RECOVERY ROADMAP: REBUILDING AMERICA WITH SKILLED WORKERS AND PREVAILING WAGE STANDARDS

May 20, 2020

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MEPI PREVAILING WAGE RESEARCH SINCE 2013
FREQUENT AND RECENT MEPI CO-AUTHORS

Kevin Duncan, PhD
Colorado State University-Pueblo
Distinguished Professor of Economics

Robert Bruno, PhD
University of Illinois at Urbana-Champaign
Director, Project for Middle Class Renewal

Lameck Onsarigo, PhD
Kent State University
Professor of Construction Management

Lina Stepick, PhD
University of Oregon
Associate Research Faculty

Peter Philips, PhD
University of Utah
Professor of Economics

Michael Kelsay, PhD
University of Missouri-Kansas City
Professor of Economics
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

<table>
<thead>
<tr>
<th>$1 Billion Investment, Selected Infrastructure in the United States</th>
<th>Total Jobs</th>
<th>Direct Jobs</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance of Roads and Bridges</td>
<td>21,100</td>
<td>9,700</td>
<td>$1.66</td>
</tr>
<tr>
<td>Construction of Roads and Bridges</td>
<td>12,000</td>
<td>4,700</td>
<td>$1.36</td>
</tr>
<tr>
<td>Public Transit Systems</td>
<td>31,200</td>
<td>23,100</td>
<td>$1.51</td>
</tr>
<tr>
<td>Airports and Air Transportation</td>
<td>8,100</td>
<td>2,400</td>
<td>$1.27</td>
</tr>
<tr>
<td><strong>Clean Energy and “Green” Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric Power Generation: Nuclear</td>
<td>6,700</td>
<td>1,000</td>
<td>$1.29</td>
</tr>
<tr>
<td>Electric Power Generation: Solar</td>
<td>9,100</td>
<td>3,200</td>
<td>$1.34</td>
</tr>
<tr>
<td>Electric Power Generation: Wind</td>
<td>5,600</td>
<td>800</td>
<td>$1.20</td>
</tr>
<tr>
<td>Water and Sewer Infrastructure</td>
<td>11,200</td>
<td>3,700</td>
<td>$1.38</td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Construction</td>
<td>14,900</td>
<td>7,100</td>
<td>$1.46</td>
</tr>
<tr>
<td>Construction of Hospitals</td>
<td>14,000</td>
<td>6,300</td>
<td>$1.42</td>
</tr>
</tbody>
</table>

*Source: Iplan (2020). Job estimates rounded to the nearest hundred.*
BUT... WHAT ABOUT WORKER SAFETY?

The Boston Globe
Workers, advocates express safety concerns about reopening plan

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

The New York Times
Protecting Workers From Coronavirus: OSHA Leaves It to Employers
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

Hours Required by Heavy and Civil Engineering Construction Apprenticeship Programs, Compared to Bachelor's Degree

- **Operators (4 yrs)**: 432 hours on-the-job training, 6,000 classroom training
- **Heavy Equipment Technicians (5 yrs)**: 864 hours on-the-job training, 8,000 classroom training
- **Construction Building Inspectors (5 yrs)**: 794 hours on-the-job training, 6,000 classroom training
- **Geothermal & Well Drilling Operators (4 yrs)**: 472 hours on-the-job training, 6,000 classroom training
- **Bachelors Degree, 120 Credits (4 yrs)**: 5,760 hours on-the-job training, 6,000 classroom training

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

<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 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
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.

REPEAL HAD NEGATIVE IMPACTS ON 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

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.


Repealing prevailing wage has reduced apprenticeship training in West Virginia.

The number of registered apprentices has fallen by 28%.

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

Average Training Hours vs. Minimum Hours Requirements

<table>
<thead>
<tr>
<th>Hours of Training</th>
<th>Joint Construction Programs</th>
<th>Employer-only Construction Programs</th>
<th>Non-Construction Programs</th>
<th>Public Universities</th>
<th>Community Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,305.6</td>
<td>6,257.2</td>
<td>5,704.4</td>
<td>5,760.0</td>
<td>2,880.0</td>
</tr>
</tbody>
</table>

Apprenticeship Program (Average for 2012-2016) or Public Institution (Requirement for 2018)

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

Graduation Rate or Completion Rate

- Public Universities: 61.0%
- Not-for-Profit Institutions: 63.3%
- For-Profit Institutions: 43.2%
- Public Community Colleges: 65.6%
- Joint Construction Programs: 54.2%
- Employer-only Construction Programs: 31.5%
- Non-Construction Programs: 60.0%
APPRENTICESHIPS OFFER COMPETITIVE EARNINGS

Expected Pre-Tax Lifetime Earnings by Apprenticeship Program or Education Attainment in Illinois

Expected Earnings by Age 60 for Apprenticeships and Degrees

- Associate's Degree
- Bachelor's Degree
- Advanced Degree
- Joint Construction Program
- Employer-Only Construction Program
JOINT LABOR-MANAGEMENT PROGRAMS OUTPERFORM EMPLOYER-ONLY PROGRAMS

**Joint Labor-Management Apprenticeship Programs Are the Gold Standard**

<table>
<thead>
<tr>
<th></th>
<th>Joint Construction Programs</th>
<th>Employer-Only Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Apprentices (2000-2016)</td>
<td>74,500</td>
<td>1,900</td>
</tr>
<tr>
<td>Training Requirements</td>
<td>7,300 hours</td>
<td>6,300 hours</td>
</tr>
<tr>
<td>Completion Rate</td>
<td>54%</td>
<td>31%</td>
</tr>
<tr>
<td>African American Completion</td>
<td>52%</td>
<td>18%</td>
</tr>
<tr>
<td>Military Veteran Completion</td>
<td>60%</td>
<td>27%</td>
</tr>
<tr>
<td>Journeyworker Wage</td>
<td>$40 per hour</td>
<td>$23 per hour</td>
</tr>
</tbody>
</table>
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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