



PREVAILING WAGE LAWS AND “RIGHT-TO-WORK” LAWS

WHAT IS PREVAILING WAGE?

- Prevailing wage laws (or PWLs) prevent government bodies from using taxpayer dollars in the construction market to *undercut* wages and benefits in a community

WHAT IS RIGHT-TO-WORK?

- “Right-to-work” (or RTW) laws are government *regulations* that limit the ability of labor unions to collect dues from the workers they represent and limit the voice of workers in influencing the conditions of employment for a workplace

PREVAILING WAGE FACTS:

- Prevailing wages are market wages set by local competitive practices and are based on what local contractors actually pay workers on public works and similar jobs
- PWLs do not lead to increases in the cost of public construction projects
- Prevailing wage states have higher productivity per construction employee: productivity is 14 percent to 33 percent higher in states with PWLs
- Construction firms in PWL states spend over \$1,200 more per employee on legally-required benefits and over \$2,900 more on fringe benefits
- If states with PWLs all repealed their laws, the national economy would lose 400,000 jobs and hundreds of thousands of construction workers would be forced to rely on government assistance programs
- Fewer on-the-job injuries and fatalities occur when a workforce is trained and educated, which is more likely in PW states that encourage investment in apprenticeship programs

RIGHT-TO-WORK FACTS:

- RTW laws are associated with a 2 to 8 percent decrease in worker earnings and simultaneous increases in income inequality
- RTW laws reduce private sector annual earnings by over \$2,000 and lower manufacturing worker earnings by 9 percent and construction worker earnings by over 22 percent
- RTW reduces union membership by up to 10 percentage points in a state
- RTW laws have a positive 0.4 percentage point bump in the likelihood of being employed in any job
- For employed African-Americans, RTW laws lower worker earning by between 2 and 9 percent
- For employed females, RTW laws lower worker earnings by between 2 and 8 percent
- In Illinois, a higher county-level unionization rate has no statistical impact on employment growth, the unemployment rate, or business growth in the county

For more information, research, and data analysis on broad-based prosperity for all through “high road” economic development in Illinois and the Midwest, please visit Illinois Economic Policy Institute’s website at www.illinoisepi.org.

**OUTCOMES IF
ILLINOIS ENACTS
A RTW LAW:**

- Over time, worker earnings would fall by between 5 and 7 percent
- The unionization rate would decline to between 5 and 13 percent
- Hourly wages of African-American workers, Latino/a workers, and women would fall by as much as 9 percent
- The benefits packages offered to construction workers would decline by \$4,100 annually and approximately 107 *additional* Illinois workers would lose their lives due to work-related injuries in construction sectors over 10 years
- Annual state income tax revenues would decline by \$75 million to \$355 million while reliance on government assistance programs would increase – straining the state’s budget

**FOR MORE
INFORMATION
VISIT:**

The Cost of Construction Injuries and Fatalities in Illinois, Indiana, and Iowa, available at <http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/ILEPI-Economic-Commentary-Cost-of-Construction-Injuries-IL-IN-IA.pdf>.

The Cost of Repealing Michigan’s Prevailing Wage Policy: Impacts on Total Construction Costs and Economic Activity, available at <http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2014/06/The-Cost-of-Repealing-Michigans-PWL-FINAL.pdf>.

The Economic Effects of Adopting a Right-to-Work Law: Implication for Illinois, available at https://ler.illinois.edu/wp-content/uploads/2015/01/RTW_policy-brief_spreads05.pdf.

The Effect of Unions on the Distribution of Wages: Redistribution or Relabelling?, available at <http://www.nber.org/papers/w4195.pdf>.

The Major Victims of Right-to-Work Laws: Construction Workers, available at <http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/Economic-Commentary-RTW-and-Construction.pdf>.

The Union Wage Advantage for Low-Wage Workers, available at http://cepr.net/documents/publications/quantile_2008_05.pdf.

Unions Can Increase Efficiency: Ten Examples, available at <http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/ILEPI-Economic-Commentary-Unions-Increasing-Efficiency-Ten-Examples.pdf>.

A Weakened State: The Economic and Social Impacts of Repeal of the Prevailing Wage Law in Illinois, available at http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/PWL_full-report_ltr-format.pdf.