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Prevailing Wage and the American Dream

Impacts on Homeownership, Housing Wealth, and Property Tax Revenues

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Executive Summary

Prevailing wage laws establish a local wage floor for different types of skilled construction work on public construction projects, and have been linked to higher incomes and stronger career training institutions for blue-collar construction workers. This study examines links between prevailing wage laws and homeownership, housing wealth, and property tax revenues for these workers and their communities.

State prevailing wage laws promote ladders into the middle class.

- Prevailing wage laws boost the annual earnings of construction workers by 5 percent.
- Nationally, prevailing wage improves the construction worker homeownership rate by 2 percentage points and expands homeownership to more than 61,000 construction workers and their families.
- By promoting economic mobility for workers without four-year college degrees, prevailing wage reduces inequality between blue-collar workers and white-collar professionals across America.

State prevailing wage laws build housing wealth for all blue-collar construction workers.

- In 2016, the average home value for construction workers was $235,500 in states with prevailing wage laws and $166,200 in states without prevailing wage laws.
- Prevailing wage is associated with a 13 percent increase in housing wealth for the average construction worker who owns a home.
- Prevailing wage significantly impacts African American construction workers, boosting their homeownership rate by 8 percent and improving their housing wealth by 18 percent.
- Prevailing wage increases construction worker housing wealth regardless of urban status– by 14 percent in cities, 17 percent in suburbs, and 7 percent in rural areas.

State prevailing wage laws grow local economies and generate property tax revenues.

- Prevailing wage boosts total labor income by over $5 billion.
- Prevailing wage produces $42 billion in housing wealth for construction workers nationwide, including $10 billion in California, $5 billion in New York, and $1 billion in Ohio.
- By enabling greater construction worker homeownership, prevailing wage laws increase annual property tax revenues by $508 million for local communities.

The Illinois Prevailing Wage Act promotes housing affordability for the state's construction workers.

- Two-thirds (68 percent) of male construction workers in Illinois own homes.
- Prevailing wage improves construction worker housing wealth by $2.3 billion in Illinois and generated $52 million in property tax revenues for school districts and local governments in 2016.
- In 2019, Illinois enacted legislation strengthening prevailing wage to ensure that construction workers can afford homes in the communities where they build roads, bridges, schools, and other vital public infrastructure.

Prevailing wage strengthens communities across the United States by growing the middle class and improving the homeownership rate among skilled construction workers. Ultimately, prevailing wage allows hardworking craft workers who build the nation's infrastructure to achieve the American Dream.

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Introduction

Owning a home has long been key part of the American Dream. Homeownership is an integral component to a middle-class lifestyle along with retirement security, health insurance coverage, access to transportation, and savings for children to pursue higher education (Reeves et al., 2018). Many Americans strive to own a home because homeownership can build wealth and improve the community stature of an individual or family. Homeowners increase wealth through appreciation in home prices and by accumulating equity with each mortgage payment (Herbert et al., 2013; Schuetz, 2019). Between 2002 and 2016, owning a home offered an average annualized return of 10 percent compared with average returns of 7 percent in the S&P 500 stock index and 4 percent in bond markets (Goodman & Mayer, 2018). As of 2020, 65 percent of Americans own homes (Census, 2020).

Housing affordability is just as important as homeownership. While owning a home can serve as the foundation for financial stability, the relatively high cost of housing can also be a financial burden. Many working-class families devote a significant portion of their incomes to housing and are forced to make difficult budgeting choices. A 2018 Harvard study found that 38.1 million Americans live in housing they cannot afford, an increase of 6.5 million since 2001 (Joint Center for Housing Studies, 2018). Additionally, housing affordability is a growing concern across America. In an August 2019 national survey of nearly 20,000 adults, 75 percent reported that housing affordability is a problem in their city and 78 percent believed it to be an issue in their state, up from 54 percent and 68 percent, respectively, compared to a similar 2018 poll (NAHB, 2019). When Americans cannot afford their housing, they may skimp on basic needs such as food and medicine, forgo saving for retirement, borrow at high interest rates and accumulate credit card debt, or even sacrifice their home to foreclosure (Hoopes et al., 2017).

While wages have not kept pace with the rising cost of living for many blue-collar workers, one industry that has consistently offered pathways into the middle class is construction. Construction workers can earn a family-supporting wage in many parts of the United States. This is particularly true for skilled trades workers who complete registered apprenticeship programs. On average, these workers earn $124,000 more in compensation over their careers than comparable nonparticipants (Reed et al., 2012).

Skilled construction workers are also more likely to earn good middle-class incomes in states with prevailing wage laws. A state prevailing wage law is a minimum wage for different types of skilled construction work on public construction projects that is based on local market standards of compensation and craftsmanship. As of February 2020, 28 states and the District of Columbia have prevailing wages laws.

State prevailing wage laws promote the hiring, development, and retention of skilled workers by encouraging investment in apprenticeship programs. Prevailing wage rates often include a cents-per-hour-worked contribution into workforce training institutions. As a result, apprenticeship training is 6 to 8 percent higher in states with prevailing wage laws, boosting worksite productivity by an average of at least 11 percent (Bilginsoy, 2003; Duncan & Lantsberg, 2015). Since state prevailing wage laws enhance productivity and labor costs are a small percentage of total costs in construction, the preponderance of the peer-reviewed research has concluded that state prevailing wage laws have no impact on total project costs (Duncan & Ormiston, 2017).

