

Blue-Collar Construction Worker Wages Fell After Indiana Repealed Its Prevailing Wage Law

By Frank Manzo IV, M.P.P. | Midwest Economic Policy Institute | May 10, 2021

A May 6, 2021 article by the Mackinac Center for Public Policy titled “Do Construction Wages Fall after Ending a Prevailing Wage Mandate?” claims that the repeal of Indiana’s prevailing wage law, called Common Construction Wage, in July 2015 was a “win-win” for workers. The author reaches this conclusion primarily by looking at average weekly wages for workers in the construction industry using data from the Quarterly Census of Economics and Wages.

However, the author’s analysis suffers from six (6) significant flaws.

1. **The author only looks at Indiana.** The author fails to put the data in context, comparing and contrasting Indiana with neighboring states that maintained their prevailing wage laws (such as Illinois and Ohio) or to the United States. If construction earnings increased faster in Illinois and Ohio than in Indiana, then repeal of Common Construction Wage likely had a negative impact on worker earnings.
2. **The author only looks at the construction industry.** The author again fails to compare and contrast construction workers in Indiana to their counterparts in the rest of the economy. The author seems to think adjusting the data using the Consumer Price Index is sufficient, but the relevant comparison is not to inflation – it is to the rise in average wages for all workers in Indiana. Did construction workers in Indiana fall behind machinists, firefighters, and lawyers in Indiana?
3. **The author does not look at construction *occupations* – the workers directly affected by prevailing wage standards.** The author focuses on the construction industry, which includes white-collar professionals (such as architects, engineers, and office workers) who are employed in the sector but who are unaffected by prevailing wage standards. Prevailing wage only directly impacts workers in the blue-collar construction trades.
4. **The author does not account for any other factors that may influence the results.** These include worker demographics, educational attainment, and whether the workers are located in cities, suburbs, or rural areas. The author critiques regression analyses, which are the most common statistical tool used in economic analysis, and fails to deliver a model of his own. He also does not consider that Indiana passed [House Enrolled Act 1002](#) in 2017, which increased the gas tax by 10 cents per gallon to invest \$1 billion in transportation infrastructure and may have contributed to both employment growth and earnings growth for construction workers.
5. **The article is at odds with peer-reviewed economic research.** This includes a recent [academic study](#) that shows that repeal of prevailing wage is associated with a 2% to 4% decrease in earnings and an 11% to 16% decrease in benefits for construction workers.
6. **Finally, the author fails to look at the impact of Common Construction Wage repeal on other construction market outcomes.** Importantly, he does not investigate whether repeal of Common Construction Wage saved taxpayers any money on public construction projects. The [preponderance of the economic research](#) finds that prevailing wage laws have no impact on the cost of public works construction projects.

Instead, the author *could* have utilized [Occupational Employment and Wage Statistics \(OEWS\)](#) from the Bureau of Labor Statistics at the U.S. Department of Labor. While this analysis would not account for other factors, it would isolate the impact on blue-collar construction and extraction workers, thereby improving the credibility of the findings. Data can be assessed for May 2015, which was just two months prior to repeal in Indiana, and either May 2019 or May 2020 (during the COVID-19 pandemic).

Using the more-appropriate OEWS dataset to evaluate how earnings have changed for directly-impacted workers since repeal reveals that the average wages of workers in construction and extraction occupations increased by 5% in Indiana from the repeal of Common Construction Wage up until 2019. However, average hourly earnings grew *faster* in bordering Illinois and Ohio, both of which have state prevailing wage laws. The wages of blue-collar construction and extraction workers grew by 13% in Illinois and 11% in Ohio. Nationally, blue-collar construction and extraction workers saw their hourly earnings increase by nearly 11% as well. Put simply, Indiana’s blue-collar construction tradespeople fell behind.

FIGURE 1: AVERAGE HOURLY WAGES OF CONSTRUCTION AND EXTRACTION WORKERS AND ALL WORKERS, PRE-REPEAL (MAY 2015) VS. POST-REPEAL (MAY 2019) AND INDIANA VS. COMPARISON STATES

Average Hourly Wages, 2015-2019				
Workers in Construction and Extraction Occupations	Indiana	Illinois	Ohio	United States
May 2015	\$23.57	\$29.36	\$22.43	\$22.88
May 2019	\$24.75	\$33.14	\$24.81	\$25.28
Growth: 2015-2019	+5.0%	+12.9%	+10.6%	+10.5%
Workers in All Occupations	Indiana	Illinois	Ohio	United States
May 2015	\$20.23	\$24.02	\$21.52	\$23.23
May 2019	\$22.49	\$26.51	\$23.76	\$25.72
Growth: 2015-2019	+11.2%	+10.4%	+10.4%	+10.7%

