A Strong Illinois is Built with Prevailing Wage

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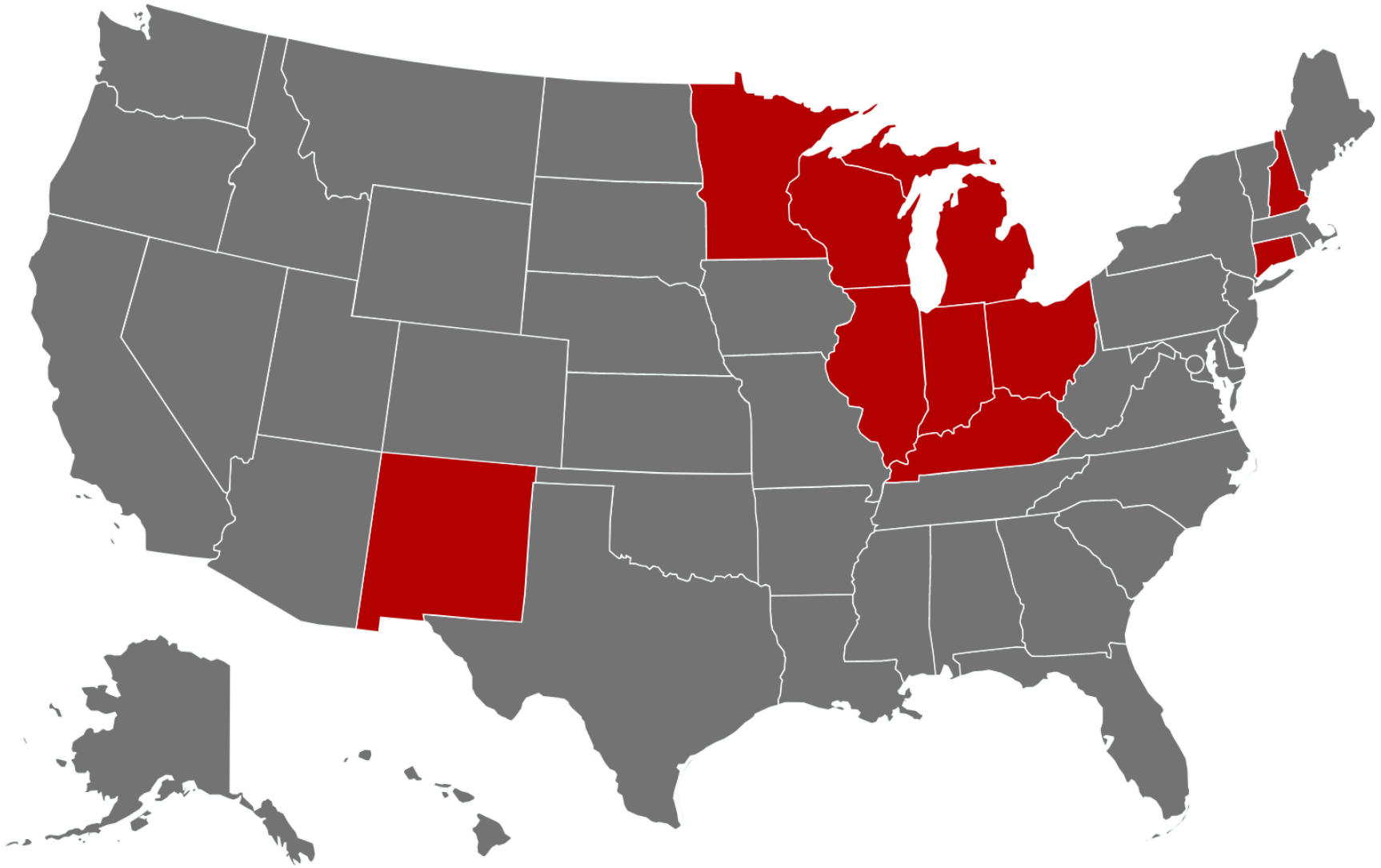
ILEPI

