Recovery Roadmap: Rebuilding America with Skilled Workers and Prevailing Wage Standards

May 20, 2020

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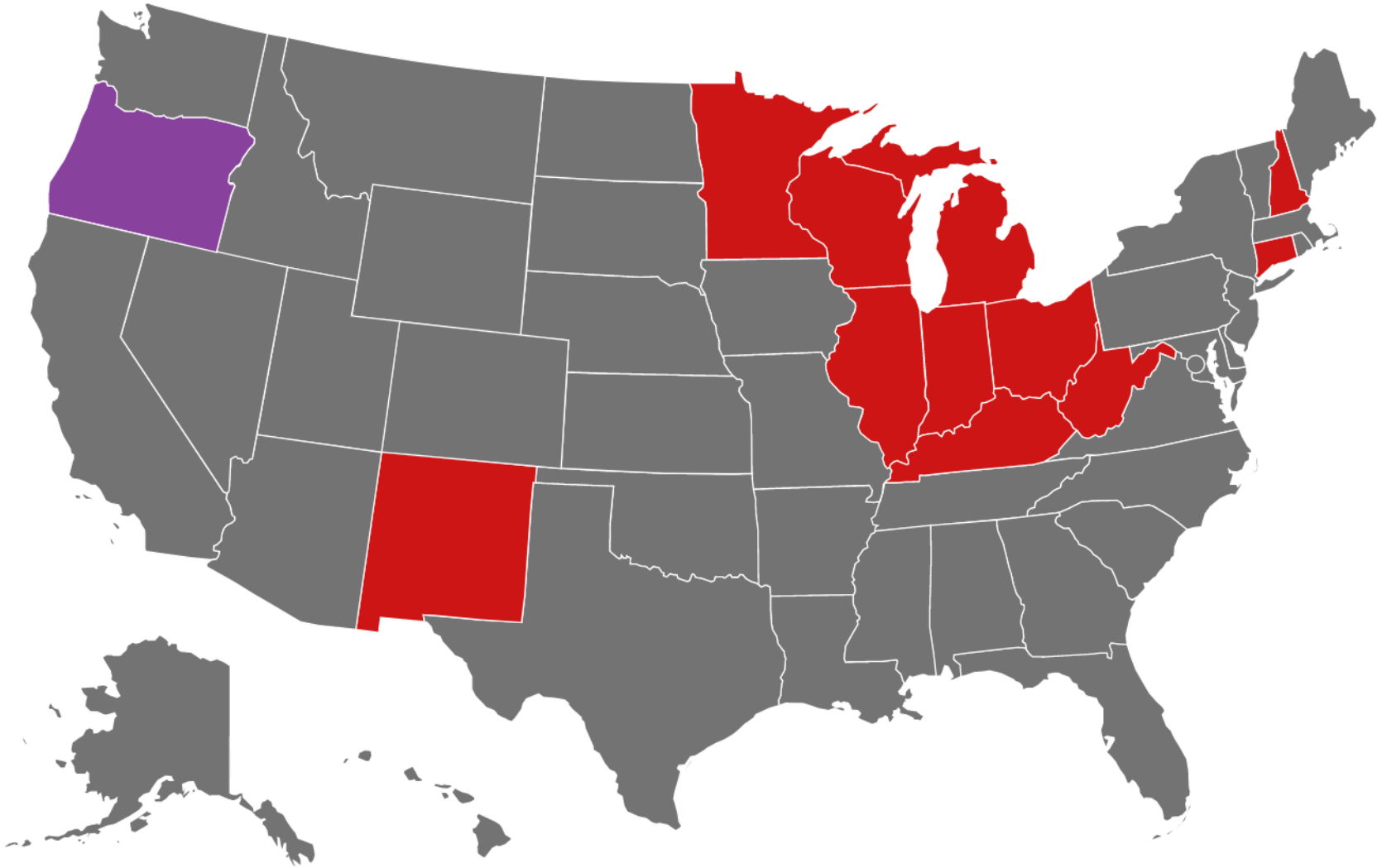
MEPI PREVAILING WAGE RESEARCH SINCE 2013



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CONSTRUCTION ESSENTIAL TO THE RECOVERY

- Construction deemed “essential” in 28 states, allowed in 21 others
- Construction and extraction: 18.9% unemployment (April 2020)
- **University of Pennsylvania Wharton School of Business:** During recessions, public infrastructure creates $2.20 in output for every $1 invested (2nd-highest “bang for the buck”)

