

Marc Poulos Testimony on Senate Bill 1046

Good morning, Mr. Chairman and Members of the Committee. My name is Marc Poulos and I am the Executive Director of the Indiana, Illinois, Iowa Foundation for Fair Contracting. The III FFC is a not-for-profit labor-management organization established to support, promote, and encourage fair contracting by providing a level playing field in the public construction arena. Since its inception, the III FFC has focused on prevailing wage compliance, including educating contractors, workers, and public officials on prevailing wage requirements. For example, the III FFC organized and co-sponsored its second annual prevailing wage seminar last September, featuring speakers from IDOL and the Illinois Attorney General's office. Over 150 representatives, principally from public bodies, as well as contractor associations and labor, attended this event.

The III FFC also monitors public works projects for prevailing wage and employee classification compliance. If there is a concern, the III FFC typically contacts the public body to address the issue. If the matter is not resolved at the local level, the III FFC files a complaint with IDOL to investigate and pursue enforcement, if necessary. I am here today to talk to you about Senate Bill 1046.

Advocates of repeal all agree on one thing: Repeal of the prevailing wage results in lower wages for construction workers. The real question is: Do we want a poorer Illinois?

Take Indiana, for example. Indiana just repealed its prevailing wage. Indiana ranks in the lowest 20th percentile of states in terms of prosperity¹ but ranks 6th in income inequality.² Indiana is also 36th in per capita income in private sector jobs.³ Contrast these numbers with Illinois, which ranks 17th in personal income,⁴ 7th by average weekly wages,⁵ and 15th in income inequality⁶ – even though we have a massive financial sector with several banks and the Chicago Board of Trade.

The fact of the matter is, the rich are not just getting richer, but the poor are getting poorer. Now, we keep talking about jobs. Indiana is losing jobs. The Bureau of Labor Statistics just released April 2015 data this week. The data show that employment in Illinois' construction industry grew by 7.1 percent over the past 12 months.⁷ Over this same time, in Indiana, employment "growth" was 0.0 percent.⁸ No jobs gained.

¹ "Average Wages by State," Governing.com. 2012 data available at <http://www.governing.com/gov-data/wage-average-median-pay-data-for-states.html>.

² "Indiana's income gap widens faster than most other states'." *The Statehouse File* (November 15, 2013). Available at <http://thestatehousefile.com/indianas-income-gap-widens-faster-than-in-most-other-states/8193/>.

³ Bureau of Labor Statistics, U.S. Department of Labor. Quarterly Census of Employment and Wages: 2014 Q2. Available at www.bls.gov/data/.

⁴ Bureau of Economic Analysis, U.S. Department of Commerce. 2014 Personal Income data. Available at <http://www.bea.gov/itable/index.cfm>.

⁵ "Average Wages by State," Governing.com. 2012 data available at <http://www.governing.com/gov-data/wage-average-median-pay-data-for-states.html>.

⁶ Gini coefficient using data from the U.S. Census Bureau's *2010 American Community Survey*. Available at <http://www.governing.com/gov-data/wage-average-median-pay-data-for-states.html>.

⁷ Bureau of Labor Statistics, U.S. Department of Labor. Economy at a Glance: Illinois. April 2014 to April 2015. Available at <http://www.bls.gov/eag/eag.il.htm>.

⁸ Bureau of Labor Statistics, U.S. Department of Labor. Economy at a Glance: Indiana. April 2014 to April 2015. Available at <http://www.bls.gov/eag/eag.in.htm>.

So why is the protection of prevailing wage so important? Governmental bodies are the single largest contributor to the construction market, pumping billions of dollars into public works construction each year. Without prevailing wage, public works construction can undercut the free-market wages negotiated in the *private* sector.

