

Prevailing Wage and Military Veterans in Wisconsin:

Applied Policy Brief



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Applying results from a first-of-its-kind national study, this Policy Brief estimates the impact that prevailing wage has had on military veterans working in Wisconsin’s construction industry. The national study, *The Impact of Prevailing Wage Laws on Military Veterans: An Economic and Labor Market Analysis*, was commissioned by VoteVets.org in May 2016 (Manzo et al., 2016a).

Veterans are more likely to work in construction than non-veterans. Nationally, veterans account for 5.8% of the overall workforce but comprise 6.9% of all blue-collar construction workers. In Wisconsin, veterans make up an even larger share of the construction workforce. Approximately 8.3% of all blue-collar construction workers in Wisconsin are military veterans, in line with neighboring states but well above the 6.9% U.S. average. Any given construction worker is 2.8 percentage-points more likely to be a military veteran than another individual in the overall Wisconsin economy.

State	Veteran Share of All Workers	Veteran Share of Construction Workforce	Difference: 2012
Minnesota	4.94%	9.58%	+4.64%
Michigan	5.27%	8.43%	+3.16%
Iowa	5.46%	8.40%	+2.94%
Wisconsin	5.48%	8.30%	+2.82%
Illinois	4.51%	7.39%	+2.88%
<i>United States</i>	<i>5.78%</i>	<i>6.86%</i>	<i>+1.08%</i>

Source(s): Ruggles et al., 2015.

Construction and extraction occupations are expected to offer additional career opportunities for Wisconsin’s workers—veteran and nonveteran alike. Construction and extraction jobs are projected to be the second-fastest growing occupation in the state. By 2022, construction and extraction occupations will increase by 15.0%, adding 14,600 new jobs. This growth far exceeds projected employment growth in all occupations (7.1%).

Rank	Fastest-Growing Major Occupations in Wisconsin	Growth: 2012-2022
<i>WI</i>	<i>Total</i>	<i>7.1%</i>
1	Legal	16.1%
2	Construction and Extraction	15.0%
3	Healthcare Practitioners	14.8%
4	Healthcare Support	13.3%
5	Personal Care and Service	12.8%
6	Building Cleaning and Maintenance	12.5%
7	Computer and Mathematical	11.7%
8	Business and Financial Operations	8.5%
9	Management	8.4%
10	Life, Physical, and Social Sciences	8.3%

Source(s): Wisconsin DWD, 2016.

The U.S. military has responded to these employment projections through the United States Military Apprenticeship Program (USMAP), which now accounts for 21.4% of all

registered apprentices in the country. The typical construction apprenticeship through USMAP requires 8,000 hours of both classroom time and on-the-job training. As the construction industry grows and replaces retiring workers, apprentices from the military will become an increasingly important source of skilled construction labor.

Wisconsin veterans who return home to become blue-collar construction workers and open construction companies have benefited substantially from prevailing wage. Prevailing wage protects local construction standards and ensures that blue collar construction workers earn livable wages that reflect the markets in the communities where they live. By taking labor costs out of the equation, prevailing wage incentivizes contractors to compete efficiently over other factors—such as worker productivity, materials costs, technological advances and proficiencies, management practices, and profit margins. By preventing governmental units from undercutting privately-negotiated local wages, prevailing wage creates a level playing field for local businesses competing with out-of-area or foreign bidders.

More than 75% of recent, peer-reviewed academic studies have concluded that prevailing wage laws do not increase the total cost of construction (Duncan et al., 2014; Duncan, 2011; Mahalia, 2008). An independent report from the Wisconsin Legislative Fiscal Bureau (Horton, 2015) provides the following summary of the economic research on prevailing wage:

“[T]he evidence on prevailing wage effects generally range from relatively small effects to no statistically significant effects. ... These findings echo a 2007 report prepared by the nonpartisan Minnesota Office of the Legislative Auditor which ... concluded that while some studies found a small impact on costs, more comprehensive studies have found that the impact is not statistically significant.”

Despite this academic consensus, Governor Scott Walker signed the 2015-17 State Budget into law in July 2015. The 2015-17 Budget Bill made significant changes to prevailing wage in Wisconsin. Act 55 of the bill repeals the state prevailing wage law for local governmental units and municipalities. These changes will take effect on January 1, 2017. After the change, state agency and state highway public work projects are the only projects in Wisconsin where prevailing wage rates will apply.