By stabilizing the wage floor and promoting a highly-trained workforce, state prevailing wage laws boost incomes and improve health insurance coverage (Manzo et al., 2016). State prevailing wage laws ensure

that more skilled construction workers can afford to live in the communities where they are building a school, a road, a bridge, or other public project. However, despite a robust economic literature on apprenticeship training, safety, worker earnings, and costs, little research has been conducted showing the effect of state prevailing wage laws on construction worker homeownership.

This report, conducted jointly by the Illinois Economic Policy Institute (ILEPI) and Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign, fills that void in the economic research, assessing the impact of state prevailing wage laws on the homeownership rate of skilled construction workers. The impact of state prevailing wage laws on the home values of blue-collar construction workers is also analyzed, determining whether the policy allows construction workers to build household wealth and positively contribute to their communities through property tax revenues. The report concludes by recapping key findings.

Data, Methodology, and Prime-Age Men Employed in Construction Trades

This report uses 2016 data from the *American Community Survey* to analyze the impact of state prevailing wage laws on the incomes, home ownership rates, and home values of blue-collar construction workers. Conducted by the U.S. Census Bureau, the *American Community Survey* is an annual survey of approximately one percent of the U.S. population. The information is made publicly available from the Integrated Public Use Microdata Series (IPUMS-USA) dataset provided by the Minnesota Population Center at the University of Minnesota (Ruggles et al., 2018).

This study utilizes a statistical analysis called "*difference-in-differences* regressions." Regressions are used to parse out the unique impact that certain variables– such as a state prevailing wage law– have on market outcomes. The techniques describe how much a variable is responsible for raising or lowering worker incomes and housing wealth, after accounting for other observable factors. However, states with prevailing wage laws may have similar economic dynamics and public policies that result in higher wages and higher home values for all workers– not just those in the construction trades directly impacted by a prevailing wage law. Accordingly, an "interaction term" is used to account for the overall market in states with and without prevailing wage laws while allowing an assessment of the impact of state prevailing wage laws specifically on blue-collar construction workers. A "probit" regression is also used to determine the average effect of state prevailing wage laws on the probability of homeownership.

Figure 1: Identification of Prime-Age Blue-Collar Men as Group of Workers to Analyze, 2016

U.S. Workforce Data: 2016 *American Community Survey*	All Occupations	Construction Occupations
Identification: Female	47.3%	2.8%
Education: Holds a Bachelor's Degree or Higher	33.2%	5.5%
Prime-age: Between 25 and 54 Years Old	65.3%	73.3%

Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018).

This report concentrates on blue-collar male workers without bachelor's or more advanced college degrees (Figure 1). While the total U.S. workforce in 2016 was 47 percent female and 33 percent of workers earned bachelor's degrees or higher, workers in the construction trades tend to be disproportionately men without four-year college degrees. Among all workers in blue-collar construction

occupations in 2016, only 3 percent were women and just 6 percent had at least a bachelor's degree.[1] Most, however, have high school diplomas or associate's degrees, and many have graduated from formal apprenticeship programs registered with the U.S. Department of Labor. To ensure an apples-to-apples comparison with comparable employees, the evaluations focus on prime working-age men (i.e., between 25 and 54 years old) who do not have bachelor's degrees or higher. Looking at this specific, yet large, group of workers allows for an accurate understanding of the impact of a public policy that directly affects construction workers.[2]

Prevailing Wage Promotes Ladders into the Middle Class for Blue-Collar Workers

There is a significant difference in the wages paid to construction workers in states with prevailing wage laws compared to those in states without prevailing wage (Philips, 2014). Recent studies find that state prevailing wage laws raise construction worker earnings by between 3 and 9 percent– with even larger impacts on low-income individuals (Fenn et al., 2018; Manzo & Duncan, 2018a; Manzo & Duncan, 2018b). Additional research shows that the wage policies significantly reduce blue-collar construction worker poverty, reducing reliance on government assistance programs (Manzo et al., 2016).

Economic data from the *American Community Survey* generally aligns with the academic research (Figure 2). In states without prevailing wage laws, blue-collar men in their prime working years earned an average income of about $43,200 in 2016. Those in the construction trades earned about $37,000 annually, which was 14 percent less than the overall average. Of those construction workers who owned homes in states without prevailing wage laws, the average home value was approximately $166,200. The average home value for male blue-collar construction workers was 13 percent below the estimates for comparable workers in states without prevailing wage laws.

Figure 2: Summary Data of Prime-Age Blue-Collar Men, All Occupations and Construction Trades, 2016

Economic Outcomes of Male Workers Aged 25-54 without Bachelor's Degrees	All Occupations	Construction Occupations	Construction Difference
States without Prevailing Wage Laws			
Average Annual Income	$43,164	$37,004	-14.3%
Average Home Value	$191,933	$166,236	-13.4%
States with Prevailing Wage Laws			
Average Annual Income	$45,775	$42,803	-6.5%
Average Home Value	$253,407	$235,515	-7.1%

Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018).

Conversely, blue-collar construction worker earnings were much closer to the average wage across all industries in states with prevailing wage laws. In these states, male blue-collar construction workers in

[1] "Construction occupations" include all construction trades– such as carpenters, laborers, operating engineers, electricians, painters, pipefitters, roofers, and structural iron and steel workers– but *exclude* first-line supervisors of construction occupations.
[2] In total, the 2016 dataset comprises 295,916 observations from prime-age blue-collar male workers, including 35,799 in the construction trades. After applying analytic weights provided by the U.S. Census Bureau to adjust the sample to the U.S. population, an estimated 34.4 million working men between the ages of 25 and 54 without bachelor's or advanced degrees are represented in the dataset, including 4.4 million blue-collar construction workers.

their prime working years earned about $42,800 in 2016, which was 6 percent less than the $45,800 annual income reported for their counterparts. The average home value of prime-age blue-collar men employed in the construction trades who owned homes was about $235,500, only 7 percent below the value for comparable workers. Notably, among male blue-collar construction workers who owned their homes, home values were 42 percent higher in states with prevailing wage laws ($235,500) than in states without prevailing wage laws ($166,200).