There is a misconception that collective bargaining agreements and prevailing wages are somehow “inflated” wages. The fact of the matter is, these wages are a negotiation. In any negotiation, no party will walk away from the table completely happy. Contractors are always looking for the bottom line in labor costs. Labor is always looking to make as much in wages as they possibly can. This is the nature of negotiations. But, at the end of the day, the contract is agreed to because it makes the most economic sense for both sides. Moreover, for contractors that are signatory to a collective bargaining agreement, these negotiated wages are required on both public *and* private projects.

Simply put, prevailing wage is about crafting careers versus jobs. Take Florida compared to Illinois, for example. During the testimonies around repealing the prevailing wage in Indiana, 30 contractors came to the Capitol to protest the repeal, 15 of which testified. One of the major contractors, bidding on hundreds of millions of dollars of work per year, testified that when he got on the job site in Florida for a major project, the worker showed up with a hammer in flip flops asking where to begin. This contractor testified that when he shows up for a project in Illinois, he is greeted by a worker with an F-150 pickup truck filled with necessary tools, a hard hat, work boots, and safety vest already on. That’s because the Illinois worker being paid a living wage takes his livelihood seriously and treats construction as a *career*, not just a temporary job.

Prevailing wage does reflect the actual market wages established in each county. When looking at Illinois Department of Transportation (IDOT) projects, from May 2014 – May 2015, just over \$1.2 billion was awarded in the northern 25 counties. Only \$1.8 million was contracted with contractors that are not signatory to collective bargaining agreements. The remaining 99 percent of the work was completed by contractors signatory to collective bargaining agreements.⁹

In Lake County alone, \$67 million in IDOT work was performed by contractors signatory to collective bargaining agreements whereas \$200,000 was performed by contractors not required to pay prevailing wage.¹⁰

In 2013 in McHenry County, there were 86 lettings on public projects totaling \$116 million. Of contractors not signatory to a collective bargaining agreement, only 15 submitted bids compared to 171 bids from contractors signatory to a collective bargaining agreement. Of the total cost of bids awarded, \$118,000 in bids were awarded to contractors not signatory to a collective bargaining agreement. Whereas \$115 million, or 99 percent, of dollar volume was awarded to contractors signatory to collective bargaining agreements.¹¹

With 99 percent market share, the collectively-bargained rates *are* the prevailing rates.

⁹ Data from III FFC Internal Market Share Analysis.

¹⁰ Data from III FFC Internal Market Share Analysis.

¹¹ Data from III FFC Internal Market Share Analysis.

In fact, let's just talk about the math. Labor costs are only 20 percent of total construction costs for public projects.¹² On a \$10 million project, labor only accounts for about \$2 million. If you lower wages by 10 percent, that means you're only saving \$200,000 on a \$10 million project, or 2 percent. It is mathematically impossible to save what those who want repeal contend the state can save, unless you pay workers at or below the minimum wage. And the problem is that workers who earn lower wages have decreased work ethic and are less productive.

In fact, the Illinois construction worker is among the productive in the country. Plain and simple. The average heavy and highway construction worker produced an average of \$155,000 in economic value in the Great Lakes region. In Illinois, road and bridge construction workers produce \$172,000 in economic value per year, which is second only to Wisconsin in the Great Lakes region. Moreover, construction workers in Illinois build each lane-mile up to 43% cheaper than the national average.¹³

Let's look at the most-recent study by the Wisconsin Legislative Fiscal Bureau, a non-partisan legislative bureau faced with the possibility of repeal of the prevailing wage. The Bureau drafted a memorandum finding that "effects of prevailing wage range from relatively small effects to no statistically significant effects."¹⁴ This has also been echoed by the Minnesota Office of the Legislative Auditor Report in 2007.¹⁵ There is just no evidence which shows that prevailing wage increases construction costs.

Getting back to why Illinois construction workers are worth the price – they treat their trade as a career versus simply a job and they are more productive than others throughout the country.

Employment in construction jobs is expected to increase by 21.4 percent over the next decade.¹⁶ It is the 2nd-fastest growing occupation in the country. But how will we attract people to these jobs? Will we do that with higher wages or lower wages?

