

Failing Grade

CRITIQUING A DECEMBER 2017 REPORT ON PREVAILING WAGE BY THE ILLINOIS POLICY INSTITUTE

BY FRANK MANZO IV | POLICY DIRECTOR OF THE ILLINOIS ECONOMIC POLICY INSTITUTE (ILEPI) | DECEMBER 7, 2017

The Illinois Policy Institute is a libertarian policy organization with close financial and lobbying ties to Illinois Governor Bruce Rauner. None of their research has ever been subject to peer review. On December 6, 2017, the Illinois Policy Institute released a report calling for the repeal of the Illinois Prevailing Wage Act— a longstanding goal of Governor Rauner. This brief highlights the [biggest problems and factual inaccuracies](#) in their report.

***Inaccurate Claim #1:** “The empirical literature is still divided on the impact of prevailing wage on construction costs.”*

Fact: Most peer-reviewed studies (over 75 percent) have concluded that prevailing wage laws have no impact on total public construction costs.

“We got rid of prevailing wage and so far it hasn’t saved a penny.” —Rep. Ed Soliday, Assistant Republican Floor Leader, Indiana House of Representatives, 2017

***Inaccurate Claim #2:** Prevailing wage laws “favor disproportionately white, unionized workers.”*

Fact: By stabilizing the wage floor, prevailing wage reduces income inequality among construction workers of all backgrounds. Prevailing wage standards cover construction workers of all races— union and non-union alike. Peer-reviewed research has found no relationship between prevailing wage laws and the racial composition of the construction labor force. Over the past 10 years, the union membership rate was higher for African-American workers in Illinois’ construction and extraction occupations than for comparable white workers.

“Davis-Bacon has been instrumental in bridging the wage gap for historically disadvantaged sectors of our society. In the face of decaying social and economic opportunities, this measure provides women and minorities with an important tool to achieving greater parity with their mainstream counterparts.”
—Congressional Black Caucus, 1995.

***Inaccurate Claim #3:** Illinois construction employment is down 29 percent because of prevailing wage laws.*

Fact: Illinois has fared better than states that do not have prevailing wage laws. Only about a quarter of Illinois’ total construction output— public works— is subject to prevailing wages. Employment growth in this sector is down just 4 percent since 2007, while average public works construction employment is down more than 11 percent in states that do not have prevailing wage laws. The lack of a statewide infrastructure bill has contributed to public works construction employment that is below pre-recession levels in Illinois.

***Inaccurate Claim #4:** Illinois’ prevailing wage rates are 37 percent higher than market rates. Absent repeal, Illinois should calculate rates based on the Bureau of Labor Statistics’ (BLS) Occupational Employment Statistics data.*

Fact: BLS data is an inaccurate indicator of local market rates because it does not distinguish between journey-workers and apprentices, excludes fringe benefits, over-represents lower skilled residential construction work that is a low-skill sector of construction, and does not survey actual construction sites. The use of BLS data for calculating prevailing wage rates is just a way to push a pay cut on middle-class construction workers, which is why 51 Republicans in the U.S. House of Representatives joined Democrats earlier this year to defeat an Amendment that would have applied this flawed methodology to federal prevailing wage (Davis-Bacon) determinations.

“BLS has no role in establishing prevailing wages or determining what data are appropriate for that purpose.” —Erica Goshen, former BLS Commissioner, 2013.

The full critique, *Failing Grade: Critiquing a December 2017 Report on Prevailing Wage by the Illinois Policy Institute*, is available [at this link](#). Please also visit illinoisepi.org/prevailing-wage-studies for more information.