

# Prevailing Wage and Military Veterans in Minnesota:

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 Minnesota’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 Minnesota, veterans make up an even larger share of the construction workforce. Approximately 9.6% of all blue-collar construction workers in Minnesota are military veterans, above neighboring states and well above the 6.9% U.S. average. Any given construction worker is 4.6 percentage-points more likely to be a military veteran than another individual in the overall Minnesota economy.

State	Veteran Share of All Workers	Veteran Share of Construction Workforce	Difference: 2012
<b>Minnesota</b>	<b>4.94%</b>	<b>9.58%</b>	<b>+4.64%</b>
North Dakota	6.67%	9.52%	+2.85%
South Dakota	7.34%	8.87%	+1.53%
Iowa	5.46%	8.40%	+2.94%
Wisconsin	5.48%	8.30%	+2.82%
<i>United States</i>	<i>5.78%</i>	<i>6.86%</i>	<i>+1.08%</i>

Source(s): Ruggles et al., 2015.

Construction and extraction occupations are expected to offer additional career opportunities for Minnesota’s workers– veteran and nonveteran alike. Construction and extraction jobs are projected to be the sixth-fastest growing occupation in the state. By 2024, construction and extraction occupations will increase by 7.7%, adding 8,700 new jobs. This growth far exceeds projected employment growth in all occupations (4.3%).

Rank	Fastest-Growing Major Occupations in Minnesota	Growth: 2014-2024
<i>MN</i>	<i>Total</i>	<i>4.3%</i>
1	Healthcare Support	17.6%
2	Personal Care and Service	13.8%
3	Healthcare Practitioners	12.3%
4	Community and Social Service	9.1%
5	Computer and Mathematical	8.3%
<b>6</b>	<b>Construction and Extraction</b>	<b>7.7%</b>
7	Business and Financial Operations	5.6%
8	Life, Physical, and Social Sciences	5.2%
9	Food Preparation and Serving	5.0%
10	Building Cleaning and Maintenance	4.7%

Source(s): Minnesota DEED, 2016 – Employment “Outlook”

The U.S. military has responded to these employment projections through the United States Military Apprenticeship Program (USMAP), which now accounts for 21.4% 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.

Minnesota 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 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 et al., 2014; Duncan, 2011; 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.”

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

Construction companies are more likely to be owned by veterans than non-construction businesses in Minnesota. Economic data reveals that 10.9% of all construction firms with paid employees in Minnesota are

owned by veterans. By contrast, veteran business owners only account for 8.0% of non-construction companies throughout the state, a 2.9 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 with Paid Employees	10.93%
Non-Construction Firms with Paid Employees	8.02%
Difference in Veteran Share of Businesses	<b>+2.91%</b>

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

The economic outcomes of Minnesota's veterans would be significantly altered if the state decided to weaken or outright 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 Minnesota weakened its prevailing wage law, over 2,300 blue-collar veterans would be expected to separate from their jobs in construction. Additionally, the total income of all veterans employed in construction jobs would decline by \$126 million, approximately 450 veterans would lose their employer-provided health plan, and about 100 veteran workers would fall into poverty by 2018.

Economic Impacts of Weakening Prevailing Wage on Veterans	Current Value	Projected Value	Change: By 2018
Employed as Blue-Collar Construction Worker	10,570	8,201	<b>-2,369</b>
Total Wage and Salary Income	\$454.1 million	\$327.6 million	<b>\$126.4 million</b>
Total without Health Insurance Coverage	3,155	3,609	<b>+454</b>
Total Earning Less than the Official Poverty Line	116	210	<b>+94</b>

Source(s): Authors' analysis of Ruggles et al., 2015.

Some counties would have more affected veterans than others. Hennepin County and Anoka County are both home to over 1,000 Minnesota veterans working in construction (approximately 21.0% of all veterans in construction occupations in the state). Washington County, Dakota County, Wright County, Olmsted County, St. Louis County, and Stearns County all have between 200 and 500 military veterans working as blue-collar construction workers. At least 6,000 veteran construction workers also live in the remaining counties throughout Minnesota.

These negative economic impacts would have broader effects that are addressed in other economic

research (Manzo et al., 2016b; Duncan & Lantsberg, 2015; Philips, 2015; Kelsay, 2015). For veterans specifically, repeal of prevailing wage laws would reduce earnings and shrink consumer demand, resulting in fewer dollars spent in local economies at grocery stores or on health services or on buying a new home. As the productivity of veterans working in construction falls, the number of veterans that rely on government assistance programs increases. The net result is millions of dollars in new taxpayer costs, and—due to lower income tax and sales tax revenues—fewer public dollars to pay for them.

Minnesota County: 2014	Estimated Veterans Employed in Blue-Collar Construction Occupations
Hennepin	1,200
Anoka	1,000
Ramsey	500
Washington	500
Dakota	500
Wright	300
Olmsted	200
St. Louis	200
Stearns	200
All Other Counties	6,000

Source(s): Ruggles et al., 2014.

There are significant costs to repealing prevailing wage for Minnesota's veterans. Construction will increasingly offer blue-collar veterans the best opportunity to earn a middle-class lifestyle as the manufacturing industry continues to experience long-term decline. 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 state prevailing wage laws increases taxpayer costs on the backs of veteran workers who served their country. Strong prevailing wage laws, on the other hand, promote a middle-class economy. Introducing or strengthening a prevailing wage law would disproportionately benefit veterans who are populating 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.

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## Cover Photo Credit

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