BOOSTING THE ECONOMY AND CREATING JOBS

$1 Billion Investment, Selected Infrastructure in the United States		Total Jobs	Direct Jobs	Multiplier
Transportation	Maintenance of Roads and Bridges	21,100	9,700	$1.66
	Construction of Roads and Bridges	12,000	4,700	$1.36
	Public Transit Systems	31,200	23,100	$1.51
	Airports and Air Transportation	8,100	2,400	$1.27
Clean Energy and "Green" Infrastructure	Electric Power Generation: Nuclear	6,700	1,000	$1.29
	Electric Power Generation: Solar	9,100	3,200	$1.34
	Electric Power Generation: Wind	5,600	800	$1.20
	Water and Sewer Infrastructure	11,200	3,700	$1.38
Buildings	School Construction	14,900	7,100	$1.46
	Construction of Hospitals	14,000	6,300	$1.42
Source: Implan (2020). Job estimates rounded to the nearest hundred.				

BUT… WHAT ABOUT WORKER SAFETY?

The Boston Globe

Workers, advocates express safety concerns about reopening plan

The New York Times

Protecting Workers From Coronavirus: OSHA Leaves It to Employers

npr

Essential Workers Plan May Day Strikes; Others Demand End To COVID-19 Lockdowns

REBUILD AMERICA WITH: PREVAILING WAGE

1. Levels the playing field for contractors
2. Attracts and retains skilled workers and improves safety
3. Promotes ladders into the middle class
4. Provides great value for taxpayers
5. Builds quality infrastructure and strong communities

WHY DO PREVAILING WAGE LAWS EXIST?

Description:

Local minimum wages for different types of skilled construction work on public construction projects

Purpose:

To create a level playing field for contractors by ensuring that taxpayer dollars reflect local standards for compensation, craftsmanship, and safety

PREVAILING WAGE TAKES LABOR COSTS OUT OF THE EQUATION

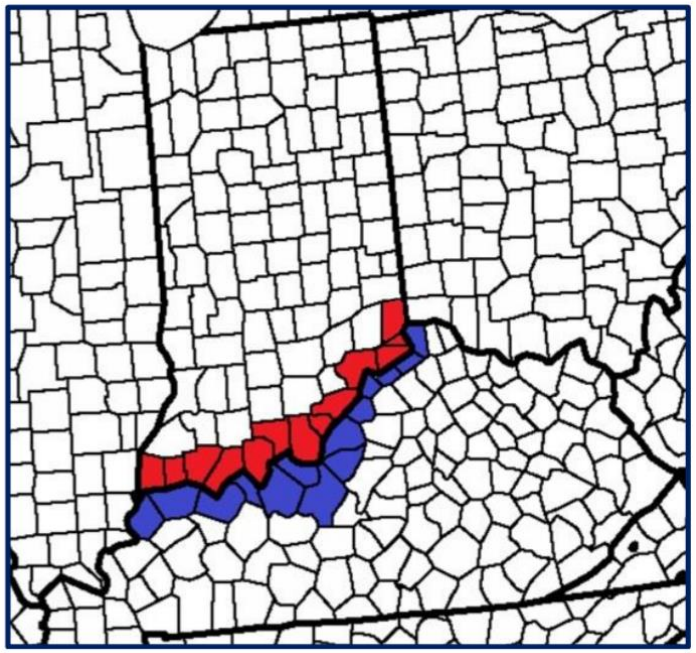
Project Bid =

~~Labor Costs~~ + Quality + Materials + Fuels + Protective Equipment + Technology + Productivity + Management + Profit