Veterans in Wisconsin’s construction industry will be negatively affected by Wisconsin’s 2015-17 Budget Bill. Blue-collar construction occupations will become less attractive

because the middle-class careers will be converted into low-wage, low-benefit jobs. Gutting prevailing wage in Wisconsin will lower the annual incomes of veteran blue-collar construction workers by between 7% and 11%, reduce employer-provided health coverage by 11% to 15% for veterans in construction, and increase the poverty rate for veterans working in construction (Manzo et al., 2016a).

Construction companies are more likely to be owned by veterans than non-construction businesses in Wisconsin. Economic data reveals that 10.1% of all construction firms with paid employees in Wisconsin are owned by veterans. By contrast, veteran business owners only account for 7.3% of non-construction companies throughout the state, a 2.8 percentage-point difference. The higher veteran share in construction means that the prevailing wage changes of January 2017 will have disproportionate impacts on veteran owners.

Wisconsin County: 2014	Estimated Veterans Employed in Blue-Collar Construction Occupations
Dane	900
Milwaukee	500
Racine	300
Kenosha	200
Brown	200
Rock	200
Waukesha	200
La Crosse	200
Outagamie	100
Marathon	100
All Other Counties	6,000

Source(s): Ruggles et al., 2014.

These negative economic impacts will have broader effects that are addressed in other economic research (Manzo et al., 2016b; Duncan & Lantsberg, 2015; Philips, 2015; Kelsay, 2015). For veterans specifically, repeal of prevailing wage will reduce earnings and shrink consumer demand, resulting in fewer dollars spent in local economies at grocery stores or on health services or on buying new homes. As the productivity of veterans working in construction falls, the number of veterans that rely on government assistance programs will increase. The net result is millions of dollars in new taxpayer costs, and— due to lower income and sales tax revenues— fewer public dollars to pay for them.

In fact, these predictions generally align with a previous forecast on the impact of repealing prevailing wage in Wisconsin. In *How Weakening Wisconsin's Prevailing Wage Policy Would Affect Public Construction Costs and Economic Activity*, researchers from the Colorado State University— Pueblo and Smart Cities Prevail estimated that weakening Wisconsin's prevailing wage law would shrink the state's gross domestic product by \$1.2 billion per year and reduce state and local tax revenues by \$39.4 million annually. These changes would also cause a drop in apprenticeship training and result in economic inefficiencies (Duncan & Lantsberg, 2015). As this Policy Brief has shown, veterans are one group that would be disproportionately affected by these changes, accounting for as much as \$113 million of the net loss in economic output.

There are significant costs to gutting prevailing wage for Wisconsin's veterans. Weakening prevailing wage standards reduces the attractiveness of employment in a construction occupation for veteran workers. By reducing the number of veterans with employer-provided health insurance, worsening veteran poverty, and shrinking the market share of veteran-owned construction companies, the January 2017 changes will increase burdens on taxpayers while reducing the incomes of veteran workers who served their country. Reversing the January 2017 changes or strengthening prevailing wage in Wisconsin, on the other hand, would promote a middle-class, self-sufficient lifestyle for veterans choosing to work in construction.

Veteran-Owned Share of Businesses	Share: 2012
Construction Firms with Paid Employees	10.09%
Non-Construction Firms with Paid Employees	7.29%
Difference in Veteran Share of Businesses	+2.79%

Source(s): Authors' analysis of Census, 2015.

The cumulative economic impacts of weakening prevailing wage on military veterans working in construction are presented in full below. An estimated 2,000 blue-collar veterans are expected to separate from their jobs in Wisconsin's construction occupations due to the prevailing wage changes. Additionally, the total income of all veterans employed in construction jobs will decline by \$113 million, approximately 400 veterans will lose their employer-provided health plan, and about 200 veteran workers will fall into poverty by 2018.

Economic Impacts of Weakening Prevailing Wage on Veterans	Current Value	Projected Value	Change: By 2018
Employed as Blue-Collar Construction Worker	8,900	6,900	-2,000
Total Wage and Salary Income	\$405 million	\$292 million	\$113 million
Total without Health Insurance Coverage	3,300	3,700	+400
Total Earning Less than the Official Poverty Line	200	400	+200

Source(s): Authors' analysis of Ruggles et al., 2015.

Some counties will have more affected veterans than others. Dane County and Milwaukee County are both home to over 500 Wisconsin veterans working in construction (approximately 16.1% of all veterans in construction occupations in the state). Racine County, Kenosha County, Brown County, Rock County, Waukesha County, and La Crosse County all have between 200 and 300 military veterans working as blue-collar construction workers. At least 100 veteran construction workers also live in Outagamie County and Marathon County.

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