



# **The Economic Impact of Construction Wages and Local Contractors on Communities**

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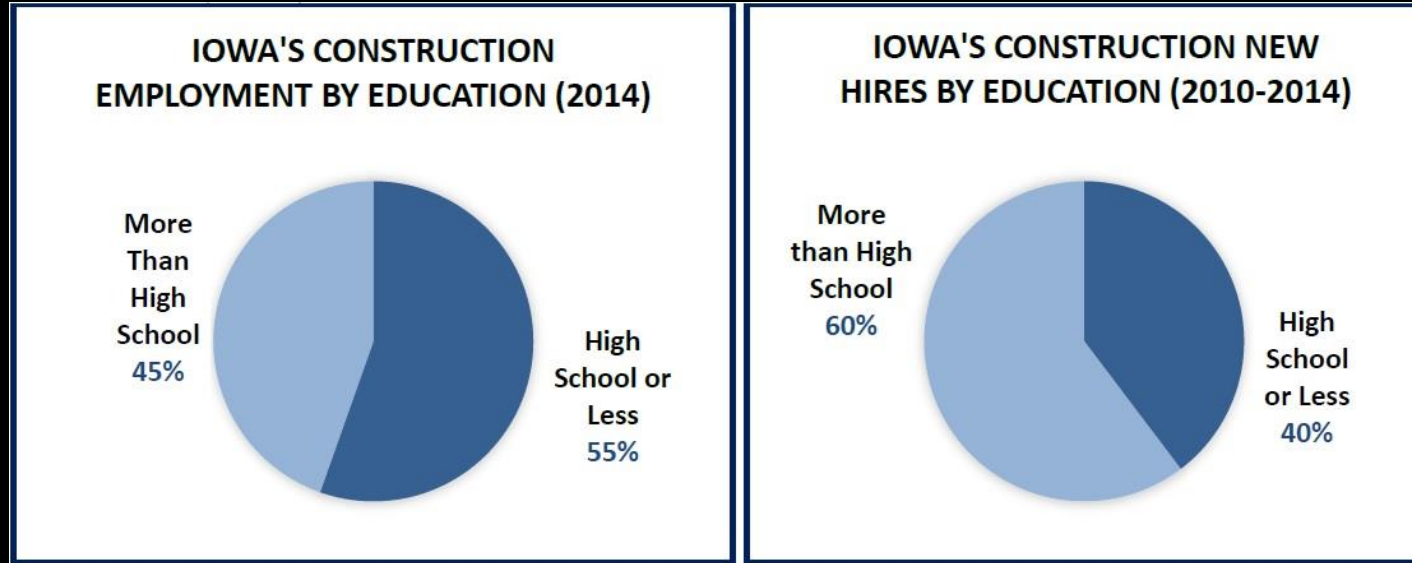
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*Policy Director*

# Outline of the Presentation

1. Iowa's skilled construction worker shortage
2. Why choose the lowest *responsible* bidder?
3. The Labor side of labor-management
4. The Management side of labor-management
5. The economic impact of local construction wages and local contracting

# Iowa's Skilled Construction Worker Shortage

# Construction Worker Skills Shortage



1. Iowa Workforce Development: The construction industry has the 4<sup>th</sup> highest vacancy rate
2. Associated General Contractors: 87% of contractors had difficulty finding workers to fill professional and craft worker positions

# Construction Worker Skills Shortage

2015	Iowa	Minnesota	Difference
Active Registered Apprentices	6,272	11,091	76.8%
Estimated Employment (BLS)	80,000	108,400	35.5%
Apprenticeship Share of Employment	7.6%	10.2%	2.6 p.p.