PREVAILING WAGE LEVELS THE PLAYING FIELD

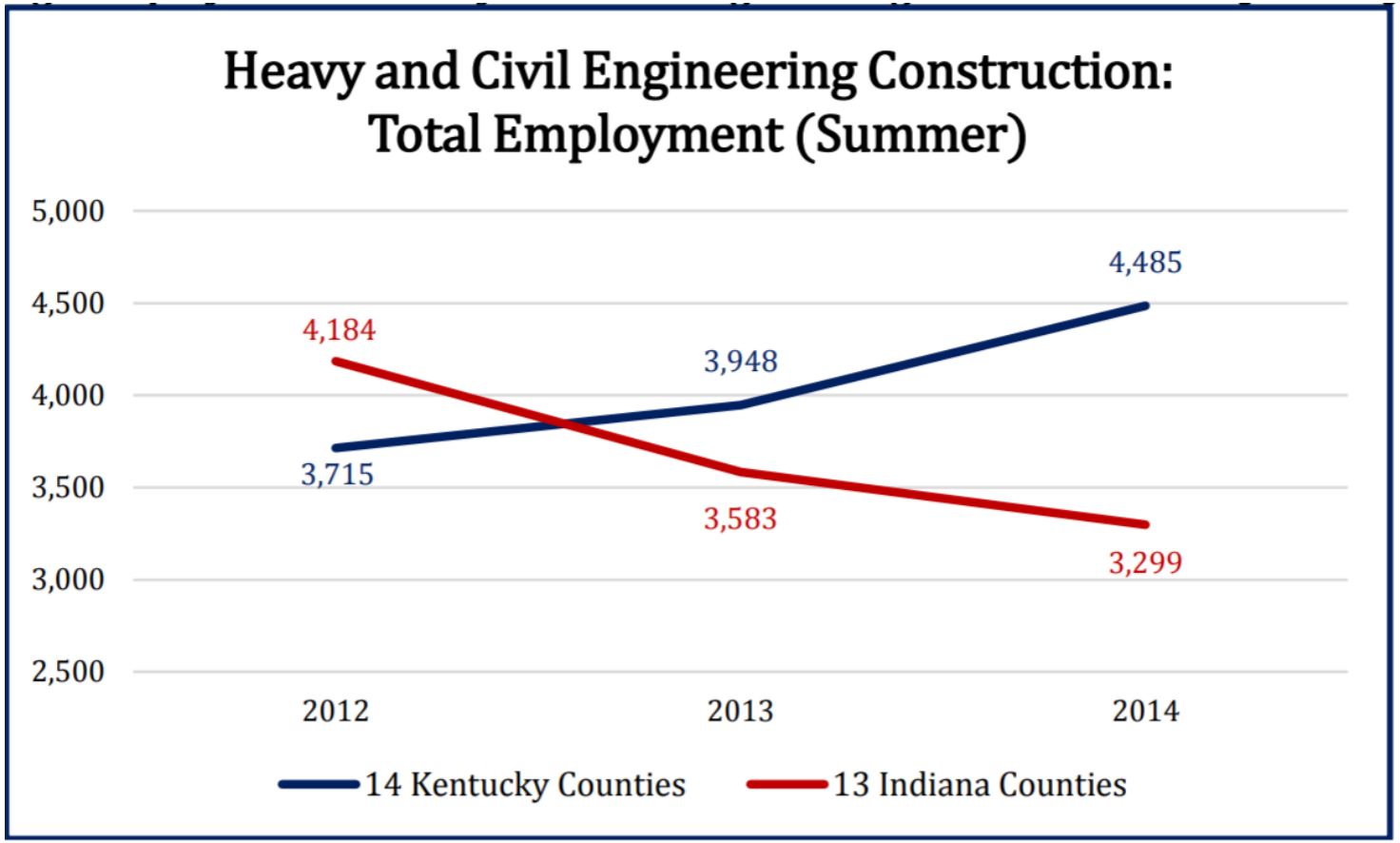
- Increases hiring of local contractors and local workers by **10%**
- Keeps more tax dollars, more income, and more spending in the local community– creating jobs in all sectors of the economy
- **INDIANA EXAMPLE:** Weakened prevailing wage (2012-2014) and then repealed prevailing wage (2015)

NO PREVAILING WAGE = OUT-OF-STATE INFLUX



Monthly earnings:

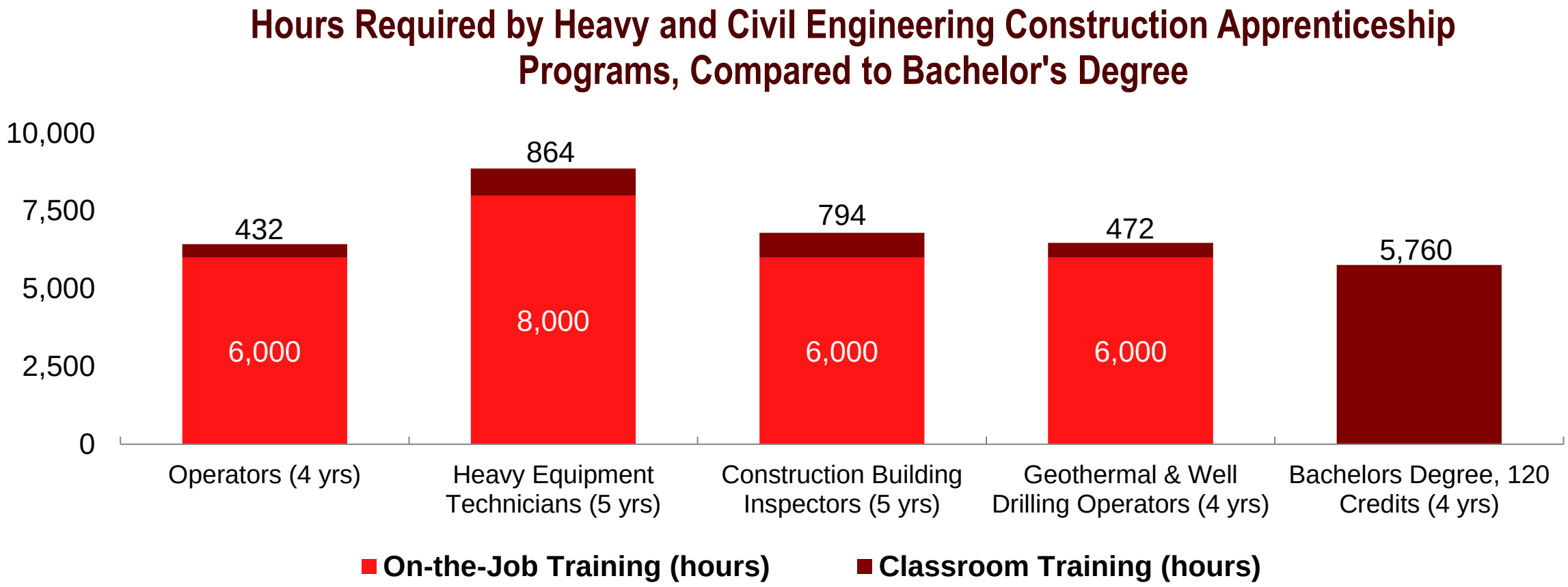
- 14 KY counties: **+$610**
- 13 IN counties: **-$439**



PREVAILING WAGE BOOSTS PRODUCTIVITY AND SAFETY

- Attracts, develops, and retains skilled workers
- Boosts enrollment in apprenticeship programs by **8%**
- “80% of Contractors Report Difficulty Finding Qualified Craft Workers”