The data indicates that prime-age blue-collar men working in construction are more likely to build housing wealth if they live in a state with a prevailing wage law. However, while the summary statistics reported in Figure 2 are striking, it is important to determine how much state prevailing wage laws are independently responsible for these outcomes. To assess the relationship between prevailing wage laws and incomes, housing wealth, and rates of homeownership, statistical analyses discussed in the previous section are used.

State prevailing wage laws produce positive impacts on market outcomes for prime-age blue-collar men working in construction (Figure 3). After accounting for other observable factors, state prevailing wage laws increase annual construction worker incomes by 5.1 percent on average.[3] This effect is statistically significant, revealing that state prevailing wage laws boost the earnings of men in construction between the ages of 25 and 54 years old without a bachelor's degree. This estimate is consistent with recent prevailing wage studies (Fenn et al., 2018; Manzo & Duncan, 2018a; Manzo & Duncan, 2018b).

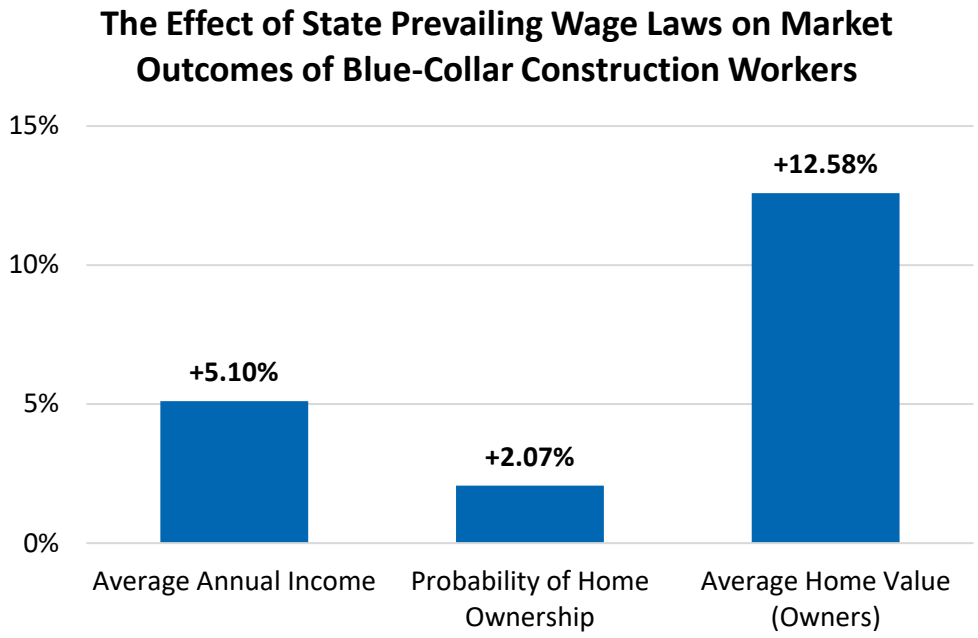
Prevailing wage laws also build household wealth for construction trades workers across America (Figure 3). State prevailing wage laws improve the probability that a prime-age blue-collar man working in construction owns a home by 2.1 percentage points after accounting for other factors, such as whether the worker is married or lives in a city, suburb, or rural location. In addition, state prevailing wage laws statistically increase the values of homes owned by blue-collar construction workers by 12.6 percent on average.[4] For more on these results, please see Table A and Table B in the Appendix.

State prevailing wage laws allow hardworking skilled craftsmen who build the nation's infrastructure to achieve middle-class status (Figure 4). By stabilizing the wage floor and promoting apprenticeship programs that enhance productivity, state prevailing wage laws lift the annual earnings of construction workers by 5.1 percent. Nationwide, total labor income for blue-collar construction workers is $5.3 billion higher due to state prevailing wage laws. This pay raise is momentous for more than 61,000 construction workers in these states, providing them greater ability to own homes when they otherwise would have rented or lived with relatives or friends. The impact on home values translated to $42.0 billion in net housing wealth accrued to blue-collar construction workers due to state prevailing wage laws in 2016. By boosting both incomes and housing wealth for prime-age workers without four-year college degrees, the data suggests that state prevailing wage laws reduce economic inequality between blue-collar workers and white-collar professionals.

[3] Each of the analyses accounts for usual hours worked per week, age, racial or ethnic identification, immigration status, veteran status, urban status, marital status, sector of employment, industry of employment, and educational attainment (i.e., whether the individual has a high school diploma or an associate's degree).

[4] This result accounts for the fact that home values are already 18 percent higher in states with prevailing wage laws for reasons unrelated to the policy. Thus, the home value of a prime-age blue-collar male worker was, on average, 18 percent higher in states with prevailing wage laws regardless of occupation in 2016. However, for construction trades workers, state prevailing wage laws boosted housing wealth above-and-beyond that by an *additional* 13 percent. For more, see Appendix Table A.

Figure 3: The Average Impact of State Prevailing Wage Laws on Market Outcomes, 2016



Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018). For partial regression results, please see Tables A and B in the Appendix. For full regression results, please contact author Frank Manzo IV at fmanzo@illinoisepi.org. All results are significant at p≤|0.05|.

