



# The Economic Effects of Prevailing Wages

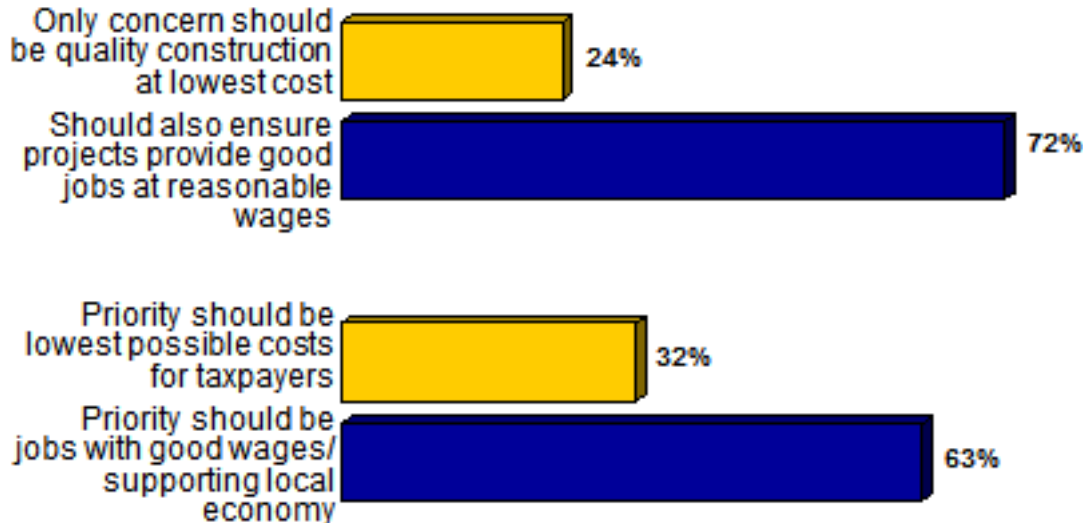


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# National Polling Data

## Good Jobs & Good Wages Higher Priority Than Low Costs

When federal government funds public construction projects:



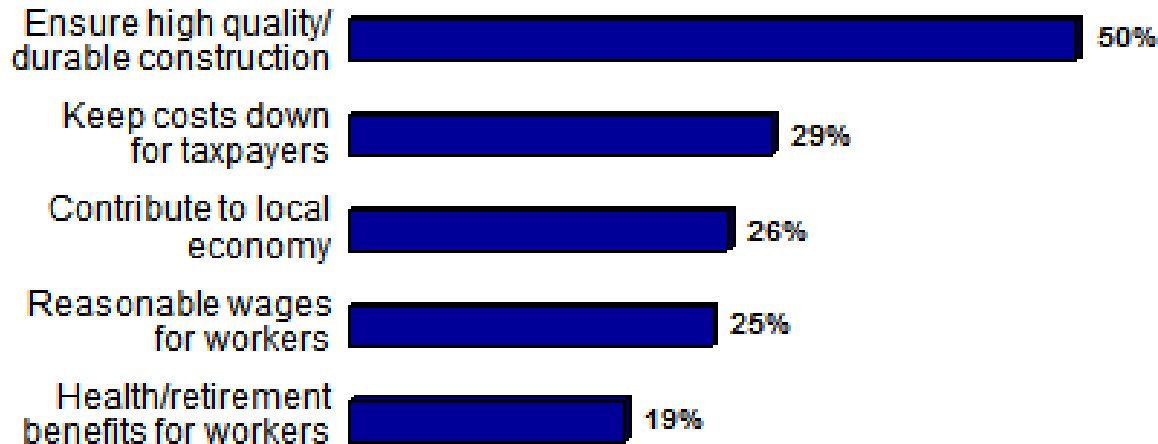
*Hart Research Associates, February 2009. 806 Registered Voters.*

*Margin of Error: +/- 3.4%*

# National Polling Data

## Goals For Public Construction Projects

*Which one or two should be the priorities for Congress concerning public construction projects?*