CONSTRUCTION IS NOT LOW-SKILLED WORK

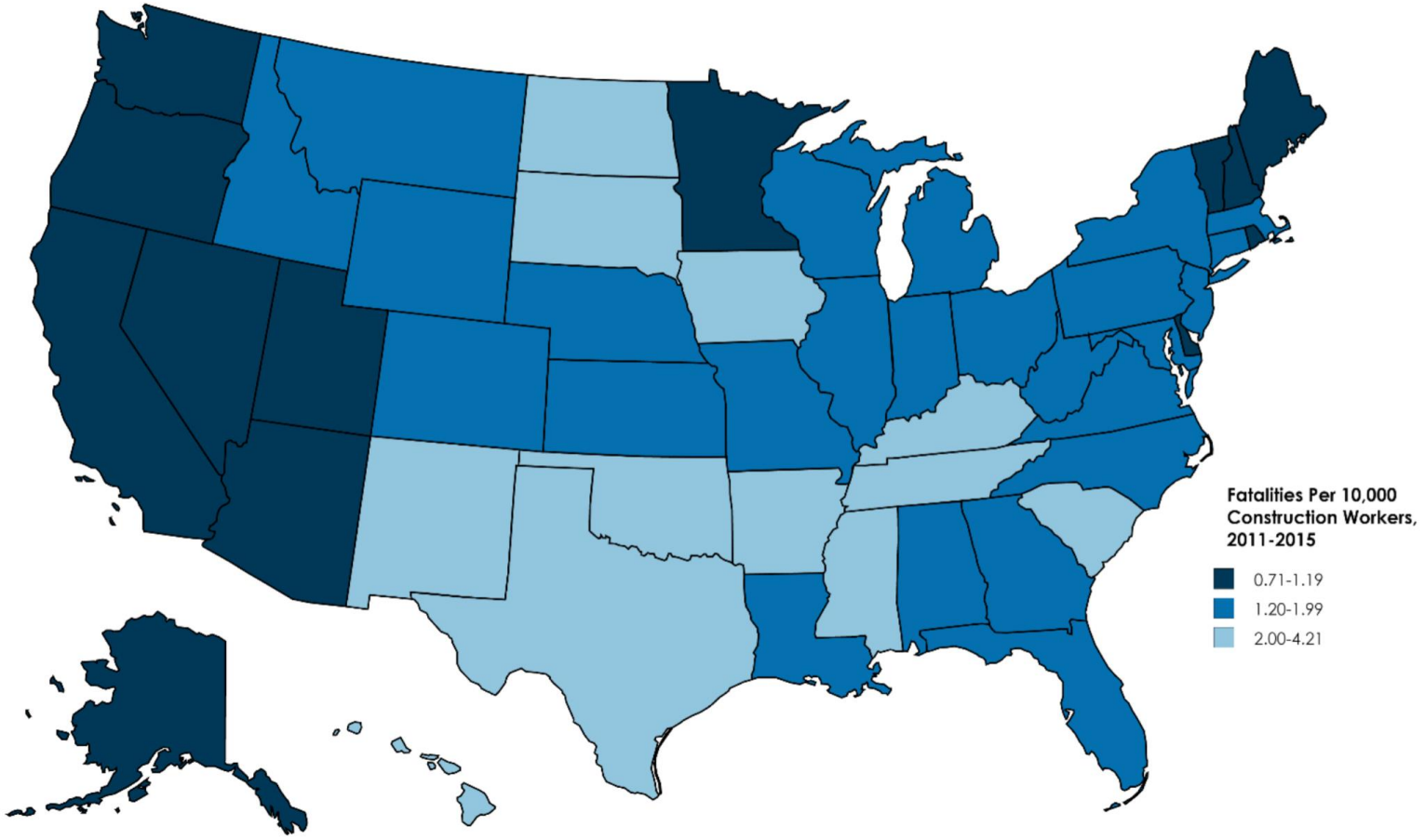


Active apprentices in the United States, 2011-2018: **+64%**

PREVAILING WAGE IMPROVES WORKSITE SAFETY

On-the-job fatalities per 10,000 construction workers

- No prevailing wage: **1.81**
- Prevailing wage: **1.59**
- Difference: **+14%**



PREVAILING WAGE PROMOTES LADDERS INTO THE MIDDLE CLASS

Impact of Prevailing Wage on Construction Worker Incomes Since 2000			
Study	**State**	**Year**	**Estimate**
1	Minnesota	2018	+5%
2	United States	2018	+15%
3	United States	2018	+3%
4	Indiana	2018	+8%
5	Ohio	2017	+16%
6	Kentucky	2016	+10%
7	United States (*veterans)	2016	+9%
8	United States	2016	+17%
9	New England states	2016	+16%
10	United States	2015	+14%
11	Indiana	2014	+8%
12	United States	2014	+2%
13	Kentucky	2014	+6%
14	10 U.S. states	2004	+3%
15	United States	2001	+3%
AVERAGE			***+9%***

PREVAILING WAGE EXPANDS HOME OWNERSHIP

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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ILLINOIS LABOR & EMPLOYMENT RELATIONS
PROJECT FOR MIDDLE CLASS RENEWAL

PREVAILING WAGE INCREASES TAX REVENUES AND REDUCES RELIANCE ON SOCIAL SAFETY NET PROGRAMS

2016 National Study

- Construction health insurance coverage: **+8%**
- Construction retirement plan coverage: **+4%**
- Construction workers living in poverty: **-3%**
- Construction workers on SNAP food stamps: **-3%**

PREVAILING WAGE IS THE BEST VALUE FOR TAXPAYERS

- Use of skilled workers controls construction costs and ensures that projects are completed on time and safely
- **76% of academic studies** conducted since 2000: Prevailing wage has no impact on public construction costs
- **93% of peer-reviewed studies:** No effect on public school project costs

WHY PREVAILING WAGE HAS NO EFFECT ON COSTS

- ***Economic Census:*** Labor costs account for just **23%** of total construction costs
- Higher construction wages = contractors hire more skilled workers

"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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REPEAL HAD NEGATIVE IMPACTS ON INDIANA

Blue-collar construction workers' wages **decreased by 8.5%** after repeal of Indiana's prevailing wage law.

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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Following repeal of Indiana's prevailing wage law, construction worker productivity growth was

5.3% slower

than in Illinois, Ohio, & Michigan.

Source: "The Effect 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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REPEAL HAD NEGATIVE IMPACTS ON WEST VIRGINIA

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 KMichael Kelsay, PhD.

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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.

