The Reality of Prevailing Wage and PLA’s

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National Polling Data

**Good Jobs & Good Wages Higher Priority Than Low Costs**

When federal government funds public construction projects:

- Only concern should be quality construction at lowest cost: 24%
- Should also ensure projects provide good jobs at reasonable wages: 72%
- Priority should be lowest possible costs for taxpayers: 32%
- Priority should be jobs with good wages/supporting local economy: 63%
Goals For Public Construction Projects

Which one or two should be the priorities for Congress concerning public construction projects?

- Ensure high quality/durable construction: 50%
- Keep costs down for taxpayers: 29%
- Contribute to local economy: 26%
- Reasonable wages for workers: 25%
- Health/retirement benefits for workers: 19%
RESEARCH FINDINGS

1. Prevailing wage promotes middle class jobs with good wages
2. Prevailing wage supports high-quality infrastructure without increasing costs
3. Prevailing wage promotes a skilled workforce
4. Prevailing wage strengthens state and local economies
5. Prevailing wage is the best deal for taxpayers
Prevailing Wage Preserves and Promotes Middle Class Jobs
Prevailing Wage Laws Bolster the Middle Class

Median Annual Wage Income by PWL Strength
Private Sector Employed Men, 2008-2012

<table>
<thead>
<tr>
<th>PWL Strength</th>
<th>Construction</th>
<th>Non-Const</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg-Strong</td>
<td>$35</td>
<td>$37</td>
</tr>
<tr>
<td>None-Weak</td>
<td>$29</td>
<td>$37</td>
</tr>
</tbody>
</table>

PW Impact on Construction Earnings

A strong/average prevailing wage increases a blue-collar construction worker’s earnings by between 15.7% and 17.2% per year.
PW Raises Craft and Non-Craft Earnings

**Wage and Salary Income**

- Construction Craft Workers: 15.70%
- Managers & Supervisors: 8.60%
Real Wage and Salary Income: By Percentile
(Adjusted by Inflation and Regional Price Parities)

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>25th</td>
<td>18.8%</td>
</tr>
<tr>
<td>50th</td>
<td>18.2%</td>
</tr>
<tr>
<td>75th</td>
<td>17.0%</td>
</tr>
<tr>
<td>90th</td>
<td>16.4%</td>
</tr>
</tbody>
</table>

Strong or Average PWL
Prevailing Wage Supports the Largest Privately-Financed System of Higher Education in America
Apprenticeship Training vs. Typical Bachelors Degree

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

- Operators (4 yrs): On-the-Job Training (6,000 hours), Classroom Training (432 hours)
- Heavy Equipment Technicians (5 yrs): On-the-Job Training (8,000 hours), Classroom Training (864 hours)
- Construction Inspectors (5 yrs): On-the-Job Training (6,000 hours), Classroom Training (794 hours)
- Geothermal & Well Drilling Operators (4 yrs): On-the-Job Training (6,000 hours), Classroom Training (472 hours)
- Bachelors Degree, 120 Credits (4 yrs): Classroom Training (5,760 hours)

Source: International Union of Operating Engineers Local 150 Assistant Coordinator - Safety Administrator. Local 150 covers counties in Illinois, Indiana, and Iowa.
In FY2015, there were **10,811** participants in registered apprenticeship programs in Illinois’ construction industry.

Cumulatively, those programs invested over **$136 million** in worker skills upgrading and development, which equates to $0.56 per hour worked for all blue-collar construction workers in the state.

The average out-of-pocket expenditure for apprentices amounts to **$4,056** over four years, compared to average student debt repayments totaling over $36,000 for Illinois residents graduating from a 4-year university.
PW Helps Build Careers, Not Just Jobs

- Apprentices earn $124,000 more over career.
- Worker training fell by 40% in the nine states that repealed their PW laws from 1979 to 1988.

### Table 7: Comparison of Apprenticeship Shares by Presence of State PWL, 1991-2011

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Weighted Mean</th>
<th>Minimum</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>State With PWL</td>
<td>16.8%</td>
<td>14.4%</td>
<td>1.9%</td>
<td>14.4%</td>
<td>16.4%</td>
</tr>
<tr>
<td>State Without PWL</td>
<td>8.9%</td>
<td>7.7%</td>
<td>7.2%</td>
<td>8.4%</td>
<td>35.7%</td>
</tr>
</tbody>
</table>

Source: “Registered Apprenticeship Partners Information Management Data System,” U.S. Department of Labor, Office of Apprenticeship Training data for the years 1999 to 2011.
Prevailing Wage Supports High-Quality Infrastructure That is Safe, Durable and Has Minimal to No Effects on Overall Construction Costs
Impact on Costs

• 20-24% approximate average cost of labor

➢ Every academic study of the cost effects of prevailing wage laws in the last 15 years has failed to uncover a statistically significant link between prevailing wage laws and public construction costs when all relevant variables are included and controlled for worker productivity.
Net Effects: Increase in Productivity

Percent Higher in Prevailing Wage Law States

Worker productivity on public and private projects: 14%
Worker productivity on public projects: 30%
Apprentices: 50%
Injuries: -12%