*Hart Research Associates, February 2009. 806 Registered Voters.*

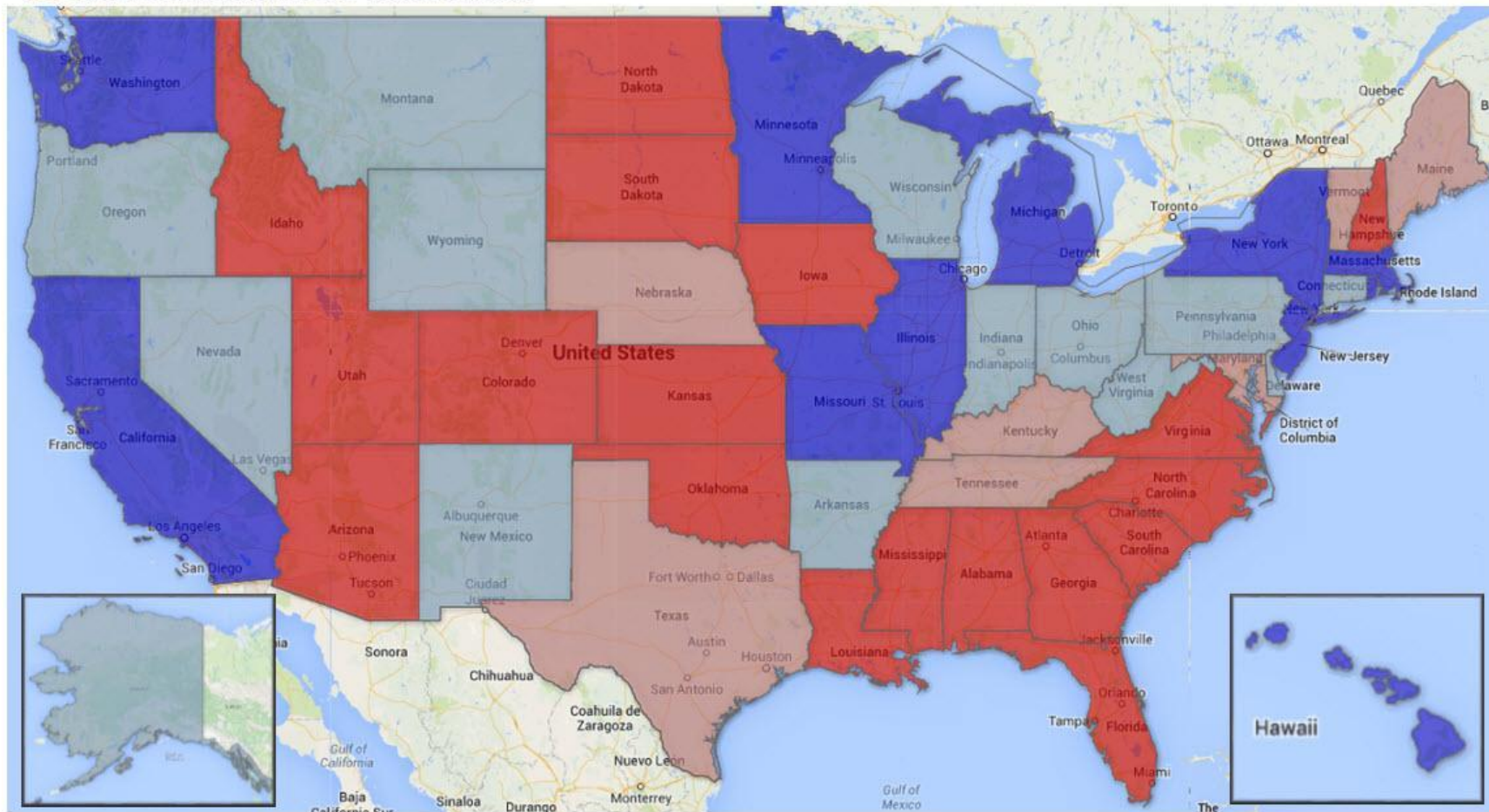
*Margin of Error: +/- 3.4%*

# Takeaways

1. Prevailing wage promotes middle class jobs with good wages
2. Prevailing wage supports high-quality infrastructure that is safe and durable
3. Prevailing wage promotes a skilled workforce that completes jobs right, on-time, the first time
4. Prevailing wage strengthens state and local economies
5. Prevailing wage is the best deal for taxpayers