ILEPI PREVAILING WAGE RESEARCH SINCE 2013



PREVAILING WAGE

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 in Illinois

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 and craftsmanship

PREVAILING WAGE TAKES LABOR COSTS OUT OF THE EQUATION

Project Bid =

~~Labor Costs~~ + Quality +

Productivity + Materials +

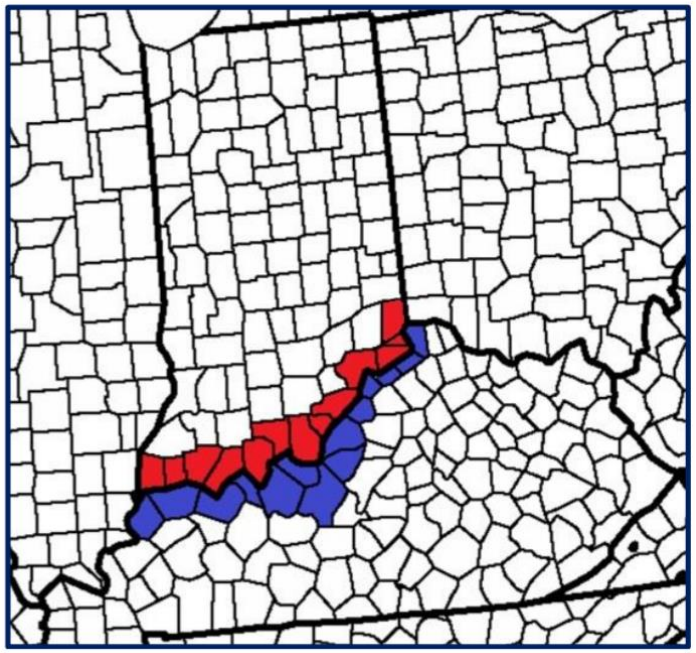
Technology + Management +

Materials + Profit

PREVAILING WAGE LEVELS THE PLAYING FIELD

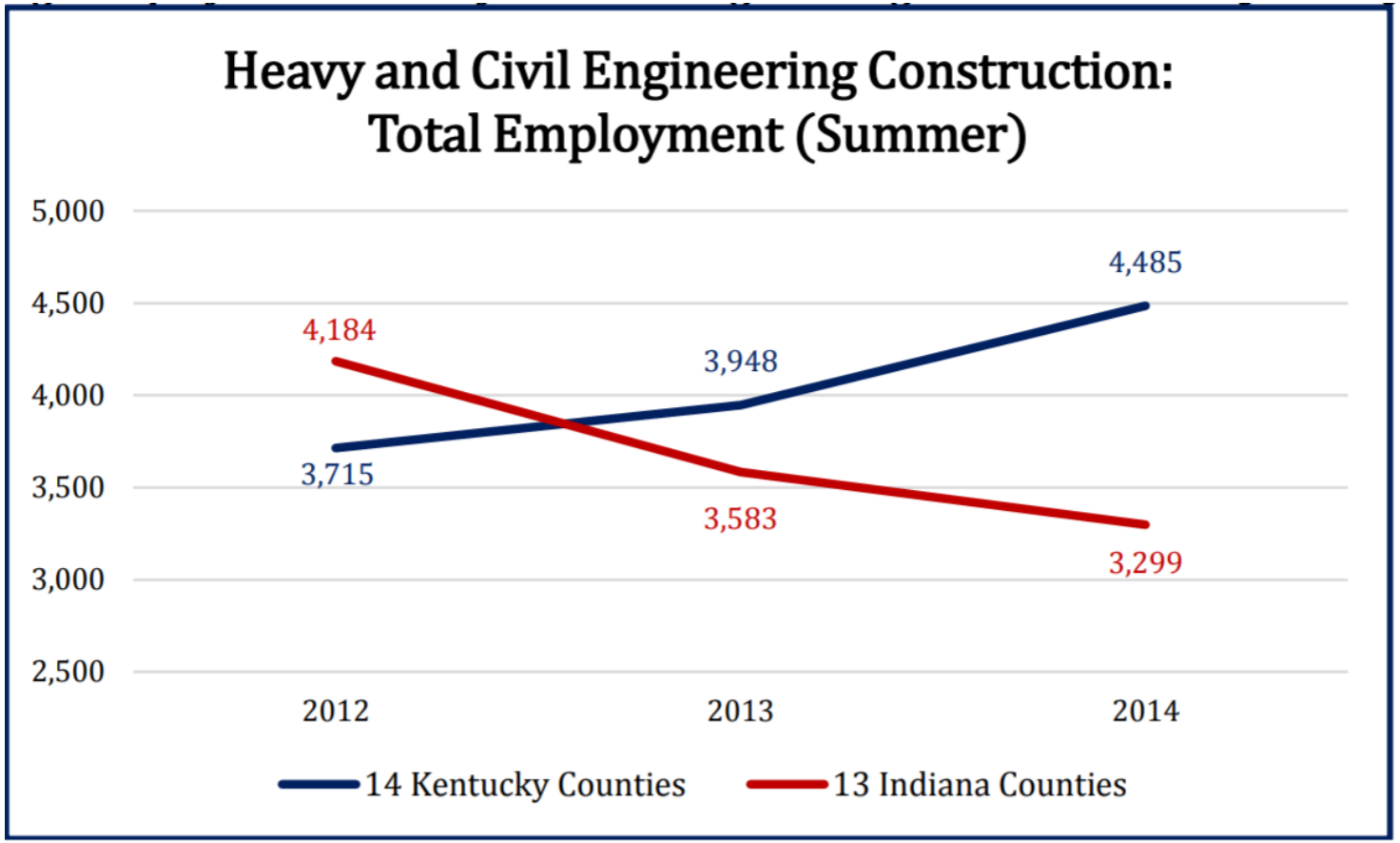
- Increases hiring of local contractors and local workers by **10%**
- Keeps more tax dollars, more income, and more spending in the local community– creating jobs in all sectors of the economy
- **INDIANA EXAMPLE:** Weakened prevailing wage (2012-2014) and then repealed prevailing wage (2015)