Also, apprenticeship and training programs foster careers. In fact, most construction jobs require completion of 3- to 5-year apprenticeship programs. This is the only objective, standardized training for the trades recognized by the federal government through the National Fitzgerald Act in the US. In this country, we require objective, standardized training from kindergarten to high school, and then college. In fact, lawyers, doctors, teachers, architects, and engineers are all required to go through objective, standardized training in order to do their work. I had to complete hours of schooling and then pass the Bar in order to become a lawyer; the brain surgeon had to complete hours of training and then pass all the tests to operate on patients. These jobs have to go through objective, standardized training. However, for some reason, when it comes to those who roll out the electrical cords, lay the

¹² Philips, Peter. (2014). *Kentucky's Prevailing Wage Law: An Economic Impact Analysis*. University of Utah. Available at <http://www.faircontracting.org/wp-content/uploads/2014/02/Kentucky-Report-2014-Philips.pdf>.

¹³ Manzo, Frank and Robert Bruno. (2015). *Road and Bridge Construction Workers in the Midwest: Productive, High-Skilled, and Well-Paid*. Midwest Economic Policy Institute and the University of Illinois at Urbana-Champaign. Available at <http://illinoiseipi.org/countrysidenonprofit/wp-content/uploads/2013/10/MEPI-LEP-Policy-Brief-Midwest-Road-and-Bridge-Construction-Workers-FINAL.pdf>.

¹⁴ "Prevailing Wage Laws and 2015 Assembly Bill 32." Wisconsin Legislative Fiscal Bureau. Available at http://host.madison.com/prevailing-wage-legislative-fiscal-bureau-memo/pdf_8015cf7d-c51a-5d14-9e20-e710d7623fbb.html.

¹⁵ "Prevailing Wages: Evaluation Report." Minnesota Office of the Legislative Auditor. Available at <http://www.auditor.leg.state.mn.us/ped/pedrep/prevailingwages.pdf>.

¹⁶ Bureau of Labor Statistics, U.S. Department of Labor. *Employment Projections – 2012-2022*. Available at <http://www.bls.gov/news.release/pdf/ecopro.pdf>.

iron, and build the roads we drive on every day and the schools our children go to every single day, we seem to discard this training.

The Operating Engineers who I represent require at least 6,432 total hours of objective, standardized training to complete an apprenticeship program. This includes 6,000 hours of on-the-job training. By contrast, the typical 120-hour bachelor's degree from the University of Illinois requires just 5,760 hours of objective training. Construction is clearly not low-skilled work.¹⁷

The difference is, the total out-of-pocket cost to a student graduating in four years from U of I is \$77,208 in tuition alone! But that apprentice completes the program, his or her total out-of-pocket cost is \$0.¹⁸

Finally, the III FFC disagrees that Senate Bill 1046 would give local governments control of prevailing wage. In 1988, the Illinois Supreme Court decided in *Bernardi v. Highland Park* that prevailing wage addresses issues pertaining to statewide concern. As a consequence, Highland Park had no choice but to comply with the statute's requirements.¹⁹

I thank you for allowing me the opportunity to speak with you about Senate Bill 1046.

¹⁷ Manzo, Frank. (2014). *Building a Strong McHenry: How Prevailing Wage Works*. Illinois Economic Policy Institute. Available at <http://illinoisepi.org/countrysidenonprofit/wp-content/themes/12/docs/McHenry%20County%20Prevailing%20Wage%20Economic%20Commentary.pdf>.

¹⁸ Manzo, Frank. (2014). *Building a Strong McHenry: How Prevailing Wage Works*. Illinois Economic Policy Institute. Available at <http://illinoisepi.org/countrysidenonprofit/wp-content/themes/12/docs/McHenry%20County%20Prevailing%20Wage%20Economic%20Commentary.pdf>.

¹⁹ 520 N.E.2d 316, 323 (1988).