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AMERICANS SUPPORT PREVAILING WAGE LAWS

- Skilled construction workers who operate dangerous machinery, build roads and bridges, and ensure that schools are built safely should be paid a competitive wage
- **68%** of all voters support prevailing wage laws, including **55%** of Republicans
- The U.S. Congress– with **58 Republicans** in the House– voted in support of the federal Davis-Bacon Act in 2017

PREVAILING WAGE IS NOT A RIGHT-LEFT ISSUE…
IT IS A RIGHT-WRONG ISSUE

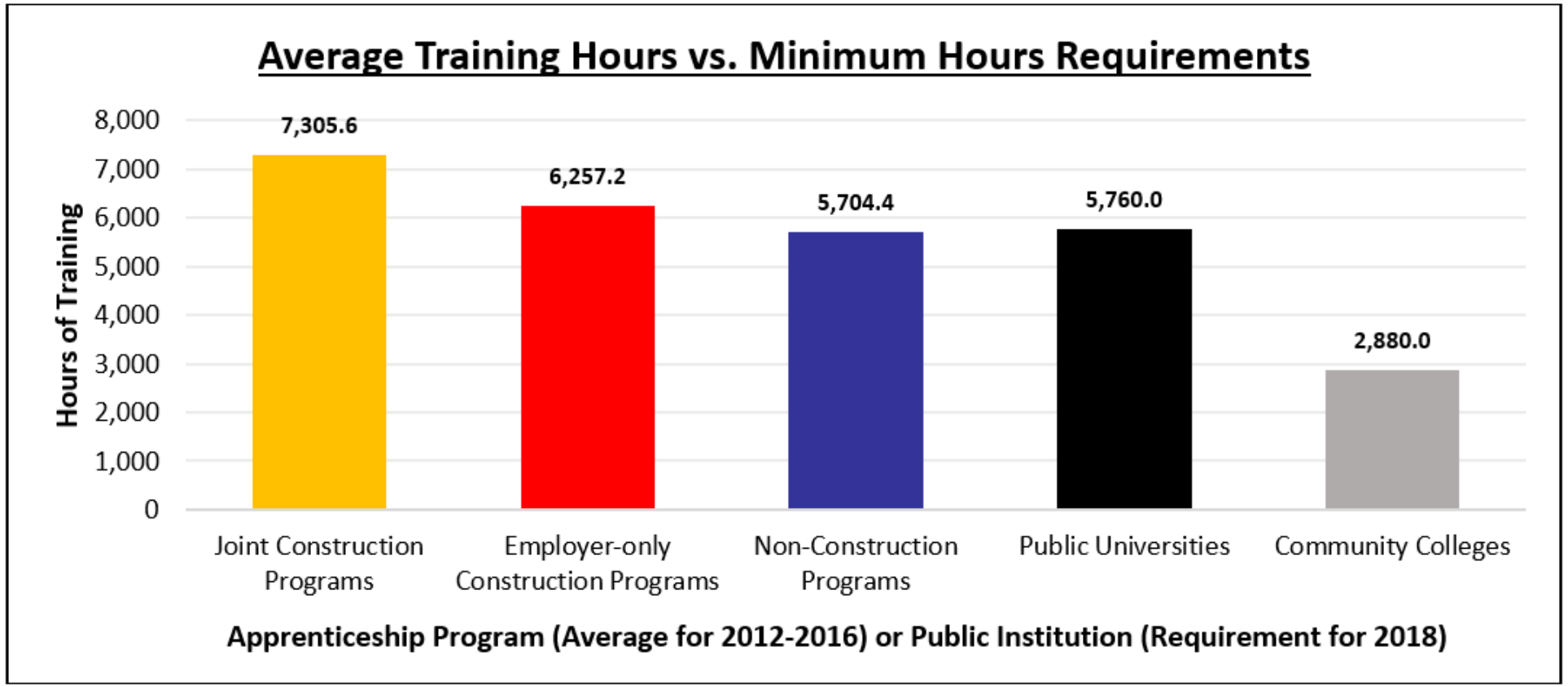
1. Levels the playing field and strengthens the economy
2. Attracts and retains skilled workers and improves safety
3. Promotes ladders into the middle class for all workers
4. Provides great value for taxpayers
5. Builds quality infrastructure and strong communities

APPRENTICESHIPS PRODUCE SKILLED, SAFE WORKERS

- "Earn while they learn" without tuition costs and fees– **$15,562** per year at Illinois' public universities
- *Through registered apprenticeships, "construction operates the* ***largest privately-financed system of higher education*** *in the country."* –University of Utah Economist Peter Philips, PhD
- **Messaging**: Apprenticeships are the bachelor's degrees of the construction industry, and are a great alternative to college

