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REPEAL OF PREVAILING WAGE HAS NEGATIVE IMPACTS ON WISCONSIN'S CONSTRUCTION INDUSTRY AND ECONOMY

A new Midwest Economic Policy Institute (MEPI) report on Wisconsin's repeal of prevailing wages, which are minimum wages for different types of skilled construction workers on taxpayer-funded projects, found negative impacts on the construction industry and the state's economy. The report, *The Effects of Repealing Prevailing Wage in Wisconsin: Impacts on Ten Construction Market Outcomes*, shows that the repeal of state prevailing wage laws has failed to produce any of the cost savings that proponents promised, and has instead resulted in lower wages for workers, less overall bid competition, and more tax dollars being exported out-of-state.

Despite the academic consensus that prevailing wage laws lead to enhanced productivity, higher wages for construction workers, improved safety outcomes, and more work for in-state contractors while having little to no discernible impact on total construction costs, Wisconsin lawmakers completely repealed their prevailing wage laws in 2017. Data on the per-mile cost of state highway projects both before and after repeal reveals that the inflation-adjusted per-mile highway cost has actually increased by \$52,000 following repeal of prevailing wage, although this result is not statistically significant. Highway projects that did not receive any federal support were also more expensive per mile after repeal of prevailing wage.

Despite the lack of cost savings, the data shows that inflation-adjusted Wisconsin construction worker incomes declined by 6%– or more than \$2,600 per year– and their likelihood of being covered by an employer-provided health insurance plan shrank by 4% after repeal. At the same time, the research shows that the pay of private construction CEOs in Wisconsin grew by an average of 54% after repeal– or more than \$93,000 per year–

ILLINOIS ECONOMIC INDICATORS

Jobs added (rank), Sept-19 to Sept-20 = **-412,900 jobs (44)**

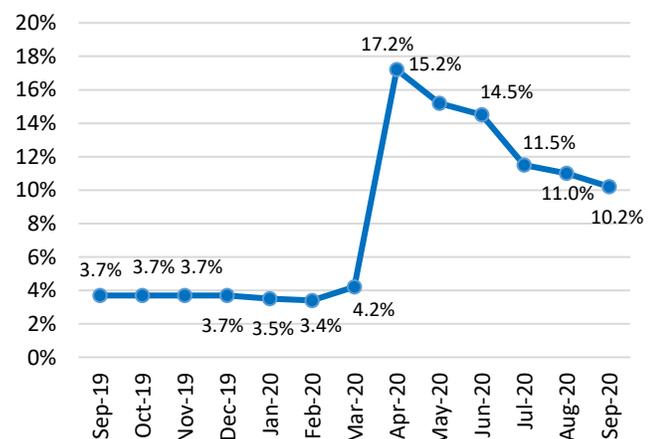
State unemployment rate (rank), Sept-20 = **10.2% (46)**

Average private sector wage (rank), Sept-20 = **\$29.78 (13)**

Private sector wage growth from Sept-19 to Sept-20 (rank) = **+1.9% (39)**

Illinois Flash Index (as of Sep-20) = **95.1**

Illinois Unemployment, Past 12 Months



REPEAL OF PREVAILING WAGE HAS NEGATIVE IMPACTS ON WISCONSIN'S CONSTRUCTION INDUSTRY AND ECONOMY (CONTINUED)

While the costly problem of worker turnover in the heavy and highway construction sector grew by 8%.

The lack of cost savings is magnified by the damage that repeal has done to the state's economy and construction industry. According to project data from the Wisconsin Department of Transportation, the number of highway construction projects being awarded to firms from out-of-state has exploded by 60% since repeal—representing tens of millions of dollars that would have otherwise been invested in workers and businesses inside the Badger State. Overall bid competition has also shrunk by 16%.

Because prevailing wage laws also promote long-term investments in workforce training, [the study](#) suggests that repeal has also created new burdens for Wisconsin's construction industry. Between 2016 and 2019, growth in the number of Wisconsinites completing registered apprenticeship programs has lagged neighboring states with strong prevailing wage laws by 25%. The diversity of the state's construction workforce also changed significantly, with the share people of color in the trades lagging neighboring states and the number of Wisconsin women working as construction workers dropping by 32%, relative to neighboring states.

The findings align with the preponderance of peer-reviewed academic studies, which conclude that prevailing wage laws have no effect on total construction costs. Ultimately, the repeal of prevailing wage has not saved taxpayers any money and, in fact, has had negative effects on construction market outcomes in Wisconsin.

INSIGHTS FROM ILEPI

- There was a \$184 million loss of Motor Fuel Tax (MFT) revenue from March to July 2020 as Illinois residents took steps to mitigate the spread of COVID-19 and limit unnecessary travel. This equates to about a 7% loss in MFT revenues, impacting state and local government budgets across Illinois [[READ HERE](#)].
- Responsible Bidder Ordinances (RBOs) are policy tools that establish objective criteria and verifiable standards for contractors bidding on public works projects. An analysis of 1,237 public projects finds that responsible bidder ordinances encourage 8% more bid competition on taxpayer-funded projects and have no impact on total construction costs. RBOs also have no statistical impact on total project costs, including among both union contractors and nonunion contractors [[READ HERE](#)].
- Labor unions boost wages by 11% in Illinois, reducing inequality in Illinois. Workers deemed essential during the COVID-19 pandemic—including teachers, construction workers, truck and delivery drivers, firefighters, and nurses—are all significantly more likely to be union members [[READ HERE](#)].
- Investments in clean energy provide a powerful opportunity to emerge from the economic recession caused by the COVID-19 pandemic. Doubling clean energy capacity is expected to create as many as 24 million jobs over the next decade. Three Great Plains states—Minnesota, North Dakota, and South Dakota—are well-positioned to lead not only a transformation of America's energy sector, but a successful transition that connects millions of new workers to stable ladders into the middle class [[READ HERE](#)].



Repeal of prevailing wage has shipped jobs out of Wisconsin. Out-of-state contractors have won **60 percent** more project bids.

Source: "The Effects of Repealing Prevailing Wage in Wisconsin: Impacts on Ten Construction Market Outcomes," October 2020, Frank Manzo IV, MPP, Kevin Duncan, Ph.D., Jill Gigstad, and Nathaniel Goodell