Figure 4: Effects of State Prevailing Wage Laws on U.S. Labor and Housing Markets, 2016

Effects of State Prevailing Wage Laws on Prime-Age Blue-Collar Male Construction Workers	Effect Per Worker or Home (%)	Effect Per Worker or Home ($)	Affected Workers Or Homes in States with PWLs*	National Impact
Labor Income	+5.10%	+$2,077	2,550,843	+$5.298 billion
Homeownership	+2.07%	--	2,957,895	+61,220 owners
Housing Wealth	+12.58%	+$26,325	1,596,090	+$42.017 billion

*Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018). *There are 2.96 million male construction workers between the ages of 25 and 54 years old who do not have a bachelor's or advanced degree in states with prevailing wage laws, of whom 1.60 million own homes. However, only 2.55 million reported positive earnings in 2016. Thus, the average income effect is only applied to these 2.55 million workers.*

Prevailing Wage Builds Housing Wealth for All Types of Construction Workers

State prevailing wage laws raise incomes for all construction workers regardless of racial or ethnic background. Previous research has found that state prevailing wage laws reduce the income gap between African American construction workers and white construction workers by between 7 percent and 53 percent (Manzo et al., 2018). Indeed, research shows that state prevailing wage laws increase take-home pay while having no negative impact on employment opportunities for underprivileged groups (Duncan & Ormiston, 2017).

Similarly, the data shows that prevailing wage laws build housing wealth for all blue-collar construction workers (Figure 5). While, on average, state prevailing wage laws statistically increase the construction

worker homeownership rate by 2.1 percent and are statistically associated with 12.6 percent greater housing wealth for those construction workers who do own homes, the impact is greatest for African American men in construction. For blue-collar African American construction workers, state prevailing wage laws improve their homeownership rate by 7.5 percent and raise their housing wealth by 18.3 percent on average. This is considerably larger than the 3.4 percent increase in homeownership and the 9.7 percent increase in housing wealth for their white counterparts. Furthermore, although state prevailing wage laws do not have a statistically significant impact on the probability that Latino construction workers own homes, they are associated with an 18.8 percent increase in housing wealth for the Latino construction workers who do own homes– the biggest increase by ethnic background. While state prevailing wage laws have the largest effect on homeownership and housing wealth for people of color, the data makes clear that all blue-collar construction workers– regardless of background– experience positive impacts.

Figure 5: The Impact of Prevailing Wage on Housing Market Outcomes by Racial Identification, 2016

Effects of State Prevailing Wage Laws on Prime-Age Blue-Collar Male Construction Workers	Homeownership Rate	Average Housing Wealth
All Workers	+2.07%	+12.58%
African American Workers	+7.52%	+18.26%
Latino Workers	+0.00%†	+18.81%
White (Non-Latino) Workers	+3.35%	+9.68%

Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018). †Result not statistically significant.

Figure 6: The Impact of Prevailing Wage on Housing Market Outcomes by Urban Status, 2016

Effects of State Prevailing Wage Laws on Prime-Age Blue-Collar Male Construction Workers	Homeownership Rate	Average Housing Wealth*
All Workers	+2.07%	+12.58%
Workers in Urban Areas	+0.00%†	+13.82%
Workers in Suburban Areas	+3.82%	+17.76%
Workers in Rural Areas	+0.00%†	+7.16%

*Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018). †Result not statistically significant. *Results for workers in cities and workers in rural areas are statistically significant, but only at p≤|0.10|.*

Similarly, the data shows that prevailing wage laws strengthen housing markets in cities, suburban areas, and rural America (Figure 6). State prevailing wage laws are statistically associated with 13.8 percent higher housing wealth among construction workers who own homes in urban areas and 7.2 percent higher in rural areas, but they do not have a statistical impact on the probability that urban or rural construction workers will own homes. The prevailing wage effect is concentrated in suburban areas, where prime-age blue-collar male construction workers are 3.8 percent more likely to own homes and their average housing wealth is 17.8 percent higher due to the policy. Nevertheless, even though the impact is largest in the suburbs, the economic data show that state prevailing wage laws improve housing market outcomes for blue-collar construction workers who build public infrastructure for their communities.

Prevailing Wage Strengthens Housing Markets and Property Tax Revenues in States

Researchers studying prevailing wage standards have often divided states into four categories– those with "strong," "average," and "weak" prevailing wage laws, and those with no prevailing wage law at all. This rating system, which was first used in 1995, is based on contract coverage thresholds, breadth and scope of work covered, the enforced wage rate and methodology for ascertaining the wage rate, and other factors (Manzo et al., 2016). Figures 7, 8, and 9 present the impact that state prevailing wage laws have on the 10 largest states with "strong" or "average" laws on the books, as of February 2020.[5]

Figure 7: Statistics for 10 Large States with Prevailing Wage Laws and Net Homeownership Effect, 2016

Prime-Age Blue-Collar Male Construction Workers in State	Average Annual Income	Home-ownership Rate	Average Home Value	Net New Owners from Prevailing Wage Laws
California	$40,795	39.5%	$402,176	+11,606 owners
New York	$46,466	47.9%	$360,081	+5,146 owners
Illinois	$51,207	67.5%	$192,135	+3,221 owners
Pennsylvania	$46,451	72.4%	$172,009	+3,011 owners
Massachusetts	$50,528	56.8%	$354,216	+1,779 owners
New Jersey	$48,309	47.0%	$292,981	+2,336 owners
Washington	$49,243	54.3%	$266,111	+2,045 owners
Ohio	$41,633	63.9%	$145,445	+2,446 owners
Minnesota	$51,356	75.1%	$200,340	+1,446 owners
Missouri	$45,115	67.6%	$157,880	+1,548 owners
All States with Prevailing Wage	**$42,803**	**54.0%**	**$235,515**	**+61,220 owners**

Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018).

