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Prevailing Wage and Military Veterans in Connecticut:

Applied Policy Brief

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Applying results from a first-of-its-kind national study, this Policy Brief estimates the impact that prevailing wage has had on military veterans working in Connecticut’s construction industry. The national study, *The Impact of Prevailing Wage Laws on Military Veterans: An Economic and Labor Market Analysis*, was commissioned by VoteVets.org in May 2016 (Manzo et al., 2016a).

Veterans are more likely to work in construction than non-veterans. Nationally, veterans account for 5.8% of the overall workforce but comprise 6.9% of all blue-collar construction workers. In Connecticut, approximately 6.6% of all blue-collar construction workers in Connecticut are military veterans. Any given construction worker is 1.7 percentage points more likely to be a military veteran than another individual in the overall Connecticut economy.

State	Veteran Share of Construction Workforce	Veteran Share of All Workers	Construction Difference
Connecticut	6.6%	4.9%	+1.7%
United States	6.9%	5.8%	+1.1%

Source(s): Ruggles et al., 2016 (2015 data); Manzo et al., 2016a (2014 data).

Construction is expected to offer significant career opportunities for Connecticut’s workers—veteran and nonveteran alike. The construction industry is currently projected to be the fastest growing industry in the state. By 2024, construction employment will increase by 13.2%, adding 7,400 new jobs. This growth far exceeds projected employment growth in all industries in the state (6.1%).

Rank	Fastest-Growing Major Industries in Connecticut	Growth: 2014-2024
CT	Total	6.1%
1	Construction	13.2%
2	Professional & Scientific Services	12.5%
3	Health Care & Social Assistance	11.1%
4	Other Services (except Government)	10.4%
5	Administrative & Support Services	10.4%
6	Real Estate & Rental	10.0%
7	Transportation & Warehousing	7.7%
8	Self-employed & Gig Economy)	7.1%
9	Accommodation and Food Services	6.2%
10	Wholesale Trade	4.6%

Source(s): CTDOL, 2016 – “Connecticut Occupational Projections: 2014-2024”

The U.S. military has responded to these employment projections through the United States Military Apprenticeship Program (USMAP), which now accounts for 21% of all registered apprentices in the country. The typical construction apprenticeship through USMAP requires 8,000 hours of both classroom time and on-the-job training. As the construction industry grows and replaces retiring workers, apprentices from the military will become an increasingly important source of skilled construction labor.

Connecticut veterans who return home to become blue-collar construction workers and open construction companies have benefited substantially from prevailing

wage. Prevailing wage protects local construction standards and ensures that blue collar construction workers earn livable wages that reflect the markets in the communities where they live. By taking labor costs out of the equation, prevailing wage incentivizes contractors to compete efficiently over other factors—such as worker productivity, materials and fuels costs, technological advances and proficiencies, management practices, and profit margins. By preventing governmental units from undercutting privately-negotiated local wages, prevailing wage creates a level playing field for local businesses competing with out-of-area or foreign bidders.

More than 75% of recent, peer-reviewed academic studies have concluded that prevailing wage laws do not increase the total cost of construction (Duncan & Manzo, 2016; Duncan et al., 2014; Mahalia, 2008). An independent report from the Wisconsin Legislative Fiscal Bureau (Horton, 2015) provides the following summary of the economic research on prevailing wage:

“[T]he evidence on prevailing wage effects generally range from relatively small effects to no statistically significant effects. ... These findings echo a 2007 report prepared by the nonpartisan Minnesota Office of the Legislative Auditor which ... concluded that while some studies found a small impact on costs, more comprehensive studies have found that the impact is not statistically significant.”

Construction companies are currently more likely to be owned by veterans than non-construction businesses in Connecticut. Economic data reveals that 13.5% of all construction firms in Connecticut are fully or equally owned by veterans. By contrast, veteran business owners only account for 10.9% of non-construction companies throughout the state, a 2.6 percentage-point difference. The higher veteran share in construction means that prevailing wage disproportionately impacts veteran owners.

Veteran-Owned Share of Businesses	Share: 2012
Construction Firms (Total)	13.5%
Non-Construction Firms (Total)	10.9%
Difference in Veteran Share of Businesses	+2.6%

Source(s): Authors’ analysis of Census, 2015.

The economic outcomes of Connecticut’s veterans would be significantly altered if the state decided to weaken or repeal its prevailing wage standards. The cumulative economic impacts of weakening prevailing wage on military veterans working in construction are

presented in full below. If Connecticut weakened its prevailing wage law, over 1,300 blue-collar veterans would be expected to separate from their jobs in construction. Additionally, the average income for veteran blue-collar construction workers would decline by over \$5,100 per year, approximately 270 veterans would lose their employer-provided health plan, and about 160 veteran workers would fall below the official poverty line and qualify for assistance from the Supplemental Nutrition Assistance Program (i.e., “food stamps”).

