

March 2020



Fair Contracting Research: Prevailing Wage, Responsible Bidder Ordinances, and Apprenticeship Training

Who Are We?

HISTORIC CHANGE FOR ILLINOIS



POLICY RESEARCHED BY ILEPI

1. TAX RELIEF FOR 97% OF ILLINOIS ON 2020 BALLOT ✓
2. \$45 BILLION IN NEW INFRASTRUCTURE INVESTMENT ✓
3. RAISE MINIMUM WAGE TO \$15 ✓
4. LEGALIZE, TAX, & REGULATE CANNABIS ✓
5. LEGALIZE & TAX SPORTS BETTING ✓



“THE RESEARCH IS CLEAR AND CONSISTENT: A STRONG AMERICA IS BUILT LOCALLY BY HIGHLY-TRAINED WORKERS.”

–ILEPI Policy Director, Frank Manzo IV, discussing prevailing wage standards



Core Messages

1. Levels the playing field for contractors

2. Boosts productivity and improves safety

3. Promotes ladders into the middle class

4. Provides great value for taxpayers

5. Builds quality infrastructure and strong communities

Prevailing Wage in Minnesota:

93%

of all apprentices are trained at joint union-management programs

5%

increase in construction incomes and health coverage due to prevailing wage

\$981 million

added to state's economy every year due to prevailing wage

"An Examination of Minnesota's Prevailing Wage Law: Effects on Costs, Training, and Economic Development,"
by Frank Manzo IV, M.P.P. and Kevin Duncan, Ph.D.



PREVAILING WAGE PROMOTES THE AMERICAN DREAM

- Expands the construction worker homeownership rate by 2%, resulting in **61,000 more families** owning homes
- Improves construction worker housing wealth by **13%**
- Boosts property tax revenue by more than **\$500 million**

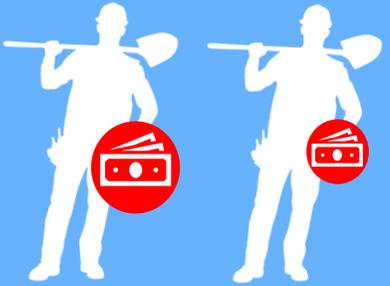
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I ILLINOIS LABOR & EMPLOYMENT RELATIONS
PROJECT FOR MIDDLE CLASS RENEWAL

Indiana After Prevailing Wage Repeal

1. Blue-collar construction workers' wages **decreased by 8%** after repeal.



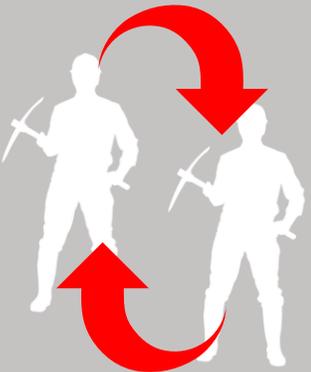
2. The share of workers without a high school diploma **increased by 5%** after repeal.



3. Construction worker productivity growth was **5% slower** than in Illinois, Ohio, & Michigan.



4. Construction worker **turnover increased** after repeal.



5. **Slower public works construction growth** after repeal.



6. Repeal has had **NO impact** on school construction costs.



Indiana Republican Leader: No Savings

"We got rid of prevailing wage and so far it hasn't saved a penny."

- **Republican** Indiana State Representative, Ed Soliday

FACT: **Repeal has had no impact on school construction costs in northern Indiana.**



Source: "The Effects of Repealing Common Construction Wage in Indiana: Impacts on Ten Construction Market Outcomes," January 2018, Frank Manzo IV, MPP and Kevin Duncan PhD.

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"Middle class wage cuts were never good politics, but this report underscores the more important fact that they are not good policy either. I hope my colleagues in other states will learn from our experience and avoid making the same mistake."

-Rep. Ed Soliday (R- Valparasio)

West Virginia After Repeal: Wages and Training

Wages have fallen for construction workers in West Virginia since repeal of prevailing wage.



Hourly wages have fallen
up to 8%
relative to neighboring states
with prevailing wage laws.

Source: "The Impact of Repealing West Virginia's Prevailing Wage Law: Economic Effects on the Construction Industry and Fiscal Effects on School Construction Costs," May 2019, Frank Manzo IV, MPP, and Michael Kelsay, PhD.

Repealing prevailing wage has reduced apprenticeship training in West Virginia.



The number of registered
apprentices has fallen by
28%.

Source: "The Impact of Repealing West Virginia's Prevailing Wage Law: Economic Effects on the Construction Industry and Fiscal Effects on School Construction Costs," May 2019, Frank Manzo IV, MPP, and Michael Kelsay, PhD.

More West Virginia: Safety and Costs

West Virginia's
construction
worker injury rate
has increased
26%
since the repeal of
prevailing wage.



Source: "The Impact of Repealing West Virginia's Prevailing Wage Law: Economic Effects on the Construction Industry and Fiscal Effects on School Construction Costs," May 2019, Frank Manzo IV, MPP, and Michael Kelsay, PhD.

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FACT:

Repealing prevailing wage
has NOT reduced school
construction costs in
West Virginia.



Source: "The Impact of Repealing West Virginia's Prevailing Wage Law: Economic Effects on the Construction Industry and Fiscal Effects on School Construction Costs," May 2019, Frank Manzo IV, MPP, and Michael Kelsay, PhD.

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Responsible Bidder Ordinances (RBOs)

6 → 44 RBOs

growth in local RBOs in Indiana between 2010 and 2019

Most RBOs require

proof of participation in apprenticeship programs, proof of insurance, and compliance with all local, state, and federal laws

8% increase

in earnings for public works construction workers in counties with RBOs

Lower turnover

in counties with RBOs (-1.6 percentage points)

RBOs are an effective policy to uphold local construction standards without raising costs for taxpayers.

January 2020: The Apprenticeship Alternative

Apprenticeships are the Bachelor's Degree of the Construction Industry

ILEPI <small>ILLINOIS ECONOMIC POLICY INSTITUTE</small>	JOINT CONSTRUCTION PROGRAMS	PUBLIC UNIVERSITIES
Training Requirements	7,300 hours	5,800 hours
Graduation Rate	54%	61%
African American Graduates	9%	10%
Latinx Graduates	11%	12%
Lifetime Earnings	\$2.4 million	\$2.5 million <small>(after loans)</small>

Joint Labor-Management Apprenticeship Programs Are the Gold Standard

ILEPI <small>ILLINOIS ECONOMIC POLICY INSTITUTE</small>	JOINT CONSTRUCTION PROGRAMS	EMPLOYER-ONLY PROGRAMS
Total Apprentices (2000-2016)	74,500	1,900
Training Requirements	7,300 hours	6,300 hours
Completion Rate	54%	31%
African American Completion	52%	18%
Military Veteran Completion	60%	27%
Journeyworker Wage	\$40 per hour	\$23 per hour

THANK YOU!

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