California is the largest state with a "strong" or "average" prevailing wage law (Figure 7). In California, blue-collar construction workers aged 25 to 54 years old without a four-year college degree earned less on average (about $40,800) than their counterparts in all states with prevailing wage laws (about $42,800) in 2016.[6] Consequently, only 39.5 percent of blue-collar construction workers in California owned their own homes– exacerbated by a historic shortage of affordable housing in the state (Lantsberg, 2017; Duncan, 2017). The state's prevailing wage law, however, has allowed approximately 11,600 blue-collar construction workers to become homeowners. Partially for this reason, California lawmakers passed a bill which strengthened their prevailing wage law by expanding coverage to affordable housing projects starting in January 2018 (Ronayne, 2017; CLI, 2017).

[5] Wisconsin, Kentucky, Michigan, and Arkansas– which are included in this analysis of 2016 data– repealed their prevailing wage laws in 2017 or after. Texas and Maryland are examples of large states that have prevailing wage laws, but the policies are considered "weak." Colorado did not have a prevailing wage law in 2016 but now requires prevailing wages for state-funded construction projects, per the Colorado Quality Apprenticeship Training Act of 2019 passed in May 2019 (CGA, 2020).

[6] In a limitation to this analysis, the income data used in this report is for all prime-age men employed in the construction trades, and in part a function of the share of the total construction market subject to prevailing wage laws. For example, residential housing is typically not covered under state prevailing wage laws. In California, the residential construction sector accounts for 16.0 percent of the total value of construction compared with just 9.3 percent in Illinois and 14.1 percent nationally. As a result, California's average annual income is relatively lower due to the inability to distinguish these types of workers in the *American Community Survey* (Ruggles et al., 2018).

In comparison with California, Illinois and Minnesota are two states with relatively high incomes and high homeownership rates for blue-collar construction workers (Figure 7). In Illinois, male construction workers earned about $51,200 and 67.5 percent owned homes in 2016. Incomes were even higher in Minnesota at about $51,400, resulting in three-quarters of all male construction workers (75.1 percent) owning houses, condos, or other residential properties. Prevailing wage laws allowed more than 3,200 prime-age blue-collar construction workers in Illinois to afford a home and brought about nearly 1,500 new homeowners in Minnesota.

State prevailing wage laws produce middle-class incomes and build housing wealth for blue-collar construction workers in states across America (Figure 8). In 2016, state prevailing wage laws boosted total labor income for construction workers by an estimated $5.3 billion and generated $42.0 billion in housing wealth for construction workers nationwide. Among the 10 largest states with "strong" or "average" prevailing wage laws, the policy increased labor income by between $136.6 million in Missouri and $927.5 million in California. The three states where prevailing wage laws lift construction worker housing wealth the most are California, New York, and Illinois. State prevailing wage laws improved the total housing wealth of households with blue-collar construction workers by $9.9 billion in California, $4.8 billion in New York, and $2.3 billion in Illinois. Ultimately, the data suggest that state prevailing wage laws allow skilled craft workers to improve their net worth.

Figure 8: Prevailing Wage Effect on Income and Wealth of Construction Workers in 10 States, 2016

Prime-Age Blue-Collar Male Construction Workers in State	Effect on Average Income	Effect on Average Housing Wealth	Total Impact on Construction Labor Income	Total Impact on Construction Worker Housing Wealth
California	+$1,980	+$44,954	+$927.5 million	+$9.95 billion
New York	+$2,255	+$40,248	+$498.0 million	+$4.79 billion
Illinois	+$2,485	+$21,476	+$334.4 million	+$2.26 billion
Pennsylvania	+$2,254	+$19,226	+$286.7 million	+$2.02 billion
Massachusetts	+$2,452	+$39,593	+$180.4 million	+$1.93 billion
New Jersey	+$2,344	+$32,748	+$239.3 million	+$1.74 billion
Washington	+$2,390	+$29,745	+$217.0 million	+$1.60 billion
Ohio	+$2,020	+$16,257	+$193.6 million	+$1.23 billion
Minnesota	+$2,492	+$22,393	+$151.5 million	+$1.18 billion
Missouri	+$2,189	+$17,647	+$136.6 million	+$0.89 billion
All States with Prevailing Wage	**+$2,077**	**+$26,325**	**+$5,298.3 million**	**+$42.02 billion**

Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018).

As more construction workers earn higher incomes and are able to afford homes, they also contribute more in taxes and strengthen local communities (Figure 9). Using data on the average property tax rate as a percentage of the assessed home value in each state from a financial technology company, Figure 9 estimates the impact of prevailing wage laws on property tax revenues in each state (SmartAsset, 2018). Across the United States, prevailing wage laws increase annual property tax revenues by approximately $508.4 million. Each year, prime-age blue-collar construction workers in New York contribute an estimated $79.0 million more in property taxes than they would have without the state's prevailing wage law allowing them to afford homes. The net property tax impact is $78.6 million in California, $52.4 million in Illinois, $41.7 million in New Jersey, and $30.6 million in Pennsylvania. The impact on property tax

collections illustrates how prevailing wage laws keep more income, more wealth, and more tax dollars in the local economy. Without state prevailing wage laws, school districts and local governments would have less revenue to make vital public investments in education, infrastructure, and human services.