# **Lowest *Responsible* Bidder**

# Responsible Contracting Policies

**Examples:** prevailing wage policies, responsible bidder ordinances

1. Ensure that contractors invest in training and meet quality requirements
2. Ensure that jobs are done right, on time with skilled workers
3. Deter out-of-area contractors and fly-by-night contractors

# Responsible Contracting Policies

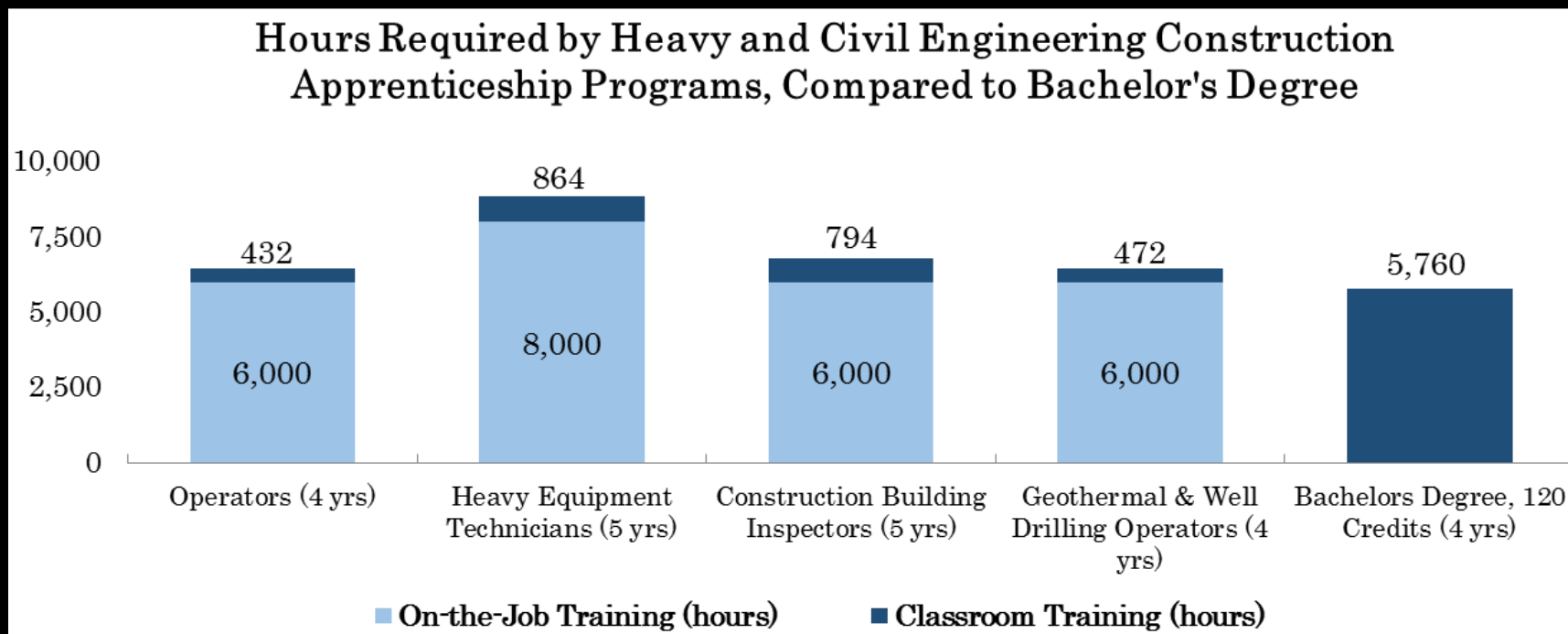
## *Do Responsible Contractor Policies Increase Construction Bid Costs?*

- University of Nevada, Las Vegas economists: Waddoups & May
- Analyzed 319 new elementary schools in **Ohio** from 1997 to 2008
- Critics: inflate labor costs, limit competition, expand administrative costs
- Actual data: “The results indicate that once we account for variation in geographic location of schools, responsible contracting policies exert **no statistically discernible impact on construction bid costs.**”



