] that labor costs account for 50 percent of total construction costs. On this basis, the wage premium earned on public works construction projects is applied to the labor cost component of projects undertaken in calendar years 2009 and 2010. This yields the total excess labor cost with which taxpayers are burdened as a result of prevailing wage requirements.

Total Spending on Public Works Projects: 2009, 2010		
	2009	**2010**
North		
State, counties & municipalities	$427,373,377	$560,677,442
NSHE & school districts	$134,316,281	$89,853,923
South		
State, counties & municipalities	$3,279,010,674	$1,405,458,642
NSHE & school districts	$157,445,463	$166,181,486

The results show that prevailing wage requirements were responsible for $625 million and $346 million in excess labor costs in 2009 and 2010, respectively. The sharp decline in this total from 2009 to 2010 results from fewer projects being undertaken as tax revenues declined[27] due to economic recession. However, if the excess labor costs due to prevailing wage requirements could be eliminated, it would become feasible to undertake more projects or to divert capital improvement funds toward operations in order to alleviate fiscal stress.

Excess Labor Costs Due to Prevailing Wage (Assuming labor = 50 percent of construction costs)		
	2009	**2010**
North	$86,052,754	$99,663,603
South	$539,325,277	$246,656,963
Total	*$625,378,030*	*$346,320,567*

Either of these options would ensure that taxpayers get more value for their tax dollars. However, current policy is designed to provide a windfall of above-market wages, primarily benefiting politically-connected local trade unions.

Conclusion

Few interest groups have profited as greatly from a politically instituted mechanism for coercing the public into surrendering its earnings as have trade unions in Nevada. This analysis shows that, during the recession-impacted years of 2009 and 2010, nearly $1 billion in public funds were dedicated to paying a wage premium for construction workers on public works projects and that this has primarily benefitted union labor. Yet, the Silver State's prevailing wage laws were first adopted in 1937 — meaning that for nearly 75 years, trade unions in Nevada have profited handsomely at the expense of the public.

Repeal of these prevailing wage laws would be difficult as trade unions have entrenched themselves as a powerful interest group at the Nevada Legislature and have used their riches to become prominent campaign donors to many incumbent lawmakers, as seen across many campaign-contribution and expense reports filed with the Secretary of State.[28]

Yet, if Nevadans are ever to receive value for the tax dollars they provide for public infrastructure, and if the market distortions and racially discriminatory effects imposed by prevailing wage laws are ever to be corrected, wholesale reform in this area must be pursued.

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Endnotes

[1] According to Murray Rothbard, "If a union achieves a higher wage, some laborers are earning a higher price, while others are excluded from the market and lose the revenue they would have obtained. These discharged workers are the main losers in this procedure." Rothbard has detailed the impact of unionization on unemployment on many occasions. See, e.g., Murray Rothbard, "Can Labor Unions Restrict Wages in a Free Market?" http://mises.org/daily/3590; Murray Rothbard, America's Great Depression, pp. 42-53, available at http://mises.org/rothbard/agd.pdf.

[2] Campaign donations, by donor, can be reviewed on the Nevada Secretary of State's website, at http://nvsos.gov/SOSCandidateServices/AnonymousAccess/ReportSearch/ReportSearch.aspx.

[3] U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division, "Davis-Bacon Wage Determination Reference Manual," http://www.gpo.gov/davisbacon/referencemat.html.

[4] U.S. Census, Fifteenth Census of the United States: 1930, POPULATION, Vol. IV, "Occupations by States," Table 13 http://www2.census.gov/prod2/decennial/documents/41129482v4ch02.pdf.

[5] Mark W. Kruman, "Quotas for Blacks: The Public Works Administration and the Black Construction Worker," Labor History 16, Winter 1975, pp. 38-39.

[6] See U.S. Congress, House, Committee on Labor, Hearings on H.R. 17069, 69th Congress, 2d Sess. Feb. 28, 1927, pp. 2-4.

[7] Herbert Northrup, Organized Labor and the Negro, (New York and London: Harper and Brothers Publishers, 1946).

