Closing California’s Housing Affordability Gap with Prevailing Wage

In 2017, California lawmakers enacted a series of reforms to address the state’s housing crisis, including prevailing wage requirements on certain projects.

Here’s why these reforms were so critical:

- Since the 1990’s, inflation-adjusted housing prices have risen as much as 54%.
- Profits for developers and builders are growing 50% faster than either labor or material costs.
- Real wages for California construction workers have declined 25%, and nearly half of all construction workers don’t have health insurance.
- Failure to invest in training has reduced construction workforce productivity by 13%.
- Poverty wages for construction workers costs California taxpayers almost $100 million per year in public assistance expenditures.
- Falling wages and declining industry productivity have led to historic housing labor shortages, dwindling housing supply, and skyrocketing prices.

The inclusion of prevailing wage in state housing reform strengthens California’s construction industry and helps more of its workers pay the rent.

Q: What drives California’s skyrocketing housing costs?

1971 INFLATION ADJUSTED

| Apartment Construction Costs: | $84/sq. ft.* | $188/sq. ft.* |
| Statewide Construction Wage: | $39/hour | $27/hour |

2016 AVERAGE

A: It’s NOT Construction Wages.

- Prevailing wage is a market-based, local minimum wage for skilled construction work. It includes pay, benefits, and training.
- By stabilizing the wage “floor,” prevailing wage helps to close the affordability gap and reduces income disparities based on race.
- Prevailing wage doesn’t increase housing prices. Construction wages and benefits are less than 15% of total housing development costs in California.
- By promoting investment in workforce skills, prevailing wage boosts industry productivity by as much as 16%.
- Prevailing wage helps prevent the labor shortages that drive up prices by attracting more skilled workers to California’s construction industry.
- Research consistently shows that prevailing wage produces more local hiring, a stronger overall economy, and reduces reliance on public assistance.

Learn more about prevailing wage and state housing reforms at: www.smartcitiesprevail.org