# Prevailing Wage Preserves and Promotes Middle Class Jobs

### FIGURE 1: STATE PREVAILING WAGE STATUS



# Prevailing Wage Laws Bolster the Middle Class

## Median Annual Wage Income by PWL Strength Private Sector Employed Men, 2008-2012

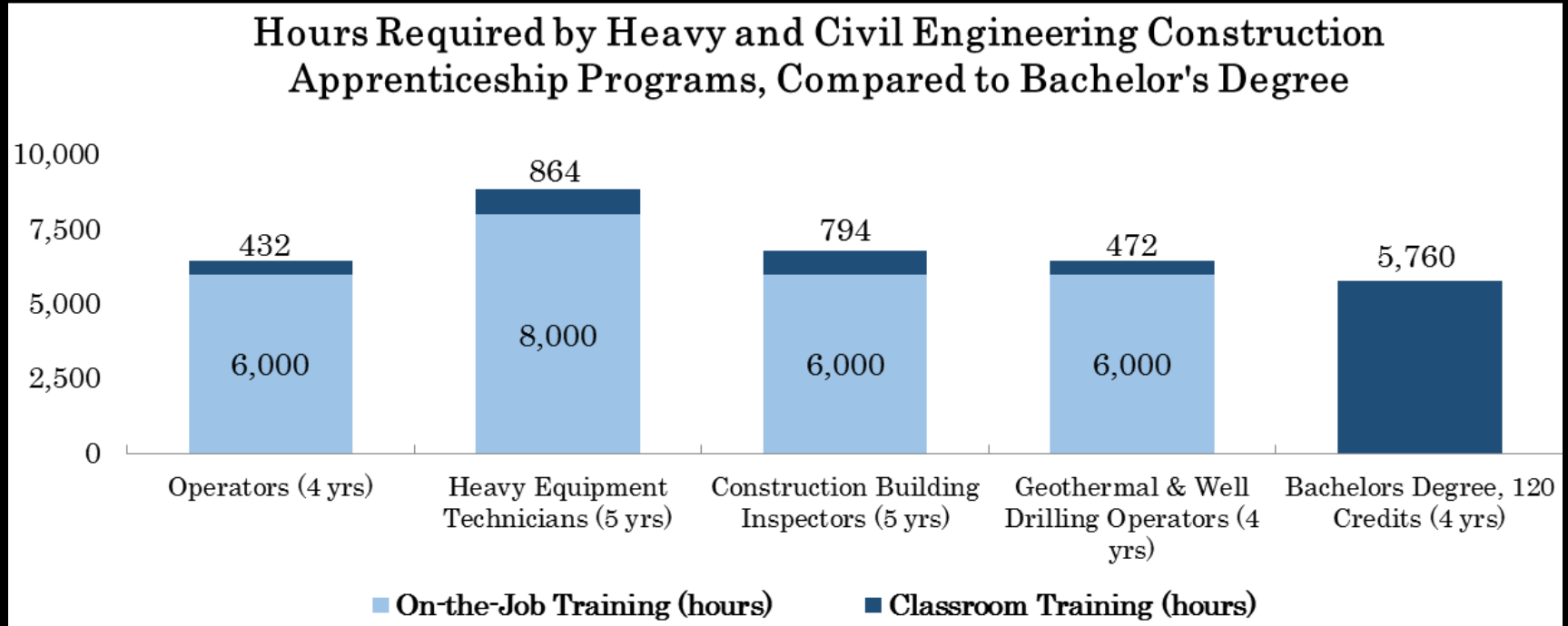


2012 \$ Thousands, at Regional Price Parities

Source: U.S. Census American Community Survey, 2008-2012 via Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

# Prevailing Wage Supports the Largest Privately-Financed System of Higher Education in America

# Apprenticeship Training vs. Typical Bachelors Degree



Source: International Union of Operating Engineers Local 150 Assistant Coordinator-Safety Administrator. Local 150 covers counties in Illinois, Indiana, and Iowa.