Figure 9: Prevailing Wage Effect on Income and Wealth of Construction Workers in 10 States, 2016

Prime-Age Blue-Collar Male Construction Workers in State	Total Impact on Construction Worker Housing Wealth	Average Property Tax Rate on Assessed Value	Estimated Impact on Property Tax Collections
California	+$9.95 billion	0.79%	+$78.57 million
New York	+$4.79 billion	1.65%	+$79.01 million
Illinois	+$2.26 billion	2.32%	+$52.38 million
Pennsylvania	+$2.02 billion	1.51%	+$30.57 million
Massachusetts	+$1.93 billion	1.21%	+$23.38 million
New Jersey	+$1.74 billion	2.40%	+$41.70 million
Washington	+$1.60 billion	1.06%	+$16.93 million
Ohio	+$1.23 billion	1.56%	+$19.15 million
Minnesota	+$1.18 billion	1.19%	+$13.98 million
Missouri	+$0.89 billion	1.00%	+$8.92 million
All States with Prevailing Wage	**+$42.02 billion**	**1.21%***	**+$508.41 million**

*Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018); "Property Tax Calculator" (SmartAsset, 2018). *1.21 percent is the average property tax rate across the United States.*

The Illinois Prevailing Wage Act Makes Housing Affordable for Construction Workers

State prevailing wage laws promote ladders into the middle class and build housing wealth among blue-collar construction workers while strengthening local housing markets. This is particularly evident in the State of Illinois. As previously shown, the Illinois Prevailing Wage Act enables more than 3,200 prime-age blue-collar men employed in construction to own homes and generates nearly $2.3 billion in property wealth for skilled construction workers who own homes in Illinois– who subsequently contribute $52 million more in local property taxes. In part, this is because the state's prevailing wage law boosts the annual earnings of blue-collar construction workers by about $334 million. This number corroborates previous research by the University of Illinois at Urbana-Champaign and Michigan State University, which found that the state's prevailing wage law increases the earnings of all construction workers– not just men who are between 25 and 54 years old and do not have bachelor's or advanced degrees– by $365 million per year and grows the economy by $1.1 billion annually (Dickson Quesada et al., 2013). Illinois' prevailing wage law is one of the primary reasons why the homeownership rate among blue-collar construction workers is significantly higher in the state than it is across the nation.

Illinois lawmakers in January 2019 enacted a bill to strengthen the law (Illinois General Assembly, 2019). Under the new methodology, the prevailing wage will now be determined primarily by collective bargaining agreements (CBAs) negotiated privately between workers and their employers, a move intended to reduce administrative costs for the Illinois Department of Labor. Six other states use local CBAs to determine prevailing wage rates.[7] By strengthening the state's prevailing wage law, lawmakers

[7] The six states are Ohio, Massachusetts, New York, New Jersey, New Mexico, and Washington (Washington Legislature, 2018).

have ensured that more blue-collar construction workers will be able to afford homes in the communities where they are building roads, bridges, schools, and other vital public infrastructure.

Conclusion

By stabilizing the wage floor and supporting apprenticeship programs, state prevailing wage laws promote ladders into the middle class for blue-collar workers. The policies boost annual earnings for workers without four-year college degrees, reducing inequality between blue-collar workers and white-collar professionals. State prevailing wage laws also grow local economies and support local investments in public education, infrastructure, and human services by generating millions of dollars in property tax revenue– including $52 million each year in Illinois– for school districts and local governments.

Prevailing wage strengthens housing markets across the United States. The policy improves the homeownership rate and makes housing affordable for skilled construction workers. By enabling them to afford homes, prevailing wage also builds wealth for blue-collar construction workers. Ultimately, prevailing wage allows hardworking craft workers who build the nation's infrastructure to achieve the American Dream.

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Appendix

Table A: Impact of Prevailing Wage on Market Outcomes, All Workers, OLS & Probit Regressions

Model	ln(Income from Wages)		Ln(Home Value)		P(Homeowner)	
Variable	Coefficient	(St. Err.)	Coefficient	(St. Err.)	AME (dy/dx)	(St. Err.)
Prevailing Wage x Construction Occ	**0.0510*** **	**(0.0087)**	**0.1258*** **	**(0.0135)**	**0.0207*** **	**(0.0073)**
Prevailing Wage (State)	0.0685***	(0.0031)	0.1757***	(0.0047)	-0.0110***	(0.0026)
Construction Occupation	-0.0941***	(0.0083)	-0.2467***	(0.0125)	-0.0524***	(0.0070)
White	0.0916***	(0.0060)	-0.2762***	(0.0096)	0.0417***	(0.0049)
Black	-0.1072***	(0.0068)	-0.4912***	(0.0114)	-0.1262***	(0.0057)
Latino	-0.0005	(0.0061)	-0.3220***	(0.0098)	-0.0517***	(0.0049)
City Center	0.0180***	(0.0046)	0.3163***	(0.0086)	-0.1125***	(0.0037)
Suburb	0.0922***	(0.0032)	0.2826***	(0.0048)	0.0478***	(0.0027)
Rural	-0.1068***	(0.0050)	-0.3683***	(0.0071)	0.0579***	(0.0042)
Usual Hours Worked	0.0307***	(0.0001)	0.0023***	(0.0002)	Y	
Married	0.2257***	(0.0028)	0.1584***	(0.0045)	Y	
Age	0.0589***	(0.0016)	-0.0185***	(0.0025)	Y	
Age^2	-0.0006***	(0.0000)	0.0002***	(0.0000)	Y	
Foreign-Born	-0.0912***	(0.0041)	0.1002***	(0.0068)	Y	
Military Veteran	0.0269***	(0.0049)	-0.0228***	(0.0073)	Y	
Self-Employed	-0.3072***	(0.0077)	0.1440***	(0.0088)	Y	
Private Sector	-0.1466***	(0.0044)	-0.0937***	(0.0066)	Y	
Nonprofit Sector	-0.2202***	(0.0084)	-0.0385***	(0.0132)	Y	
Less than a High School Degree	-0.2621***	(0.0041)	-0.3271***	(0.0068)	Y	
Associate's Degree	0.1587***	(0.0040)	0.1457***	(0.0059)	Y	
Industry Dummy	0.1375***	(0.0054)	0.0574***	(0.0077)	Y	
Constant	7.6739***	(0.0309)	12.2884***	(0.0496)	0.5846***	(0.0011)
R^2	0.286		0.104		0.101	
Observations	276,021		191,573		295,278	
Weighted	Y		Y		Y	