NO PREVAILING WAGE = OUT-OF-STATE INFLUX



Monthly earnings:

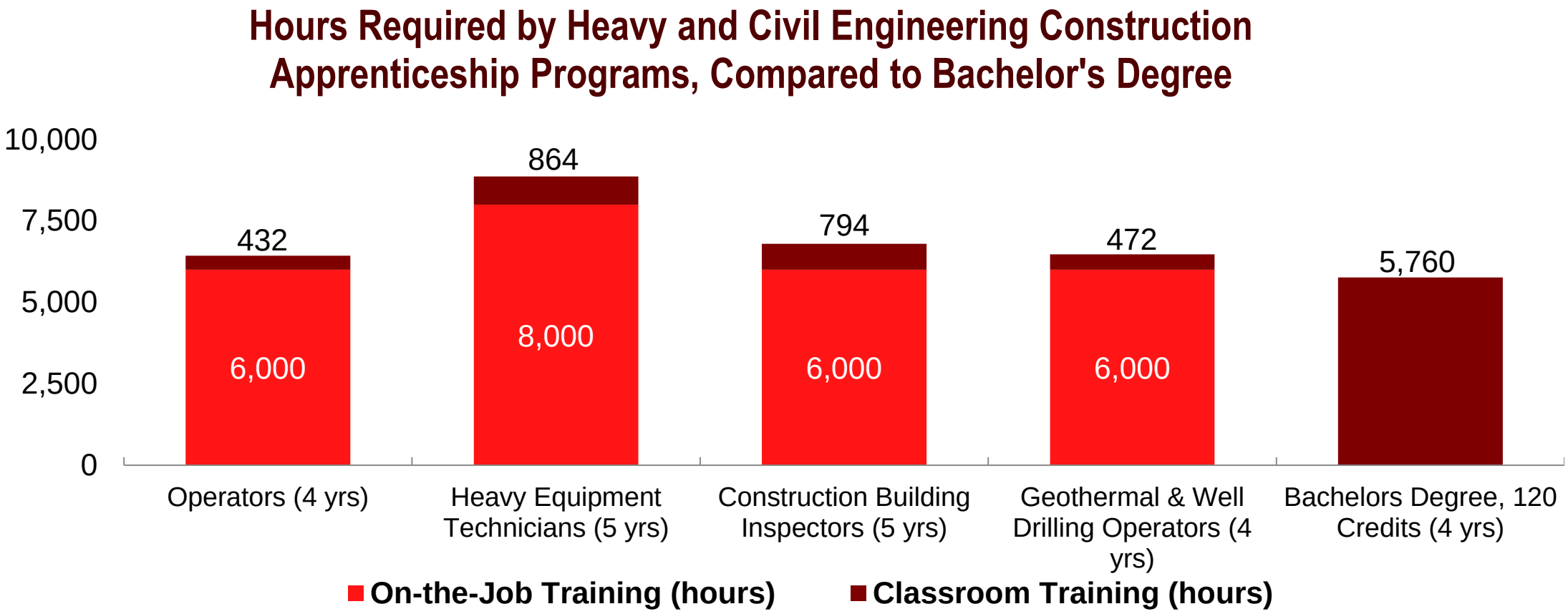
- 14 KY counties: **+$610**
- 13 IN counties: **-$439**



PREVAILING WAGE BOOSTS PRODUCTIVITY AND SAFETY

- Attracts, develops, and retains skilled workers
- Boosts enrollment in apprenticeship programs by **8%**
- **August 2018:** “80% of Contractors Report Difficulty Finding Qualified Craft Workers”