# Labor-Management: The Left Side

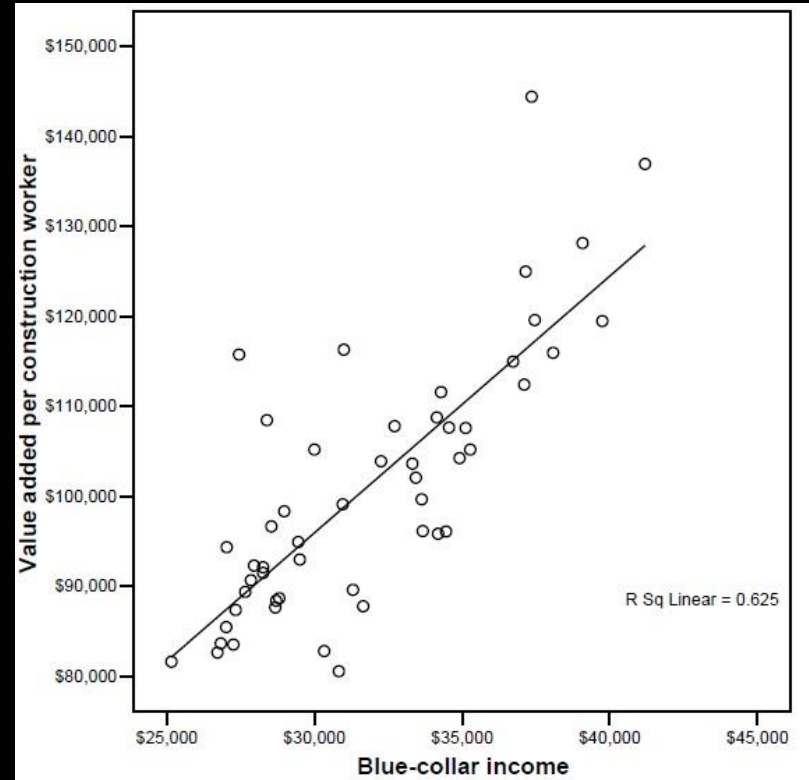
# Labor



Source: International Union of Operating Engineers Local 150 Assistant Coordinator-Safety Administrator. Local 150 covers counties in Illinois, Indiana, and Iowa.