****P≤|0.01|; **P≤|0.05|; *P≤|0.10|. Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018). For full regression results, please contact author Frank Manzo IV at fmanzo@illinoisepi.org. Regression results are for employed male individuals between the ages of 25 and 54 years old who do not have a bachelor's degree or higher. There are 2.96 million male construction workers between the ages of 25 and 54 years old who do not have a bachelor's or advanced degree in states with prevailing wage laws, of whom 1.60 million own homes. However, only 2.55 million reported positive earnings in 2016.*

Table B: Impact of Prevailing Wage on Housing Outcomes, African Americans (Example), OLS & Probits

Model	**Ln(Home Value)**		**P(Homeowner)**	
Variable	**Coefficient**	**(St. Err.)**	**AME (dy/dx)**	**(St. Err.)**
Prevailing Wage x Construction Occ	**0.1826*** **	**(0.0623)**	**0.0752** **	**(0.0299)**
Prevailing Wage (State)	0.2222***	(0.0172)	-0.0650***	(0.0079)
Construction Occupation	-0.1657***	(0.0519)	-0.0174	(0.0256)
City Center	0.1667***	(0.0235)	Y	
Suburb	0.3423***	(0.0187)	Y	
Rural	-0.4573***	(0.0371)	Y	
Usual Hours Worked	0.0012	(0.0007)	Y	
Married	0.1744***	(0.0171)	Y	
Age	-0.0155*	(0.0094)	Y	
Age^2	0.0002	(0.0001)	Y	
Foreign-Born	0.4044***	(0.0237)	Y	
Military Veteran	0.0817***	(0.0253)	Y	
Self-Employed	-0.0484	(0.0357)	Y	
Private Sector	-0.1384***	(0.0219)	Y	
Nonprofit Sector	-0.1604***	(0.0423)	Y	
Less than a High School Degree	-0.1313***	(0.0291)	Y	
Associate's Degree	0.1477***	(0.0236)	Y	
Industry Dummy	0.0821**	(0.0390)	Y	
Constant	11.8100***	(0.1820)	0.4355***	(0.0036)
R^2	0.125		0.047	
Observations	13,131		26,976	
Weighted	Y		Y	

****P≤|0.01|; **P≤|0.05|; *P≤|0.10|. Source(s): Authors' analysis of the 2016 American Community Survey (1-Year Estimates) by the U.S. Census Bureau (Ruggles et al., 2018). For full regression results or results on other racial backgrounds or by urban status (i.e., city center, suburbs, and rural areas), please contact author Frank Manzo IV at fmanzo@illinoisepi.org.*

Table C: Median Monthly Homeowner Costs, Hourly and Annual Incomes, and Homeowner Costs as a Percent of Income by County with September 2017 Prevailing Wage Rates for Laborers (HWY), *Example*

County	U.S. Census Data	Prevailing Wage Rates Data by County		
	Median Monthly Homeowner Costs	Hourly Laborer Income (HWY)	Annual Income (1,787 Hours)	Homeowner Costs As % of Income
Adams County	$1,009	$27.75	$49,589.25	24.4%
Alexander County	$862	$26.83	$47,945.21	21.6%
Bond County	$1,093	$26.50	$47,355.50	27.7%
Boone County	$1,416	$41.20	$73,624.40	23.1%
Brown County	$891	$27.75	$49,589.25	21.6%
Bureau County	$1,085	$30.02	$53,645.74	24.3%
Calhoun County	$1,189	$30.59	$54,664.33	26.1%
Carroll County	$1,073	$37.88	$67,691.56	19.0%
Cass County	$914	$28.47	$50,875.89	21.6%
Champaign County	$1,313	$30.85	$55,128.95	28.6%
Christian County	$931	$28.47	$50,875.89	22.0%
Clark County	$984	$29.65	$52,984.55	22.3%
Clay County	$846	$26.83	$47,945.21	21.2%
Clinton County	$1,274	$28.05	$50,125.35	30.5%
Coles County	$976	$29.65	$52,984.55	22.1%
Cook County	$1,832	$41.20	$73,624.40	29.9%
Crawford County	$849	$26.83	$47,945.21	21.2%
Cumberland County	$963	$29.65	$52,984.55	21.8%
DeKalb County	$1,589	$35.00	$62,545.00	30.5%
Dewitt County	$994	$30.85	$55,128.95	21.6%
Douglas County	$1,056	$29.65	$52,984.55	23.9%
DuPage County	$2,032	$41.20	$73,624.40	33.1%
Edgar County	$929	$29.65	$52,984.55	21.0%
Edwards County	$834	$26.83	$47,945.21	20.9%
Effingham County	$1,096	$26.83	$47,945.21	27.4%
Fayette County	$897	$26.83	$47,945.21	22.5%
Ford County	$1,015	$36.21	$64,707.27	18.8%
Franklin County	$861	$26.83	$47,945.21	21.5%
Fulton County	$949	$32.00	$57,184.00	19.9%
Gallatin County	$861	$26.83	$47,945.21	21.5%
Greene County	$899	$30.59	$54,664.33	19.7%
Grundy County	$1,552	$41.20	$73,624.40	25.3%
Hamilton County	$981	$26.83	$47,945.21	24.6%
Hancock County	$925	$27.75	$49,589.25	22.4%
Hardin County	$867	$26.83	$47,945.21	21.7%
Henderson County	$866	$28.16	$50,321.92	20.7%
Henry County	$1,091	$27.92	$49,893.04	26.2%
Iroquois County	$1,048	$36.21	$64,707.27	19.4%
Jackson County	$1,119	$26.83	$47,945.21	28.0%
Jasper County	$1,015	$26.83	$47,945.21	25.4%
Jefferson County	$1,026	$26.83	$47,945.21	25.7%
Jersey County	$1,217	$30.59	$54,664.33	26.7%
JoDaviess County	$1,224	$37.88	$67,691.56	21.7%
Johnson County	$1,065	$26.83	$47,945.21	26.7%
Kane County	$1,842	$41.20	$73,624.40	30.0%
Kankakee County	$1,318	$36.21	$64,707.27	24.4%
Kendall County	$1,957	$41.20	$73,624.40	31.9%
Knox County	$911	$28.16	$50,321.92	21.7%
Lake County	$2,105	$41.20	$73,624.40	34.3%
LaSalle County	$1,196	$30.02	$53,645.74	26.8%

