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- **INDIANA EXAMPLE:** Weakened prevailing wage (2012-2014) and then repealed prevailing wage (2015)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

<table>
<thead>
<tr>
<th>Role</th>
<th>On-the-Job Training (hours)</th>
<th>Classroom Training (hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operators (4 yrs)</td>
<td>6,000</td>
<td>432</td>
</tr>
<tr>
<td>Heavy Equipment Technicians (5 yrs)</td>
<td>8,000</td>
<td>864</td>
</tr>
<tr>
<td>Construction Building Inspectors (5 yrs)</td>
<td>6,000</td>
<td>794</td>
</tr>
<tr>
<td>Geothermal &amp; Well Drilling Operators (4 yrs)</td>
<td>6,000</td>
<td>472</td>
</tr>
<tr>
<td>Bachelors Degree, 120 Credits (4 yrs)</td>
<td>5,760</td>
<td></td>
</tr>
</tbody>
</table>

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

Average Wage Plus Benefits Per Construction Worker Hour, 2012

Illinois  Indiana  Iowa  Minnesota  Wisconsin
### Impact of Prevailing Wage on Construction Worker Incomes Since 2000

<table>
<thead>
<tr>
<th>Study</th>
<th>State</th>
<th>Year</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Minnesota</td>
<td>2018</td>
<td>+5%</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>2018</td>
<td>+15%</td>
</tr>
<tr>
<td>3</td>
<td>United States</td>
<td>2018</td>
<td>+3%</td>
</tr>
<tr>
<td>4</td>
<td>Indiana</td>
<td>2018</td>
<td>+8%</td>
</tr>
<tr>
<td>5</td>
<td>Ohio</td>
<td>2017</td>
<td>+16%</td>
</tr>
<tr>
<td>6</td>
<td>Kentucky</td>
<td>2016</td>
<td>+10%</td>
</tr>
<tr>
<td>7</td>
<td>United States (*veterans)</td>
<td>2016</td>
<td>+9%</td>
</tr>
<tr>
<td>8</td>
<td>United States</td>
<td>2016</td>
<td>+17%</td>
</tr>
<tr>
<td>9</td>
<td>New England states</td>
<td>2016</td>
<td>+16%</td>
</tr>
<tr>
<td>10</td>
<td>United States</td>
<td>2015</td>
<td>+14%</td>
</tr>
<tr>
<td>11</td>
<td>Indiana</td>
<td>2014</td>
<td>+8%</td>
</tr>
<tr>
<td>12</td>
<td>United States</td>
<td>2014</td>
<td>+2%</td>
</tr>
<tr>
<td>13</td>
<td>Kentucky</td>
<td>2014</td>
<td>+6%</td>
</tr>
<tr>
<td>14</td>
<td>10 U.S. states</td>
<td>2004</td>
<td>+3%</td>
</tr>
<tr>
<td>15</td>
<td>United States</td>
<td>2001</td>
<td>+3%</td>
</tr>
</tbody>
</table>

**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.

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

Following repeal of Indiana's prevailing wage law, construction worker productivity growth was 5.3% slower than in Illinois, Ohio, & Michigan.

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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