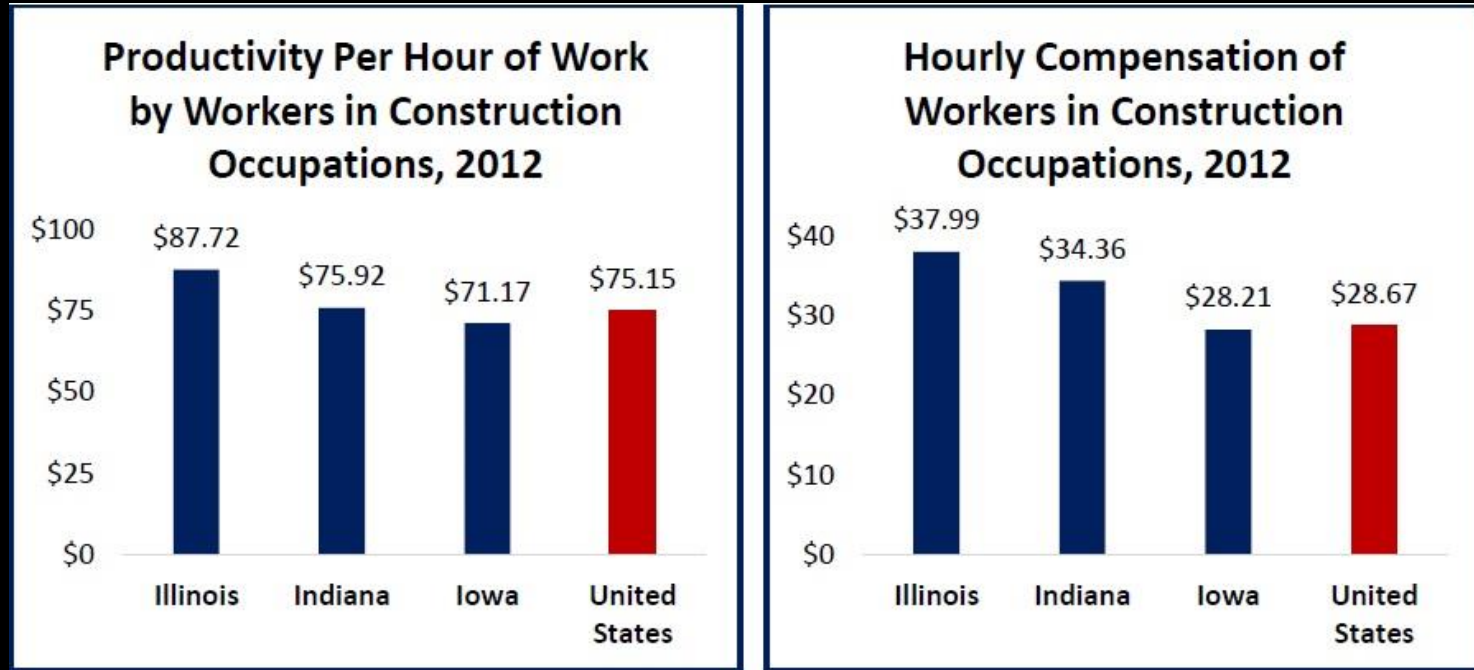
# Labor

1. Construction workers earn **\$124,000 more** over their careers by participating in registered apprenticeship programs.
2. “In states with lower-wage construction workers, the productivity of those workers is lower and the value added from their work to society is lower”  
–Peter Philips, University of Utah economist

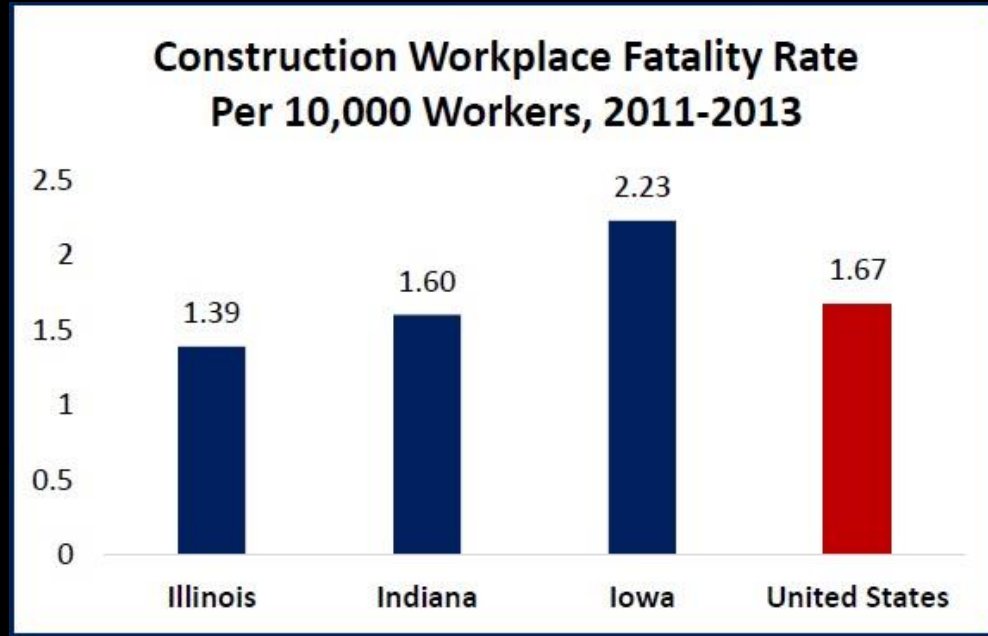


# Labor

*So... what about Iowa?*



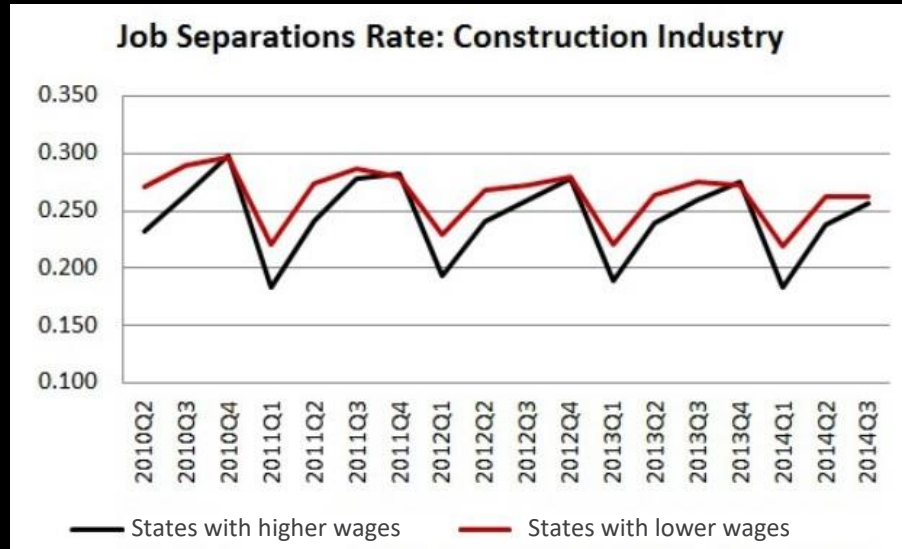
# Labor



Iowa's construction workers are slightly less productive, lower paid, and at a greater risk of suffering a fatal injury on the job.