# PW Helps Build Careers, Not Just Jobs

- States with PW: double the Apprentices
  - Apprentices earn **\$124,000 more** over career.
  - Worker training fell by 40% in the nine states that repealed their PW laws from 1979 to 1988.

Table 7: Comparison of Apprenticeship Shares by Presence of State PWL, 1991-2011

	Mean	Weighted Mean	Minimum	Median	Maximum
State With PWL	16.8%	14.4%	1.9%	14.4%	16.4%
State Without PWL	8.9%	7.7%	7.2%	8.4%	35.7%

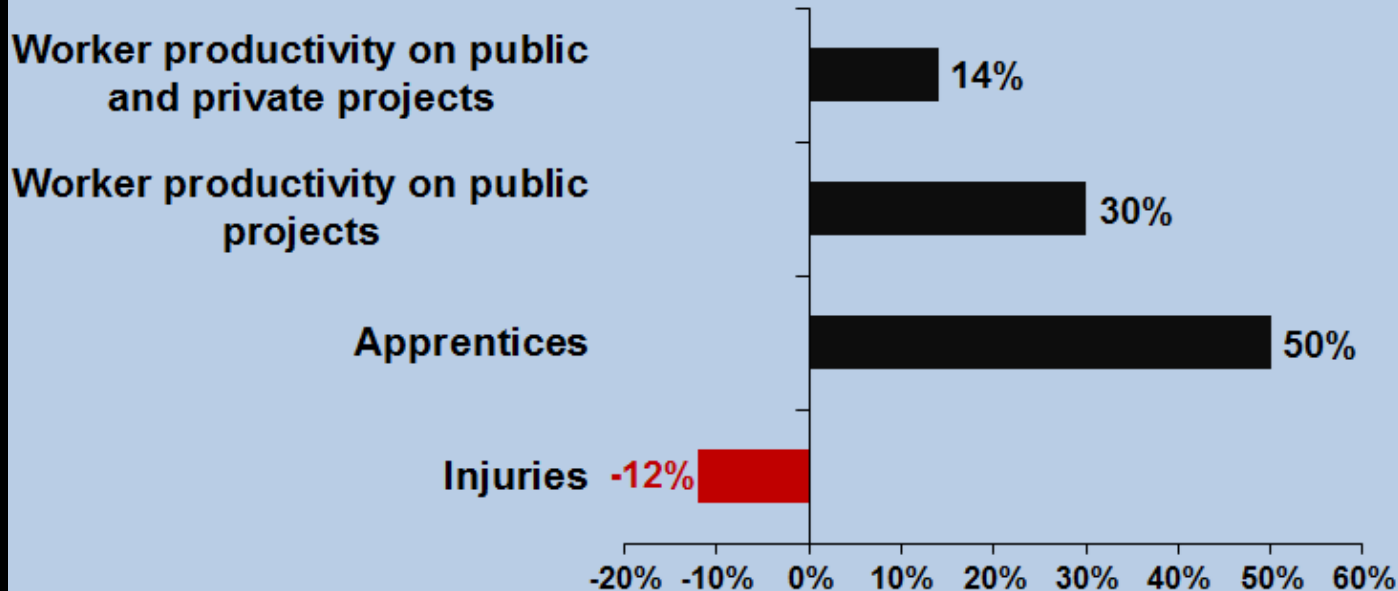
Source: "Registered Apprenticeship Partners Information Management Data System," U.S. Department of Labor, Office of Apprenticeship Training data for the years 1999 to 2011.

Sources: Quesada, Manzo, Belman and Bruno (2013); Transportation Equity Network, October 2011; Mathematica Policy Research, July 25, 2012; Petersen, 2000.

# Prevailing Wage Supports High-Quality Infrastructure That is Safe and Durable

# Net Effects: Increase in Productivity

## Percent Higher in Prevailing Wage Law States



Source: Peter Philips, *Kentucky's Prevailing Wage Law, An Economic Impact Analysis*, January 2014.