[8] David E. Bernstein, "The Davis-Bacon Act: Let's Bring Jim Crow to an End," Cato Institute Briefing Paper No. 17, http://www.cato.org/pubs/bp/bp017.pdf.

[9] See, e.g., Richard C. Weaver, Negro Labor: A National Problem (Port Washington, N.Y.: Kennikat Press, 1948), p. 10; Sterling D. Spero & Abram L. Harris, The Black Worker (New York: Columbia University Press, 1931), p. 178.

[10] Congressional Record, February 28, 1931, p. 6,513.

[11] U.S. Congress, House, Committee on Labor, Hearings on H.R. 7995 & H.R. 9232, 71st Congress, 2d Sess., March 6, 1930, pp. 26-27.

[12] U.S. Congress, House, Committee on Labor, Hearings on H.R. 17069, 69th Congress, 2d Sess. Feb. 28, 1927, p. 3.

[13] Nevada Legislature, Legislative Counsel Bureau, Research Division, "Background Paper 85-4: Prevailing Wage Law," http://ftp.leg.state.nv.us/Division/Research/Publications/Bkground/BP85-04.pdf.

[14] State of Nevada, Department of Business and Industry, Office of the Nevada Labor Commissioner, Letter from Labor Commissioner Michael Tanchek to Assembly Minority Leader Pete Goicoechea, Oct. 14, 2010.

[15] Paul Kersey, "The Effects of Michigan's Prevailing Wage Law," Mackinac Center for Public Policy, http://www.mackinac.org/8907.

[16] Richard Vedder, "Michigan's Prevailing Wage Law and Its Effects on Government Spending and Construction Employment," Mackinac Center for Public Policy, www.mackinac.org/article.aspx?ID=2380.

[17] General Assembly of the State of Ohio, 122nd Session, Senate Bill 102, http://www.legislature.state.oh.us/bills.cfm?ID=122_SB_102.

[18] Ohio Legislative Service Commission, Staff Research Report No. 149, "The Effects of the Exemption of School Construction Projects from Ohio's Prevailing Wage Law," May 20, 2002, http://www.lsc.state.oh.us/research/srr149.pdf.

[19] Sarah Glassman et al., "The Federal Davis-Bacon Act: The Prevailing Mismeasure of Wages," Beacon Hill Institute at Suffolk University, http://www.beaconhill.org/bhistudies/prevwage08/davisbaconprevwage080207final.pdf.

[20] Interview with Nevada Labor Commissioner Michael Tanchek, March 18, 2011.

[21] Nevada Administrative Code 338.009-338.090, http://www.leg.state.nv.us/nac/NAC-338.html.

[22] U.S. Department of Labor, Bureau of Labor Statistics, "Union Membership (Annual) News Release," Jan. 21, 2011, http://www.bls.gov/news.release/union2.htm.

[23] In practical terms, the costs of many fringe benefits are independent from wages. For instance, employer costs for providing health insurance can depend on many factors, including scope of coverage, family size, health status of employee, etc. Since these costs are fixed relative to wages, it is reasonable to expect the proportional value of

benefits to increase as wage rates decline, justifying the higher proportional estimate applied to DETR data for this analysis. However, it should also be noted that many nonunion workers do not receive fringe benefits as generous in scope as those outlined within the collective bargaining agreements upon which prevailing wage rates are based.

[24] Available for download at http://www.npri.org/docLib/20110418_PW_versus_DETR_wages.xlsx.

[25] This does not imply that the DETR data is less robust than that collected by the prevailing wage survey. Indeed, the prevailing wage survey suffers from the same shortcoming – that there are not enough respondents within a particular county. The Labor Commissioner's methodology, in these cases, is to adopt the prevailing wage rate established for the neighboring county with the closest county seat. A similar approach could be adopted using the DETR data in order to make an apples-to-apples comparison. However, in order to preserve the highest degree of accuracy, this analysis focuses specifically on counties for which the available data meets a threshold test for robustness.

[26] *Op cit.*, note 19.

[27] Geoffrey Lawrence, "One Sound State, Once Again" Nevada Policy Research Institute policy study, http://www.npri.org/publications/one-sound-state-once-again.

[28] *Op cit.*, note 2.

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