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## Lucci: Construction season means high costs for Illinois taxpayers

By Michael Lucci Apr 19, 2017



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As warm weather ushers in a new construction season, Illinois governments can advance critical infrastructure projects.

But public policy makes construction especially expensive for public works projects, and causes unfair outcomes for minority workers.

Illinois' construction laws are outdated. Two issues in particular – prevailing wage law and workers' compensation – are largely to blame. These policies drive up taxpayer construction costs and drive minorities out of work.

Here's how it goes.

First, Illinois' prevailing wage law mandates high union wages on public construction projects. Prevailing wage laws emerged from the Great Depression, and are tainted because they drive up taxpayer costs and were enacted for racist reasons.

These laws still have racist effects. Illinois' prevailing wage law gives unions an unfair advantage, making it difficult for minority workers to compete for construction work.

Perhaps not surprisingly, Illinois has the highest black unemployment rate in the U.S.

The next construction cost driver is Illinois' workers' compensation law.

Workers' comp insurance covers the wages and medical benefits of injured workers. But Illinois' law is written to maximize the profits of special interests.

Workers' compensation increases construction costs and often traps injured workers in a harmful system. Special interests – including some trial lawyers and medical providers – have rigged Illinois' system to turn injured workers into profitable commodities.

Injured workers become special interest profits when injuries are prolonged to boost settlements, unnecessary drugs are prescribed for financial gain, and medical care programs are designed to focus on especially profitable procedures.

To understand how this impacts taxpayers, consider a construction laborer in Cook County.

Illinois' prevailing wage law mandates an hourly wage of \$38 for laborers in Cook County. On top of that are \$13.78 per hour for health and wellness and \$10.12 per hour for pensions. That adds up to a package of \$61.90 per hour for public works laborers in Cook County. Similar rates exist across the state.

Yet the average hourly wage is \$26.90 for a laborer in Cook County, according to federal data. The prevailing wage rate is 40 percent above the average wage.

Illinois' prevailing wage law mandates a nearly 40 percent premium above what federal sources say is normal across covered occupations.

Union officials argue that a high prevailing wage mandate attracts productive workers. But the trade-off between productivity and wage rates should be decided through competitive bidding, not through government mandates. Neighboring states agree – Indiana, Wisconsin and Kentucky have recently repealed their prevailing wage laws, while Illinois continues spending billions each year at the inflated union rate.

Illinois' workers' compensation law tacks on still more costs, especially compared to surrounding states.

Insurance premiums cost 20 percent of payroll for concrete construction workers in Illinois, according to 2016 data from the State of Oregon. The same insurance premium averages less than 9 percent of payroll in surrounding states. In Indiana, it's less than 5 percent of payroll.

These two policies cost taxpayers hundreds of millions of dollars each year in extra construction costs. They also have an unfair effect on minority workers.

Research from economists Lawrence Katz from Harvard and Daniel Kessler from Stanford shows that prevailing wage laws slash the wages and job opportunities for black construction workers.

In fact, one of the historical reasons for passing prevailing wage laws was to keep black workers off the job. Even today, fewer minority workers belong to trade unions, and prevailing wage laws are an obstacle to minority contractors that pay lower wages. Yet Illinois lawmakers are strangely protective of Illinois' prevailing wage law. Indiana, Wisconsin and Kentucky lawmakers recently decided these laws are unfair.

Construction season should bring hope and a sense of economic opportunity for Illinoisans. But because of state laws, both taxpayers and minority workers are treated unfairly.

Before next construction season rolls around, lawmakers should fix these laws. Taxpayers deserve a fair price for public projects, and minority workers deserve a fair chance at construction work.

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