# Debunks the Cost Myth

- “Core Fact”: Costs =
  - Business Cycle +
  - Regional/Local Market Conditions +
  - Product Type & Scale
- Little/No statistically significant PWL effect

# Better Infrastructure = Better Economy

$$\begin{aligned} & \underline{\text{Project Bid}} = \\ & \quad \underline{\text{Labor Costs}} + \text{Quality} + \\ & \quad \text{Productivity} + \text{Materials} + \\ & \quad \text{Technology} + \text{Management} \\ & \quad \text{Practices} + \text{Profit} \end{aligned}$$

# Governor Rauner Claim

- Rauner: PWLs increase school construction costs by \$160 million/year
- Fact-Check: **FALSE**
  - Governor cites study completely discredited by construction economist at the University of Utah
  - Governor assumes no impact of PWL on productivity and does not factor in school size, type, location, materials used, etc.
  - Real life example: Ohio exempted school construction from its PWL in 1997... No decrease in construction costs without PWL regulations, and today schools are no longer exempt.

# Prevailing Wage Strengthens State and Local Economies

# High-Road Economic Development

- Higher quality means higher wages

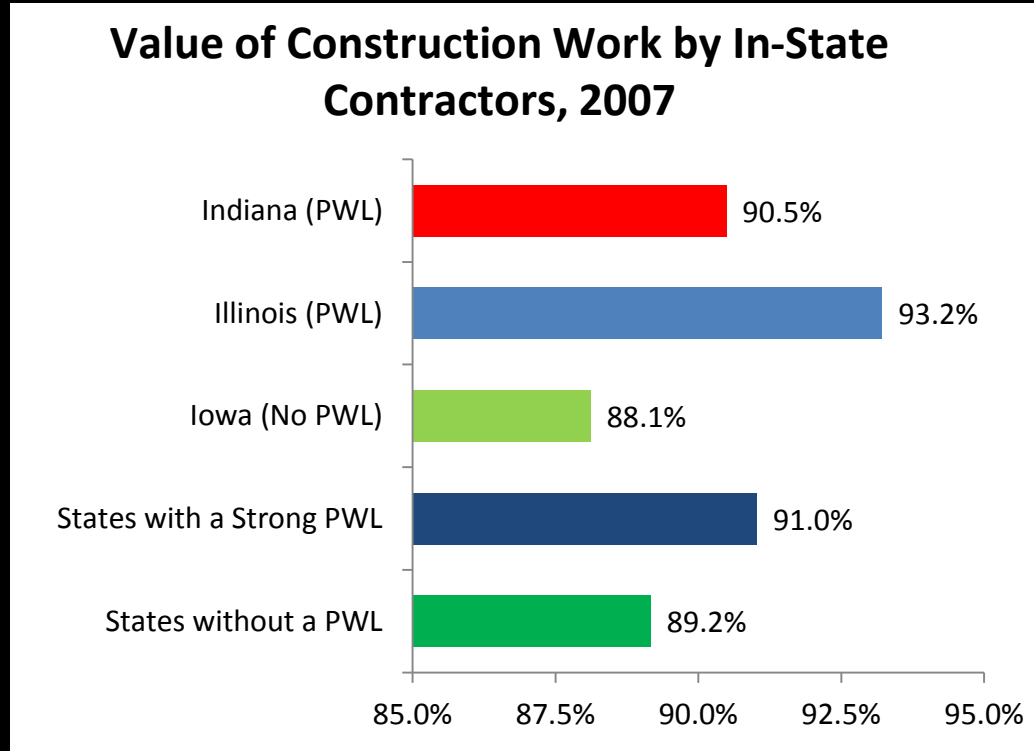
*BUT:*

- This increase in wages *is the result of* an increase in productivity:
  - In PWL states, productivity is 8.5% to 33% higher on public projects.

# High-Road Economic Development

- Consumer spending ↑ = Job creation ↑
- Infrastructure quality ↑ = Job creation ↑
  - 93.5% of CEOs say highway accessibility is an “important” or “very important” location factor (28<sup>th</sup> Annual Survey of Corporate Executives, 2013).
  - Every dollar spent on a PW project generates at least \$1.50 in economic activity in the community (Zandi, 2010).

