

State Prevailing Wage Laws Reduce Racial Income Gaps in Construction: *Impacts by Trade, 2013-2015*



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Executive Summary

Despite acknowledging that state prevailing wage laws increase the incomes of blue-collar construction workers, critics of the laws dubiously claim that they have discriminatory effects— particularly against African-American workers. This report, authored jointly by the Illinois Economic Policy Institute (ILEPI) and Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign, critically evaluates the impact of state prevailing wage laws on workers across different racial or ethnic identities in the United States. State prevailing wage laws are an important solution to racial inequality and overall inequality, boosting take-home incomes while having no negative impact on employment opportunities for underprivileged groups.

State prevailing wage laws benefit African-American construction workers.

- Prevailing wage has no empirical effect on African-American participation and employment in the construction trades.
- African Americans experience a 24 percent increase in annual take-home pay, on average, due to prevailing wage— larger than the effect on their white counterparts (17 percent).
- An African-American worker in blue-collar construction workers earns 74 cents, on average, for every dollar earned by a comparable white (non-Latino) construction worker in states without prevailing wage laws and 88 cents, on average, in states with prevailing wage laws.
- The income gap between African-American construction workers and white construction workers is 53 percent lower in states with prevailing wage laws (12 cents on the dollar) than in states without prevailing wage laws (26 cents on the dollar).
- A more advanced statistical analysis finds that prevailing wage reduces the income gap between white construction workers and African-American construction workers by about 7 percentage points.

Prevailing wage laws help all blue-collar workers earn middle-class incomes in construction.

- Prevailing wage increases annual incomes by 31 percent for ironworkers, 25 percent for operating engineers, 19 percent for electricians, and 17 percent for plumbers and pipefitters.
- Construction workers in states with prevailing wage laws earn between \$1,800 and \$12,000 more per year than similar workers in states without prevailing wage laws.
- State prevailing wage laws improve annual blue-collar construction worker incomes by between 4 and 25 percent, relative to the average middle-class income in the U.S. economy.

Prevailing wage stabilizes minimum wage and benefit standards on public construction projects— benefiting all workers regardless of race or construction trade. As long as they can do the work, all workers with the same level of skill proficiency performing the same job duties with the same equipment must be paid the same prevailing wage and benefits package— no matter their race or gender or any other demographic characteristic unique to the individual. State prevailing wage laws level the playing field for contractors, preventing them from paying less than the local living wage to any group of workers. As a result, state prevailing wage laws raise the incomes of underprivileged groups and reduce overall inequality without having negative impacts on participation in the trades. State prevailing wage laws reduce discrimination in construction.