



Here's another good idea from Indiana: Get rid of prevailing wage law

David From

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Gov. Bruce Rauner has stated that he wants to keep Illinois competitive with Indiana. Yet our neighbor to the east recently outpaced our state in one important area: the price that taxpayers pay for public construction projects. [Indiana repealed](#) its outdated prevailing wage law last month and will save its taxpayers millions of dollars every year.

Rauner is trying to enact similar legislation here, but he's facing an uphill battle. If we want to ensure that our hard-earned tax dollars are wisely spent, Illinois voters—and the lawmakers who represent us—should support the governor's proposal.

Prevailing wage laws require contractors on public works projects to pay employees a particular rate set by the Illinois Department of Labor. For all major construction professions in every county, the department determines what hourly rate of pay is legally acceptable for work on a government project. That number is, on average, 10 percent higher than the market rate.

This discourages—and essentially forbids—the price negotiation that helps keep construction costs competitive. The result: Taxpayers usually end up paying more for these projects than they would under fair market bidding.

'BIGGEST FRUSTRATION'

Some Illinois mayors, such as the [mayor](#) of suburban Elk Grove Village, see prevailing wages as their “biggest frustration” when building infrastructure. “We'll put out a \$4 million contract, and we're lucky if we get two bidders because of prevailing wage. Without prevailing wage, we might get 20 or 30 bidders, and we'd probably get the project done for half the price,” the mayor said.

Inflated construction prices have harmful effects on Illinois' budget. They also divert money away from other worthy projects. A [report](#) published last year by the Anderson Economic Group revealed that prevailing wages cost Illinois taxpayers an average of \$158 million extra per

year on education-related construction alone. Roughly \$124 million of that was inflated expenses in building K-12 public schools.

If the law hadn't been in place from 2002-11, the report found, the state would have saved \$1.6 billion. For those concerned about budget cuts to public education, addressing this government-mandated waste is a solid first step toward prioritizing our spending.

It's also likely that prevailing wage laws stand in the way of job growth. In the late 1990s, Michigan briefly experimented with suspending its public wage mandates. The result was [11,000 more construction jobs](#) than otherwise would have been created.

Defenders of this policy say it helps ensure higher quality and safer construction on these sites. But the [Cato Institute](#) found no evidence of either outcome. Those who contracted with prevailing wage-paid teams didn't report higher satisfaction with their work. As for safety regulations, they're still the same for private and public projects.

This casts prevailing wage laws in a new light. When the state mandates unfair wages, it leads to a race to the top in price without a corresponding race to the top in quality.

Three Illinois municipalities—Charleston, Oswego and Clinton—already have passed resolutions to phase out the prevailing wage law. Unfortunately, those resolutions are nonbinding until the state law itself is repealed. If Illinois wants to stay regionally competitive and carefully steward our tax dollars, the Legislature should support Rauner's proposal and repeal the prevailing wage law without delay.