# PW Repeal Economic Effects



*Source: 2007 Economic Census – Construction Sectors*

# Illinois

**Table 2: Direct, Indirect, and Induced Effects on Employment, Earnings, Total Value Added, and GDP for Illinois if PWL is Repealed, Middle-of-the-Road Estimates, 2013**

Impact Type	Change in Jobs	Change in Worker Earnings	Total Value Added*	Effect on Illinois' GDP
Direct Effect	332	-\$364.9 million	-\$393.0 million	-\$541.4 million
Indirect Effect	-1,070	-\$61.2 million	-\$94.5 million	-\$174.4 million
Induced Effect	-2,539	-\$120.0 million	-\$213.3 million	-\$357.1 million
Total Effect	-3,277	-\$546.0 million	-\$700.8 million	-\$1,072.9 million

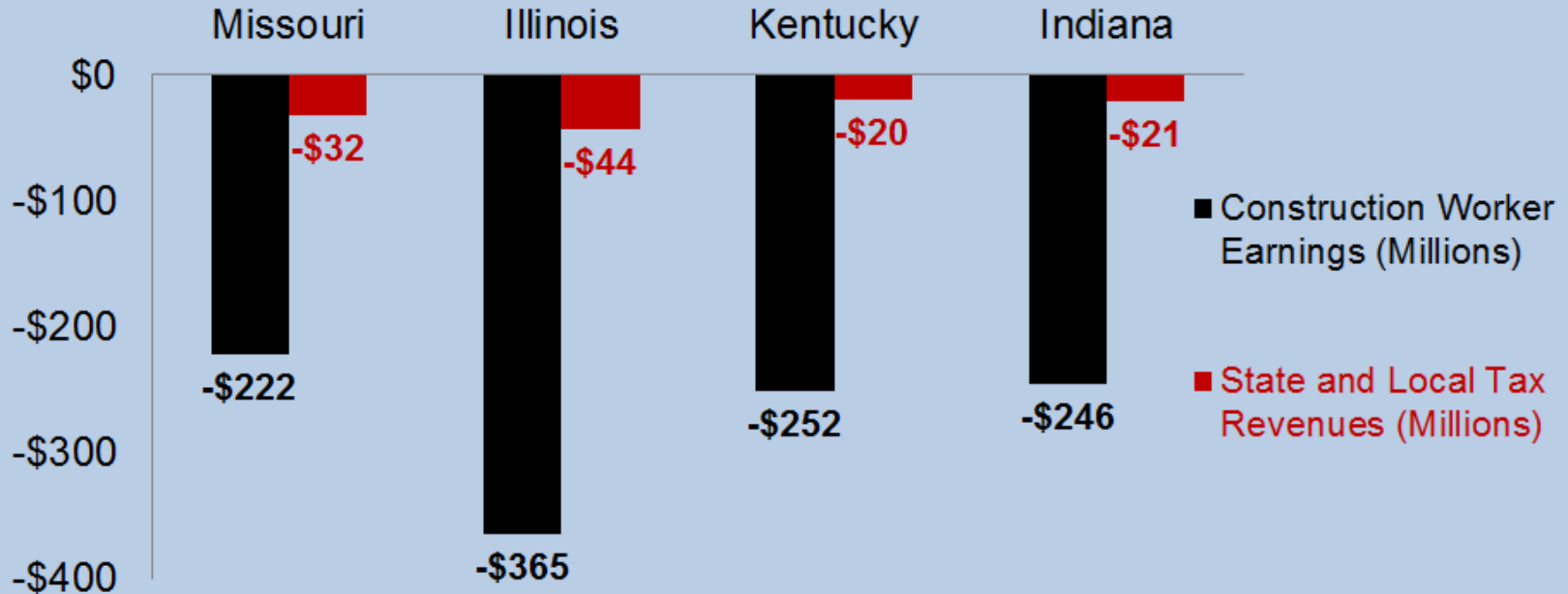
Source: Result of authors' insertion of middle-of-the-road employment and earnings estimates (Table 1) into IMPLAN's industry change feature, which estimates industry spending patterns through Type SAM multipliers. The Labor Education Program utilizes IMPLAN (Impacts for PLANning) Version 3.0.17.2, Minnesota IMPLAN Group, Inc., © 2011.