Lawrence County	$823	$26.83	$47,945.21	20.6%
Lee County	$1,131	$37.88	$67,691.56	20.0%
Livingston County	$1,121	$32.03	$57,237.61	23.5%
Logan County	$975	$28.47	$50,875.89	23.0%
Macon County	$1,025	$29.65	$52,984.55	23.2%
Macoupin County	$1,003	$30.13	$53,842.31	22.4%
Madison County	$1,215	$30.59	$54,664.33	26.7%
Marion County	$890	$26.83	$47,945.21	22.3%
Marshall County	$1,079	$32.03	$57,237.61	22.6%
Mason County	$957	$27.75	$49,589.25	23.2%
Massac County	$1,019	$26.83	$47,945.21	25.5%
McDonough County	$1,011	$27.75	$49,589.25	24.5%
McHenry County	$1,847	$41.20	$73,624.40	30.1%
McLean County	$1,400	$32.04	$57,255.48	29.3%
Menard County	$1,167	$28.47	$50,875.89	27.5%
Mercer County	$1,045	$26.63	$47,587.81	26.4%
Monroe County	$1,591	$27.66	$49,428.42	38.6%
Montgomery County	$916	$25.74	$45,997.38	23.9%
Morgan County	$1,007	$28.47	$50,875.89	23.8%
Moultrie County	$1,027	$29.65	$52,984.55	23.3%
Ogle County	$1,304	$37.88	$67,691.56	23.1%
Peoria County	$1,179	$29.24	$52,251.88	27.1%
Perry County	$926	$26.83	$47,945.21	23.2%
Piatt County	$1,181	$30.85	$55,128.95	25.7%
Pike County	$807	$27.75	$49,589.25	19.5%
Pope County	$943	$26.83	$47,945.21	23.6%
Pulaski County	$866	$26.83	$47,945.21	21.7%
Putnam County	$1,130	$30.02	$53,645.74	25.3%
Randolph County	$1,038	$28.63	$51,161.81	24.3%
Richland County	$889	$26.83	$47,945.21	22.3%
Rock Island County	$1,127	$26.63	$47,587.81	28.4%
St Clair County	$1,325	$28.63	$51,161.81	31.1%
Saline County	$899	$26.83	$47,945.21	22.5%
Sangamon County	$1,212	$28.47	$50,875.89	28.6%
Schuyler County	$899	$27.75	$49,589.25	21.8%
Scott County	$966	$28.47	$50,875.89	22.8%
Shelby County	$916	$29.65	$52,984.55	20.7%
Stark County	$921	$28.16	$50,321.92	22.0%
Stephenson County	$1,055	$37.88	$67,691.56	18.7%
Tazewell County	$1,183	$29.24	$52,251.88	27.2%
Union County	$1,004	$26.83	$47,945.21	25.1%
Vermilion County	$933	$30.85	$55,128.95	20.3%
Wabash County	$964	$26.83	$47,945.21	24.1%
Warren County	$901	$28.16	$50,321.92	21.5%
Washington County	$1,133	$28.63	$51,161.81	26.6%
Wayne County	$833	$26.83	$47,945.21	20.8%
White County	$852	$26.83	$47,945.21	21.3%
Whiteside County	$1,022	$37.88	$67,691.56	18.1%
Will County	$1,859	$41.20	$73,624.40	30.3%
Williamson County	$1,018	$26.83	$47,945.21	25.5%
Winnebago County	$1,217	$35.00	$62,545.00	23.3%
Woodford County	$1,396	$32.03	$57,237.61	29.3%

Source(s): Authors' analysis of the 2016 American Community Survey (5-Year Estimates) by the U.S. Census Bureau (Census, 2017); September 2017 prevailing wage rates by county from the Illinois Department of Labor (IDOL, 2018). For each county, Laborer (HWY) was selected. If a county had multiple rates for laborers on highway projects, the lowest pay rate was selected. Some counties did not differentiate between highway (HWY) and building (BLD). In that case, the base pay for Laborer (ALL) is shown.