

# The Effects of Repealing Common Construction Wage in Indiana

## Impacts on Ten Construction Market Outcomes



By Frank Manzo IV, MPP and Kevin Duncan, Ph.D. | January 2018

### Executive Summary

On July 1, 2015, Indiana lawmakers completely repealed Common Construction Wage, which was a minimum wage that supported blue-collar construction workers employed on public construction projects. Repeal of Common Construction Wage has led to a host of negative impacts on workers and the construction industry— including lower wages and more income inequality— while failing to deliver any meaningful cost savings or increased bid competition promised by those in favor of repeal.

Actual economic data reveal that:

1. Repeal decreased the wages of blue-collar construction workers by 8.5 percent, on average.
2. Repeal decreased the wages of the lowest-paid construction workers by 15.1 percent, contributing to greater wage inequality in construction.
3. Repeal was statistically associated with a 4.5 percentage-point increase in the share of workers in construction occupations without a high school diploma or equivalent.
4. The share of construction workers who are military veterans fell by 1.2 percentage points post-repeal.
5. Construction worker productivity growth was 5.3 percentage-points slower in Indiana than in neighboring Midwest states following repeal.
6. Relative worker turnover increased by 1.2 percentage points in Indiana's heavy and highway construction sector following repeal.
7. Employment growth in public works construction was 1.5 percentage-points slower in Indiana than in neighboring Midwest states following repeal, and evidence suggests that repeal has resulted in more out-of-state workers employed on public projects in Indiana.
8. The average number of bidders on public projects in northern Indiana was 3.0 before repeal and 2.9 after repeal.
9. Common Construction Wage did not favor union contractors, as the union share of northern Indiana's public construction market stayed the same or even increased following repeal.
10. Repeal had no statistical impact on the average cost per public school project in northern Indiana.

**State Representative Ed Soliday, Assistant Republican Floor Leader in the Indiana House of Representatives, put it best when he testified that, “[w]e got rid of prevailing wage and so far it hasn’t saved a penny.”**

These effects contrast starkly with the claims made by those who opposed Common Construction Wage:

- “We’ve heard testimony in committee and I’ve seen studies that show it could save somewhere between 10 and 20 percent on public works projects.” –Indiana State Representative Jerry Torr (R-Carmel).
- “We can maintain high standards for government contractors without relying on ‘artificially determined’ wages that don’t truly reflect the local market.” –Indiana State Senator Carlin Yoder (R-Middlebury).
- “When the Indiana Senate voted today to repeal the Common Construction Wage, they put taxpayers first, providing much-needed relief to cash-strapped local governments and schools.” –Vice President (then-Governor) Mike Pence.

Repeal has had negative consequences for Indiana. Blue-collar construction worker wages have been cut and lesser-educated individuals have replaced high-skilled workers, contributing to higher turnover rates and lower per-worker productivity levels. Contractor competition has not increased for bids on public construction projects and public school construction costs have not decreased. Ultimately, repeal of Common Construction Wage has not saved taxpayers any money and, in fact, has had negative effects on construction market outcomes in Indiana.