

Prevailing Wages and the Costs of Repeal in Illinois

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October 7, 2013

This study, conducted by researchers at the University of Illinois at Urbana-Champaign and Michigan State University, serves as the first comprehensive examination of the economic and social impacts of the statewide prevailing wage law (PWL) for public construction projects in Illinois. This extensive investigation has culminated in five key findings:

1. Prevailing wages do not lead to increases in costs of public construction projects.

- In all likelihood, total construction costs would not be greatly affected by repeal of Illinois' PWL due to potential changes in workforce, productivity, and management practices associated with the policy change.
- Repeal of Illinois' PWL would likely cost the state money, result in job losses, and reduce construction sector efficiency.

2. Repeal of Illinois' PWL would result in job losses throughout the state, decreased GDP, and millions of dollars in lost tax revenue.

- This study forecasts that employment in the construction industry would likely increase should the statewide PWL be repealed. *However, any new jobs linked to repeal would be significantly offset by job losses experienced throughout the rest of the economy.*
- The indirect effects of repeal would result in:
 - Roughly 3,300 net jobs lost.
 - A total GDP contraction of more than \$1 billion annually for Illinois.
 - More than \$44 million in lost state and local taxes.
 - Roughly \$116 million in lost federal tax revenue.
- Within the state, the negative results are comparable for each of the eight regions studied.

3. More construction workers would lose their lives due to fatal work-related injuries if Illinois' PWL is repealed and construction workers would lose many of their work-related benefits.

- An estimated *additional* seven Illinois construction workers would be killed on the job on an annual basis.
- Extrapolated over the span of a decade, approximately 70 additional Illinois construction workers would suffer fatal work-related injuries due to the repeal of the state's PWL.
- Employer contributions to worker benefits would dramatically decline. Currently, Illinois construction employers spend 50 percent more on legally required benefits and over 150 percent more on voluntary benefits when compared to construction employers in states with no PWLs.

4. PWLs encourage apprenticeship training in the construction industry.

- The data examined in this study strongly affirms the claims that state PWLs are supportive of construction apprenticeship programs.
- On a proportional basis, there are nearly twice as many apprenticeships in states with PWLs as in those without such laws.

5. PWLs do not reduce participation of African-American workers in construction trades.

- Finally, this study finds no substantial evidence that state PWLs are harmful to African-American participation in the construction industry.
- Claims that states with PWLs have reduced African-American participation in construction are based on simplistic analyses which are, at best, descriptive and unconvincing. More advanced work finds no evidence that PWLs act to the detriment of African-American workers.

In summary, prevailing wages for public construction projects in Illinois provide numerous positive economic and social impacts for both construction workers and the state on the whole. This study predicts that repeal of Illinois' PWL would not result in savings for taxpayers or the state or lead to increased employment of African-American construction workers. Rather, repeal of Illinois' PWL would result in job losses throughout the state's economy, increased construction worker fatalities, and declines in valuable social impacts such as construction worker benefits and training opportunities.



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