# Labor-Management: The Right Side

# Management



1. Replacing employees and training new workers can be expensive for employers, leading to higher bid costs – which cost taxpayers money.
2. The worker being paid a living wage takes his or her livelihood seriously and treats construction as a **career**, not just a temporary job.

# Management

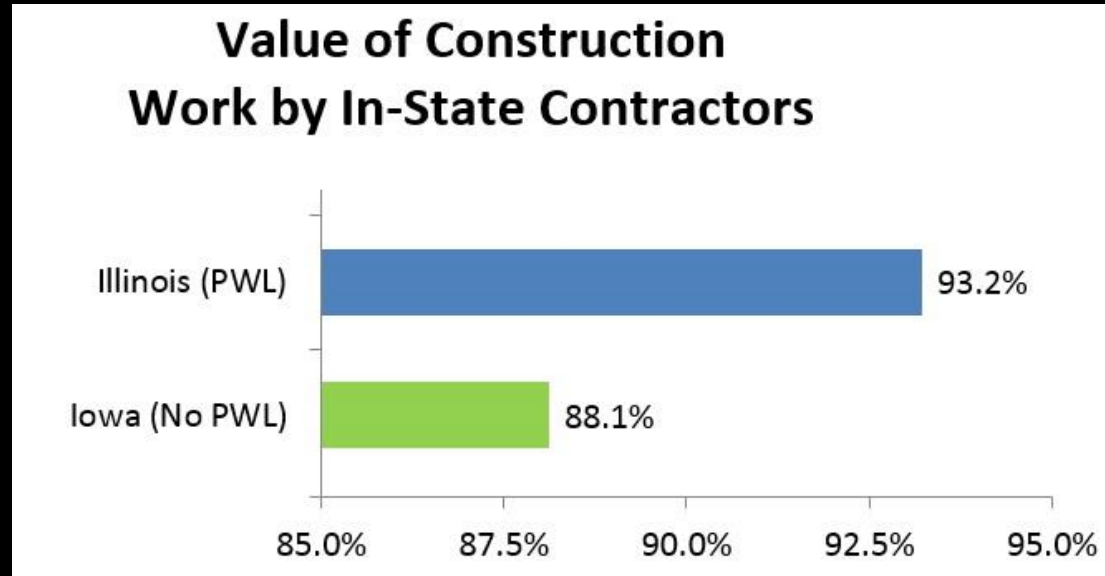
## *Responsible bidding ordinances support local contracting*

1. When the workforce is well-trained and invested in their careers, contractors produce high-quality infrastructure at low cost
2. Increase the likelihood that local contractors win bids and perform work occurring in their own communities
3. Deter out-of-town contractors from winning jobs, bringing in a transient workforce, and leaving when done – taking local spending with them.
4. San Jose, California case study: Without responsible contracting, 6% of the project value “leaks” out of the county’s economy, resulting in over 1,500 local jobs lost.



# Management

*So... what about Iowa?*



# The Economic Impact of Local Construction Wages & Contracting

# High-Road Economic Development

1. Taxpayer dollars kept in the local economy
2. Efficiency ↑ = Infrastructure Quality ↑ = Local Job Creation ↑
3. Wages ↑ = Local Consumer Spending ↑ = Local Job Creation ↑
4. Per \$10 million investment in Iowa: **school construction** returns \$17.7 million to the community and **water projects** generate \$19.5 million in economic output

# High-Road Economic Development

*What will happen if no action is taken by the state or local governments?*

1. Skills shortage will worsen
2. Out-of-area contractors with lower skilled workers will win more bids
3. Worker misclassification and wage theft will continue to occur

**Economic output will be lower than it should be!**

# Contact



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