Economic Impacts of Weakening Prevailing Wage on Veterans	Current Value	Projected Value	Change Over Time
Vets Employed as Blue-Collar Construction Workers	5,186	3,865	-1,321
Average Wage and Salary Income*	\$57,732	\$52,594	-\$5,138
Total Vets without Health Insurance	308	581	+273
Total Vets Receiving Food Stamp Assistance	292	454	+162

Source(s): Authors’ analysis of Ruggles et al., 2016. *Reported only for those with positive (non-zero) earnings. The average for all Connecticut workers was \$60,302 in 2015, indicating that the prevailing wage change would cause veterans in construction to fall further behind the middle-class average.

Veterans in construction would be negatively affected if Connecticut were to repeal or weaken prevailing wage. Blue-collar construction occupations would become less attractive because the middle-class careers would be converted into low-wage, low-benefit jobs.

Some counties would have more affected veterans than others. Hartford County, Fairfield County, and New Haven County are home to over 1,000 Connecticut veterans working in construction. New London County and Litchfield County both have over 500 military veterans working as blue-collar construction workers. Middlesex County, Tolland County, and Windham County each have more than 200 blue-collar construction workers who are veterans. However, the veteran share of the construction workforce is higher than the veteran share of total employment in every Connecticut County. This difference is most pronounced in Middlesex County, where 11.9% of

all construction workers are veterans, a 6.2 percentage-point difference compared to all workers in that county.

The negative impacts of weakening or repealing prevailing wage have broader effects that are addressed in other economic research (Duncan & Manzo, 2016; Manzo et al., 2016b; Duncan & Lantsberg, 2015; Philips, 2015; Kelsay, 2015). For example, a recent study on construction in Connecticut’s found that a moratorium on the state’s prevailing wage law would cost the state between \$240 million and \$490 million annually in lost income (in 2017 dollars), would discourage apprenticeship training, and would result in higher fatality rates in construction (Philips & Bilginsoy, 2010).

For veterans specifically, repealing or weakening prevailing wage reduces earnings and shrinks consumer demand, resulting in fewer dollars spent in local economies at grocery stores or on health services or on buying new homes. As the productivity of veterans working in construction falls, the number of veterans who rely on government assistance programs increases. The net result is higher taxpayer costs, and— due to lower income tax and sales tax revenues— fewer public dollars to pay for them.

In conclusion, there are significant costs to repealing or weakening prevailing wage for Connecticut’s veterans. Construction will increasingly offer blue-collar veterans the best opportunity to earn a middle-class lifestyle. Weakening or repealing prevailing wage standards reduces the attractiveness of employment in construction occupations for veteran workers. By decreasing veteran worker incomes, reducing the number of veterans with employer-provided health insurance, worsening veteran poverty, hindering apprenticeship training, and shrinking the market share of veteran-owned construction companies, repealing or weakening prevailing wage would increase taxpayer costs on the backs of veteran workers who served their country. Strengthening prevailing wage, on the other hand, would disproportionately benefit veterans who populate the construction trades at higher rates than non-veterans, and who are increasingly utilizing apprenticeship programs to transition into civilian careers in this fast-growing field.

Connecticut County: 2015	Veterans Employed in Construction Occupations	Total Employment in Construction Occupations	Veteran Share of Construction Employment	Veterans Employed in All Occupations	Total Employment in All Occupations	Veteran Share of Total Employment	Construction Difference
Fairfield	1,039	24,646	4.2%	16,594	463,385	3.6%	+0.6%
Hartford	1,165	14,696	7.9%	20,368	439,517	4.6%	+3.3%
New Haven	1,022	17,625	5.8%	19,316	420,553	4.6%	+1.2%
New London	555	6,090	9.1%	12,455	140,655	8.9%	+0.3%
Litchfield	505	5,580	9.1%	5,685	98,516	5.8%	+3.3%
Middlesex	436	3,656	11.9%	4,999	87,762	5.7%	+6.2%
Tolland	200	3,929	5.1%	4,060	80,617	5.0%	+0.1%
Windham	264	2,861	9.2%	4,052	58,520	6.9%	+2.3%
Connecticut	5,186	79,083	6.6%	87,529	1,789,525	4.9%	+1.7%

Source(s): Ruggles et al., 2016. 2015 American Community Survey (5-Year Estimates)

About the Authors

Frank Manzo IV, MPP is the Policy Director of the Midwest Economic Policy Institute (MEPI). He earned a Master of Public Policy from the University of Chicago Harris School of Public Policy and a Bachelor of Arts in Economics and Political Science from the University of Illinois at Urbana-Champaign.

Robert Bruno, PhD is a Professor at the University of Illinois at Urbana-Champaign School of Labor and Employment Relations and the Director of the Project for Middle Class Renewal. He earned a Doctor of Philosophy in Political Theory from New York University and a Master of Arts in Political Science from Bowling Green State University.

Kevin Duncan, PhD is a Professor of Economics at Colorado State University-Pueblo where he teaches business and regional economics in the Hassan School of Business. He received a PhD in Economics from the University of Utah and a BA in Economics from the University of California, Riverside.

Jill Manzo, is the Midwest Researcher of the Midwest Economic Policy Institute (MEPI). She earned a Bachelor of Arts in Political Science and International Studies from Iowa State University.

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