



# Analytics

Published by the Caesar Rodney Institute

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**RELEASE:** CRI - Center for Economic Policy and Analysis

**RE:** Delaware's Prevailing Wage: A Long History of Taxpayer Abuse

**DATE:** November 14, 2011

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In March of this year, Caesar Rodney Institute's Center for Economic Policy and Analysis released a technical study of the methodology behind Delaware's prevailing wage system. With regard to the prevailing wage (PW) the study documented that: a) the methodology used by the Department of Labor was seriously flawed, b) the PW was biased toward union collective bargaining wage rates, and c) the PW was 40% above the market wage for experienced construction workers.

As a result, in the last fiscal year \$135,000,000 of state capital spending went to boost the salaries of construction workers at the expense of additional construction accomplished on public schools and infrastructure. Using the market wage would also have put 2,000 more construction workers on the job. Legal opinion has concluded that Delaware's PW regulation wastes taxpayers' money and is discriminatory and unconstitutional.

All this is known to Delaware's Secretary of Labor, Governor, legislature, unions, contractors associations, Delaware Association of School Administrators, the Delaware State Teachers Association, and the News Journal. Yet there is no indignation and no proposed remedy.

As it turns out, this is nothing new. In 1997 Eleanor Craig, associate chair and professor in the University of Delaware's economics department, also studied Delaware's prevailing wage system. Following are highlights from that analysis:

- Prevailing wage labor rates average nearly 23% higher than those contracted under competitive market conditions
- Delaware's prevailing wage law is considered one of the more restrictive in the U.S. since the rates chosen are almost always found in union agreements
- The extra cost of paying prevailing wage on state projects in 1997 was \$41,000,000
- The need for additional record keeping and accounting imposes compliance costs on contractors
- The Department of Labor's Office of Labor Law Enforcement employs 21 full time worker and costs \$800,000

The study also notes other than on construction projects, the state relies on competitive bidding, and that taxpayers are subsidizing the incomes of some construction workers.

**Caesar Rodney is in the middle of raising funds for a legal challenge to this inane system and the prospects are good. In a similar case, the California Supreme Court found that the prevailing wage requirements did not serve to promote safety and broad economic goals, and were for the benefit of certain groups, primarily members of certain unions.**

**If you wish to help in this battle, you can make an anonymous donation to the Prevailing Wage Legal Fund through the CRI website (<http://www.caesarrodney.org/index.cfm?ref=90100>).**

**Dr. John E. Stapleford, Director  
Center for Economic Policy and Analysis**

