

**Testimony Before the Missouri Interim Committee on Labor Reform
Jesse Hathaway, Research Fellow, The Heartland Institute
Wednesday, August 16, 2017**

Chairperson Schatz and members of the committee, thank you for giving me the opportunity to testify today.

My name is Jesse Hathaway. I am a research fellow for the Center on Budgets and Taxes at [The Heartland Institute](#), a 32-year-old national nonprofit research and education organization. Heartland's mission is to discover, develop, and promote free-market solutions to social and economic problems. The Heartland Institute is headquartered in Illinois and focuses on providing national, state, and local elected officials with reliable and timely research and analyses on important policy issues.

In March, the Missouri House approved House Bill 104, a bill eliminating the state's prevailing-wage law, removing restrictions on how local government agencies can partner with private businesses on capital infrastructure projects. However, the bill failed in the Senate, and taxpayers continue to be stuck with paying more without getting fair value in return.

Historically, American public policy has been based on the idea that competition brings out the best in people. Prevailing-wage laws are an exception do just the opposite. By requiring labor be excluded from competitive bidding and assuming government officials know what rates private companies should pay their workers, prevailing-wage laws prevent competition, allowing sweetheart deals to develop at taxpayers' expense.

Prevailing-wage laws require private contractors engaging in public work to pay the average wage and benefits paid to workers in a region, effectively creating a wage floor for government-contracted workers. Eighteen states have never had these artificial price floors, and 10 states have repealed them, allowing the free market to set the costs of doing work for the government, just as free-market forces work when private parties contract with one another.

Prevailing-wage laws force contractors to establish labor costs without considering what kind of work is being done or how skilled their employees are, and they increase the cost of construction projects, reduce competition, and encourage waste and cronyism.

Prevailing-wage laws force taxpayers to pay more for construction work than is necessary— and all without increasing the marginal quality of work.

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In 2015, Kentucky government researcher Mike Clark used data from Kentucky companies to compare the labor costs for prevailing-wage projects to the cost of projects not covered by prevailing-wage laws but involving the same workers. Clark found prevailing-wage laws increase the cost of construction without providing any additional quality or safety benefits.

“If workers are paid more on prevailing wage projects than they are on private projects, prevailing wage laws result in wage payments above what the private market pays for the same level of quality,” Clark wrote.

Additionally, there is no link between prevailing-wage laws and project quality, because prevailing-wage laws require minimum limits on a project’s costs, not on quality.

“In the extreme case, one worker who normally earned \$8 per hour on non-prevailing wage projects was paid \$22.50 per hour on a prevailing wage project,” Clark wrote. “This worker was being paid \$14.50 more than the market valued his work. This occurs because prevailing wages laws set minimum wages, not minimum levels of quality.”

Prevailing-wage laws increase the cost of public-works projects without providing added benefits for taxpayers. Lawmakers should work to build the projects that best serve taxpayers’ needs and get the best bang for taxpayers’ buck, by supporting the repeal of common construction wage laws.

Thank you for your time today.

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