APPRENTICESHIPS REQUIRE MORE TRAINING HOURS

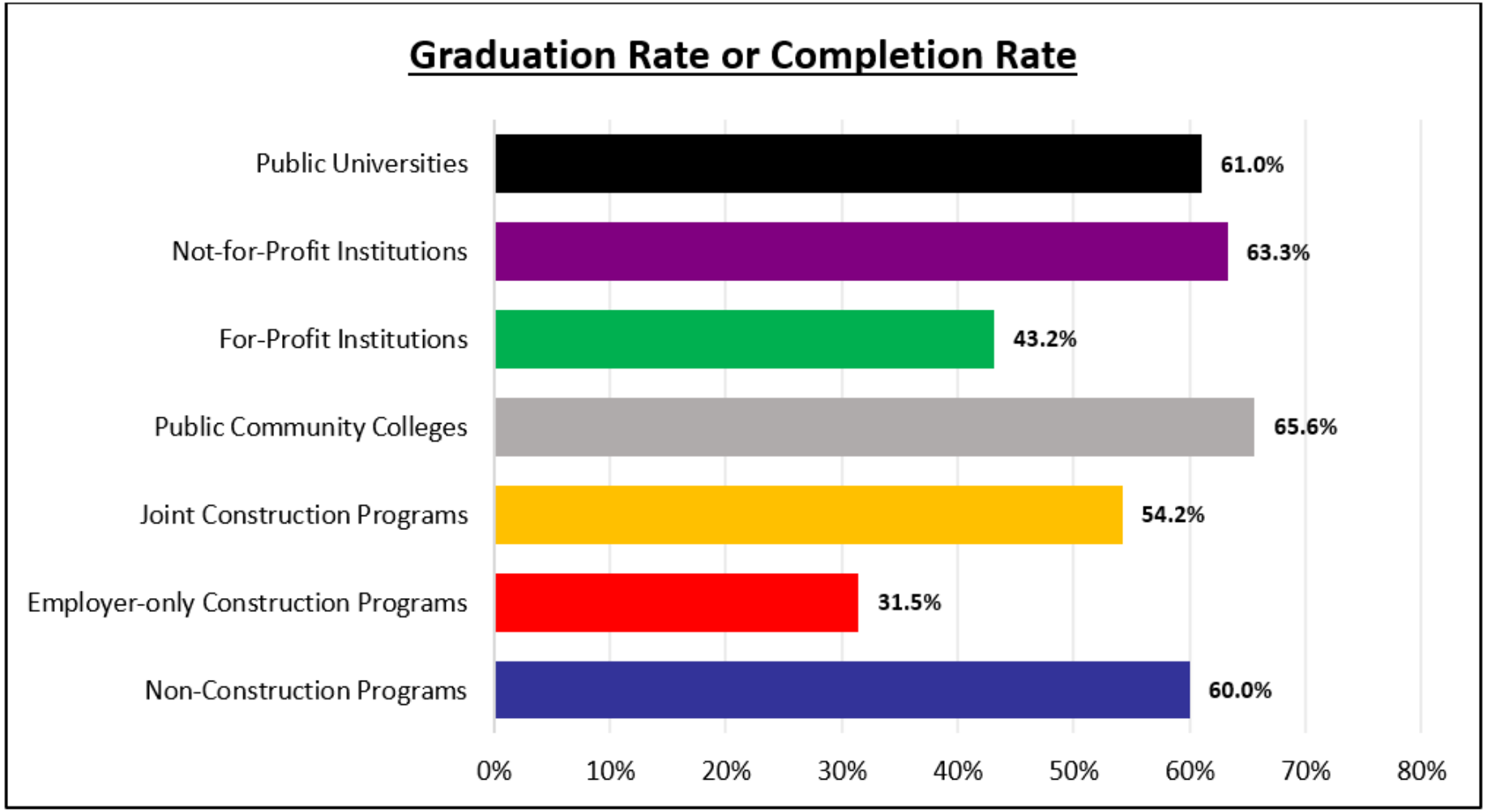
HOURS OF APPRENTICESHIP TRAINING VS. MINIMUM REQUIREMENTS TO GRADUATE FROM PUBLIC INSTITUTIONS



Source(s): RAPIDS data for apprenticeships in Illinois between 2000 and 2016 by the Office of Apprenticeship at the U.S. Department of Labor; "Minimum Requirements for a Degree" at the University of Illinois at Urbana-Champaign (UIUC, 2018) and community colleges (College Illinois, 2015).