# Illinois

- Lost state and local tax revenues annually:  
-\$44.35 million
- Lost federal tax revenues annually:  
-\$115.79 million
- Increase in work-related fatalities:  
+70 deaths over ten years

# Midwestern States

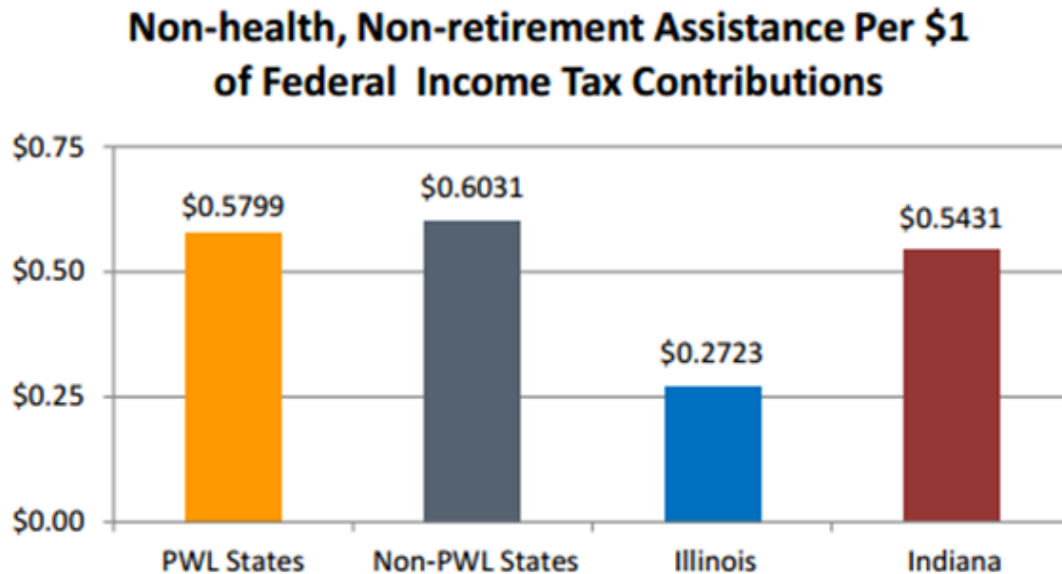
## Cost of Repeal: Impacts on Earnings and Tax Revenues



# Prevailing Wage is the Best Deal for Taxpayers

# PW Reduces Reliance on Public Aid

FIGURE 11: NON-HEALTH, NON-RETIREMENT GOVERNMENT ASSISTANCE PER \$1 OF TAX CONTRIBUTIONS, 2011-2013



- Taxpayers do not save by repealing prevailing wage laws, they subsidize.

# PW is the Best Deal for Taxpayers

## PW raises and compresses wages

(Small increases in worker wages, no impact on contractor CEOs & highest-paid)



- More disposable income
- ↓
- More local spending
- ↓
- More sales and income tax revenues



- Less income inequality
- ↓
- Less workers in poverty
- ↓
- Less reliance on government assistance programs

# Prevailing Wage is the Right Choice

We have a choice:

- Good Jobs vs Bad Jobs
  - Out of unstable industry, PWL = foundation for security, careers versus ...
  - lower human capital, lower wages
- Stronger economies vs weakened states & cities
- High volatility vs stable supply of skilled labor

# Remember, Remember...

1. Prevailing wage preserves and promotes middle class jobs
2. Prevailing wage supports the largest privately-financed system of higher education in America
3. Prevailing wage supports high-quality infrastructure that is safe and durable
4. Prevailing wage strengthens state and local communities
5. Prevailing wage is the best deal for taxpayers

# Resources

- Illinois Economic Policy Institute (ILEPI): [www.illinoisepi.org](http://www.illinoisepi.org) and <https://twitter.com/IllinoisEPI>.
- Smart Cities Prevail (SCP): [www.smartcitiesprevail.org](http://www.smartcitiesprevail.org) and <https://twitter.com/CaCitiesPrevail>.

Comprehensive lists of economic studies on prevailing wage laws:

- <http://www.faircontracting.org/studiesandreports>
- <http://www.smartcitiesprevail.org/resources/research-and-case-studies/>

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