CONSTRUCTION IS NOT LOW-SKILLED WORK

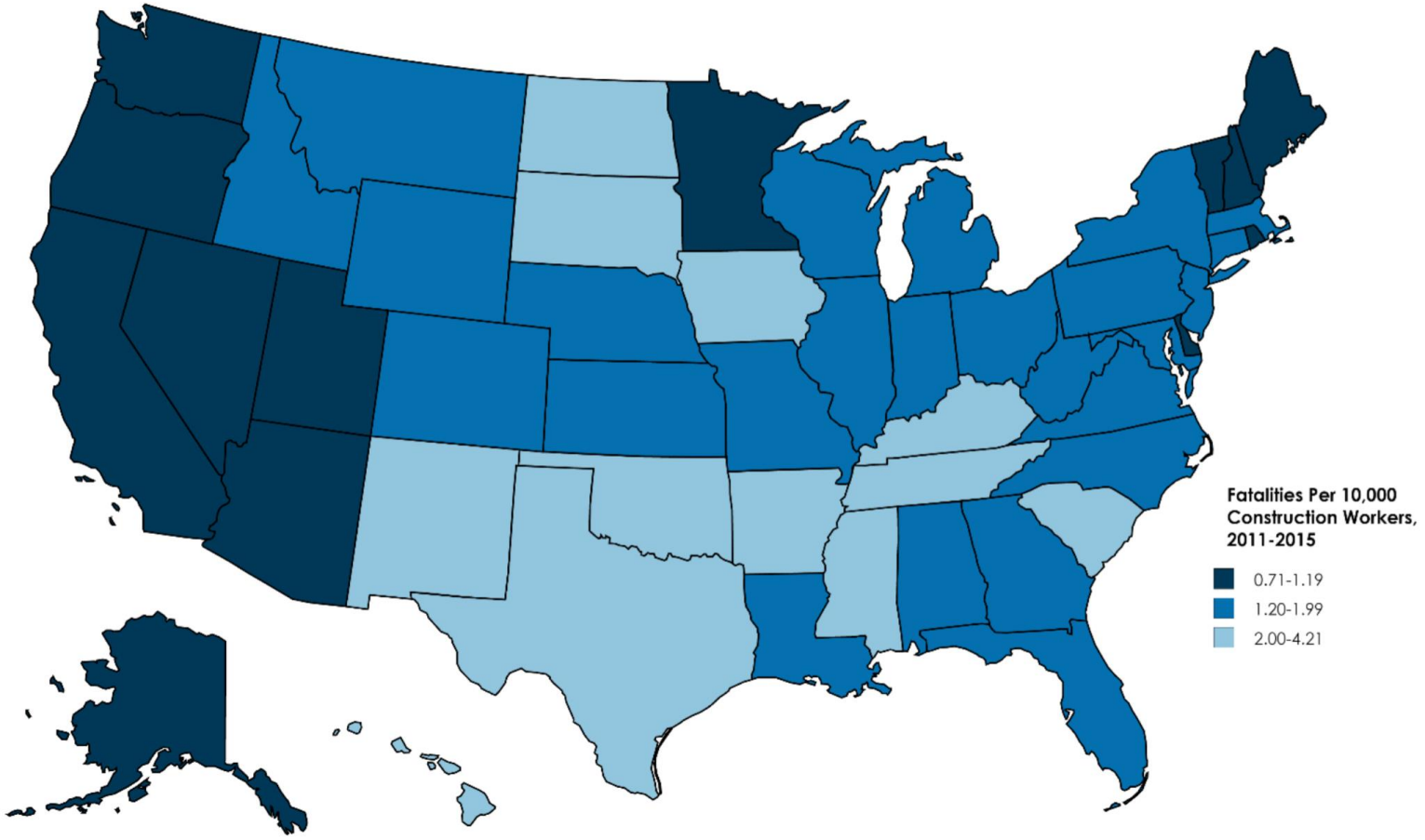


Active apprentices in Illinois, 2011-2018: **+34%**

PREVAILING WAGE IMPROVES WORKSITE SAFETY

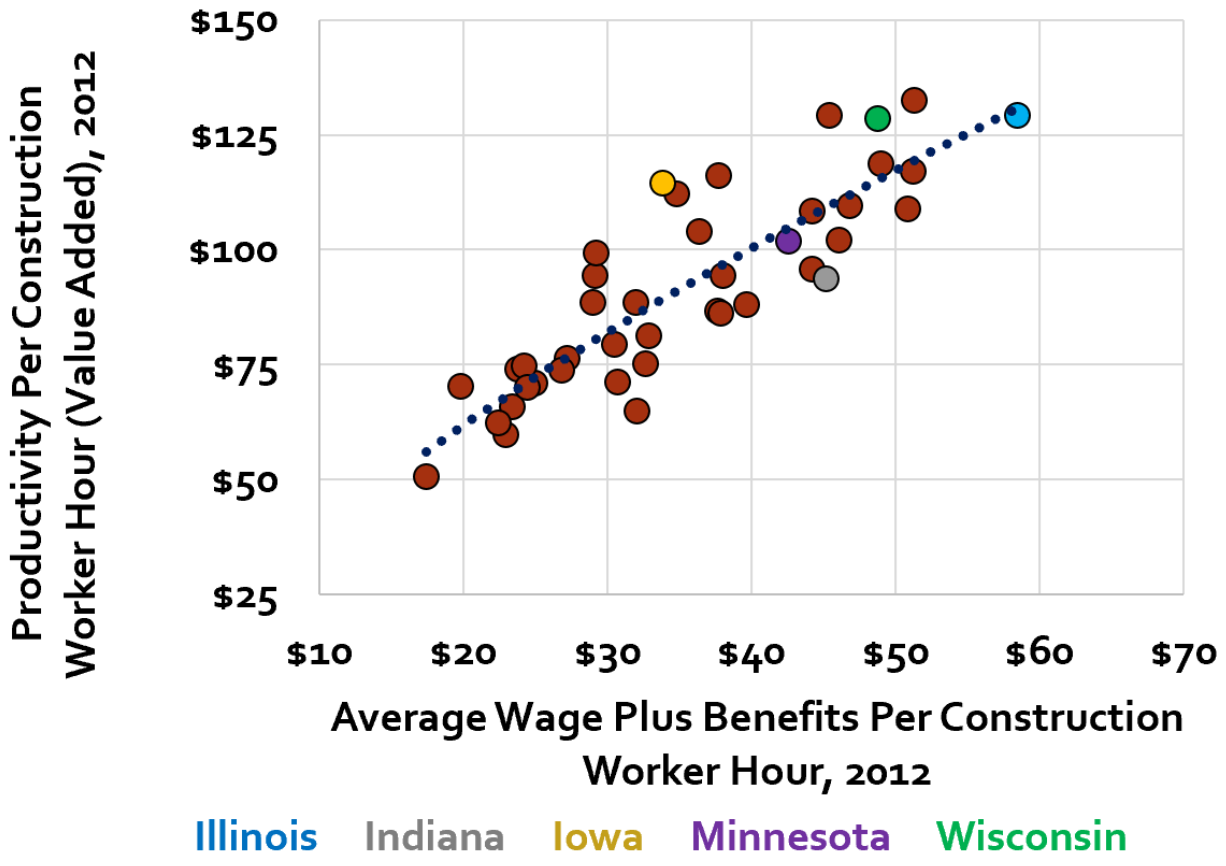
On-the-job fatalities per 10,000 construction workers

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



PREVAILING WAGE PROMOTES LADDERS INTO THE MIDDLE CLASS

Compensation vs. Productivity



PREVAILING WAGE BOOSTS WORKER EARNINGS

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 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%**

- Without prevailing wage… **319,000** construction workers would ***lose*** their health insurance and **102,000** would ***rely*** on food stamps.

PREVAILING WAGE IS THE BEST VALUE FOR TAXPAYERS

- Use of skilled workers controls construction costs and ensures that projects are completed on time and on budget
- **75% of academic studies** conducted since 2000: Prevailing wage has no impact on public construction costs
- **85% of 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
- Higher construction wages = lower materials and fuels costs

"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

- Summer 2019 study with **University of Missouri–Kansas City**
- Inflation-adjusted hourly wage (laborers): **-1%**
- Inflation-adjusted hourly wage (operating engineers): **-8%**
- Active apprentices, 2016-2018: **-28%**
- 107 bids on school construction projects: **No impact on cost**

IMPACT OF THE ILLINOIS PREVAILING WAGE ACT

- 2013 study with **University of Illinois at Urbana-Champaign**
- Illinois employment: **+3,300 jobs**
- Economic output (GDP): **+$1.1 billion annually**
- State & local tax revenues: **+$44 million annually**

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 (including every Republican member from Illinois)– voted in support of prevailing wage in 2017

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

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THANK YOU!

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