Source: Peter Philips, Kentucky’s Prevailing Wage Law, An Economic Impact Analysis, January 2014.
Better Infrastructure = Better Economy

\[
\text{Project Bid} = \frac{\text{Labor Costs}}{\text{Quality}} + \text{Productivity} + \text{Materials} + \text{Technology} + \text{Management Practices} + \text{Profit}
\]
Prevailing Wage Strengthens State and Local Economies
High-Road Economic Development

Higher Quality Means Higher Wages

**BUT:**

This increase in wages *is the result of* an increase in productivity:

In PWL states, productivity is **8.5% to 33%** higher on public projects.
High-Road Economic Development

Infrastructure quality $\uparrow = $ Job creation $\uparrow$

- 93.5% of CEOs say highway accessibility is an “important” or “very important” location factor (28th Annual Survey of Corporate Executives, 2013).

- Every dollar spent on a PW project generates at least $1.50 in economic activity in the community (Zandi, 2010).
PW Supports Local Economy

Value of Construction Work by In-State Contractors, 2007

- Indiana (PWL): 90.5%
- Illinois (PWL): 93.2%
- Iowa (No PWL): 88.1%
- States with a Strong PWL: 91.0%
- States without a PWL: 89.2%

Source: 2007 Economic Census – Construction Sectors
Table 2: Direct, Indirect, and Induced Effects on Employment, Earnings, Total Value Added, and GDP for Illinois if PWL is Repealed, Middle-of-the-Road Estimates, 2013

<table>
<thead>
<tr>
<th>Impact Type</th>
<th>Change in Jobs</th>
<th>Change in Worker Earnings</th>
<th>Total Value Added*</th>
<th>Effect on Illinois’ GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Effect</td>
<td>332</td>
<td>-$364.9 million</td>
<td>-$393.0 million</td>
<td>-$541.4 million</td>
</tr>
<tr>
<td>Indirect Effect</td>
<td>-1,070</td>
<td>-$61.2 million</td>
<td>-$94.5 million</td>
<td>-$174.4 million</td>
</tr>
<tr>
<td>Induced Effect</td>
<td>-2,539</td>
<td>-$120.0 million</td>
<td>-$213.3 million</td>
<td>-$357.1 million</td>
</tr>
<tr>
<td><strong>Total Effect</strong></td>
<td>-3,277</td>
<td><strong>-$546.0 million</strong></td>
<td><strong>-$700.8 million</strong></td>
<td><strong>-$1,072.9 million</strong></td>
</tr>
</tbody>
</table>

Source: Result of authors’ insertion of middle-of-the-road employment and earnings estimates (Table 1) into IMPLAN’s industry change feature, which estimates industry spending patterns through Type SAM multipliers. The Labor Education Program utilizes IMPLAN (Impacts for PLANning) Version 3.0.17.2, Minnesota IMPLAN Group, Inc., © 2011.
Illinois

• Lost state and local tax revenues annually:
  -$44.35 million

• Lost federal tax annually:
  -$115.79 million

• Increase in work-related fatalities:
  +70 deaths over ten years
Midwestern States

Cost of Repeal: Impacts on Earnings and Tax Revenues

- Missouri: -$222
- Illinois: -$365
- Kentucky: -$252
- Indiana: -$246

- Construction Worker Earnings (Millions)
- State and Local Tax Revenues (Millions)
Prevailing Wage is the Best Deal for Taxpayers
PW Reduces Reliance on Public Aid

**Figure 11: Non-Health, Non-Retirement Government Assistance Per $1 of Tax Contributions, 2011-2013**

Non-health, Non-retirement Assistance Per $1 of Federal Income Tax Contributions

- PWL States: $0.5799
- Non-PWL States: $0.6031
- Illinois: $0.2723
- Indiana: $0.5431
PW is the Best Deal for Taxpayers

(Small increases in worker wages, no impact on contractor CEOs & highest-paid)

- More disposable income
- More local spending
- More sales and income tax revenues
- Less income inequality
- Less workers in poverty
- Less reliance on government assistance programs
Strained States Turning to Laws to Curb Labor Unions

Faced with growing budget deficits and restive taxpayers, elected officials from Maine to Alabama, Ohio to Arizona, are pushing new legislation to limit the power of labor unions, particularly those representing government workers, in collective bargaining and politics.

Some new governors, most notably Scott Walker of Wisconsin, are even threatening to take away government workers’ right to form unions and bargain contracts.

JANUARY 4, 2011
State Legislatures Undertook Numerous Efforts To Undermine Wages And Labor Standards 2010-16

- 4 lifted restrictions on child labor
- 16 imposed new limits on benefits for the unemployed
- 11 proposed/passed laws outlawing or restricting the use of project labor agreements
- 8 passed laws that significantly scaled back prevailing wage standards
- 2 repealed prevailing wage law
What Is The Origin Of These State Bills?

ALEC boasts that it has over 1,000 bills introduced by legislative members every year, with one in every five of them enacted into law.
Questions?

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