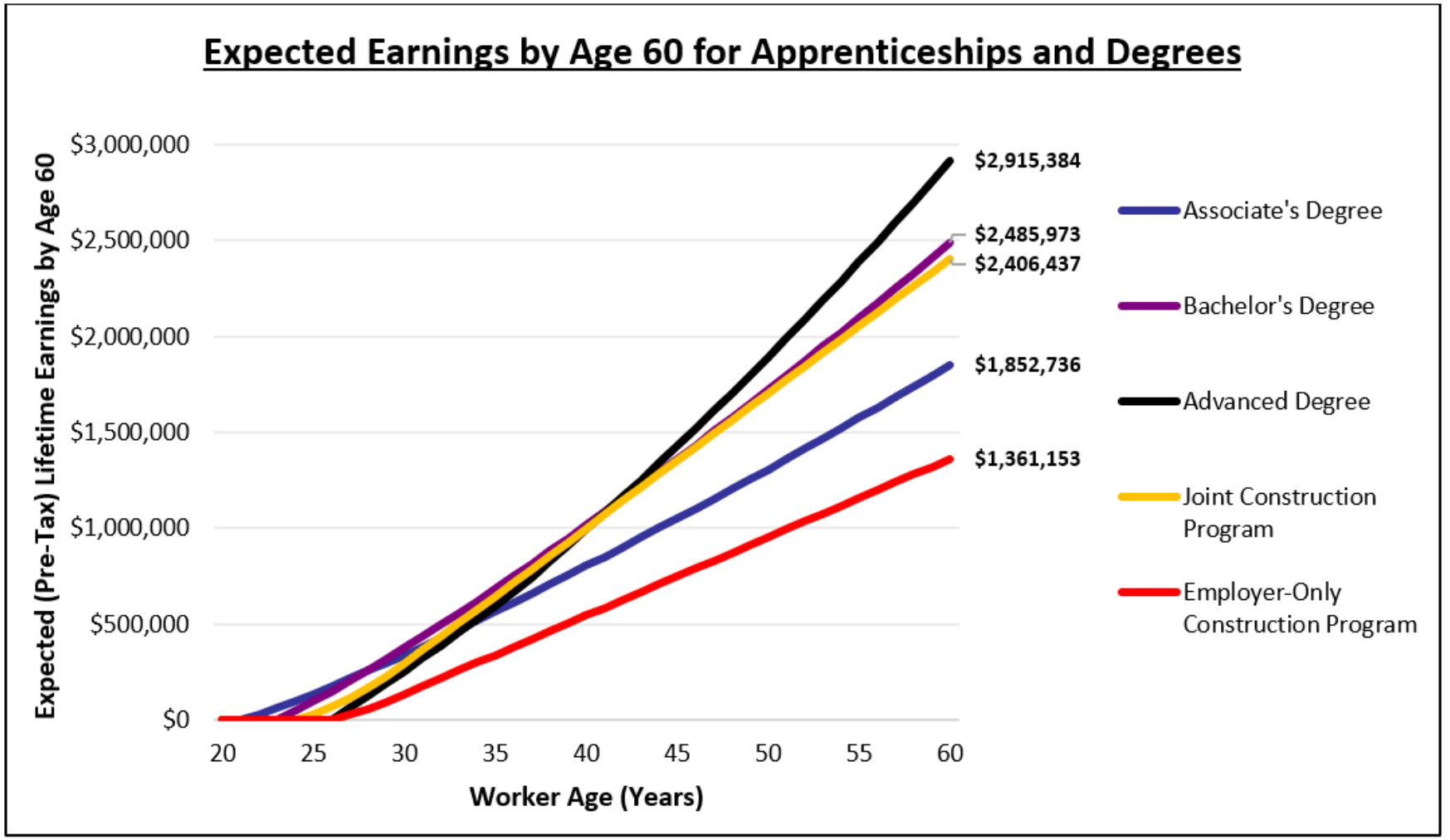
COMPLETION RATES RIVAL COLLEGES

GRADUATION RATES OF UNIVERSITIES, COLLEGES, AND APPRENTICESHIP PROGRAMS, 2000-2011 ENROLLED COHORTS



APPRENTICESHIPS OFFER COMPETITIVE EARNINGS

EXPECTED PRE-TAX LIFETIME EARNINGS BY APPRENTICESHIP PROGRAM OR EDUCATIONAL ATTAINMENT IN ILLINOIS



JOINT LABOR-MANAGEMENT PROGRAMS OUTPERFORM EMPLOYER-ONLY PROGRAMS

Joint Labor-Management Apprenticeship Programs Are the Gold Standard

ILEPI ILLINOIS ECONOMIC POLICY INSTITUTE	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

JOINT LABOR-MANAGEMENT PROGRAMS ARE THE GOLD STANDARD

1. Present opportunities to “earn while they learn”
2. Are the largest privately-financed system of higher education
3. Award the bachelor’s degrees of the construction industry
4. Require more hours of training than four-year universities
5. Deliver competitive earnings that rival public universities

THANK YOU!

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