Source: Occupational Employment and Wage Statistics from the Bureau of Labor Statistics at the U.S. Department of Labor, available at <https://www.bls.gov/oes/tables.htm>

Indiana’s construction workers also fell behind relative to the rest of the state. While blue-collar construction and extraction workers saw their hourly wages rise by just 5% from May 2015 to May 2019, the average wage for all Indiana workers grew by 11%. Hourly earnings also grew by between 10% and 11% for all workers in Illinois, in Ohio, and in the United States as a whole.

FIGURE 2: DIFFERENCE-IN-DIFFERENCES RESULTS OF AVERAGE HOURLY WAGES FOLLOWING REPEAL (UP TO 2019)

Average Hourly Wages: Difference-in-Differences, 2015-2019				
Relative Changes	Indiana	Illinois	Ohio	United States
Difference: Construction and Extraction Occupations vs. All Occupations	-6.2%	+2.5%	+0.2%	-0.2%
<i>Difference-in-Differences: Indiana vs. Comparison Geographies</i>		-8.7%	-6.4%	-5.9%

Source: Occupational Employment and Wage Statistics from the Bureau of Labor Statistics at the U.S. Department of Labor, available at <https://www.bls.gov/oes/tables.htm>

These changes can be used in a “difference-in-differences” analysis – a basic economic technique that the Mackinac Center for Public Policy author failed to utilize. Indiana’s construction and extraction workers experienced an average hourly wage growth of 5% during the post-repeal period. Their Hoosier counterparts saw an 11% wage growth. The difference of -6% means that Indiana’s blue-collar construction and extraction workers fell behind their peers within Indiana. But blue-collar construction workers across the border in Illinois experienced a 13% increase in average hourly earnings, while their counterparts in all other occupations saw a 10% increase. This difference of +3% means that Illinois’ blue-collar construction workers did better than the rest of Illinois. The Indiana difference (-6%) minus the Illinois difference (+3%) means that average worker wages grew 9% slower for Indiana’s construction

workers relative to Illinois' construction workers. This corroborates previous research that shows [repeal of Common Construction Wage resulted in an 8% drop](#) in construction worker wages in Indiana. The difference-in-differences results amount to 6% slower wage growth for construction and extraction workers in Indiana compared to Ohio, another state with a prevailing wage law, and compared to the national average.

Even including data through the COVID-19 pandemic in May 2020, the takeaway is unchanged. While the rise in average wages for all occupations is artificially inflated by the loss of jobs for low-wage workers in face-to-face occupations (such as restaurant and hotel workers) during the pandemic, the data nevertheless shows that construction and extraction workers in Indiana have experienced a significantly slower rate of earnings growth relative to their counterparts in Illinois and Ohio since Indiana repealed its Common Construction Wage law. They have also not grown as fast for construction and extraction occupations as they have for all other workers in the state.

FIGURE 3: AVERAGE HOURLY WAGES OF CONSTRUCTION AND EXTRACTION WORKERS AND ALL WORKERS, PRE-REPEAL (MAY 2015) VS. POST-REPEAL (MAY 2020) AND INDIANA VS. COMPARISON STATES

Average Hourly Wages, 2015-2020				
Workers in Construction and Extraction Occupations	Indiana	Illinois	Ohio	United States
May 2015	\$23.57	\$29.36	\$22.43	\$22.88
May 2020	\$25.05	\$33.86	\$25.55	\$25.93
Growth: 2015-2020	+6.3%	+15.3%	+13.9%	+13.3%
Workers in All Occupations	Indiana	Illinois	Ohio	United States
May 2015	\$20.23	\$24.02	\$21.52	\$23.23
May 2020	\$23.39	\$27.92	\$24.77	\$27.07
Growth: 2015-2020	+15.6%	+16.2%	+15.1%	+16.5%

Source: Occupational Employment and Wage Statistics from the Bureau of Labor Statistics at the U.S. Department of Labor, available at <https://www.bls.gov/oes/tables.htm>

In fact, since repeal, relative blue-collar construction worker earnings have grown **8% slower** in Indiana than in Illinois and Ohio, two bordering states that maintained their prevailing wage laws. Contrary to the article by the author at the Mackinac Center for Public Policy, the economic data continue to *confirm* – not reject – the January 2018 study by the Midwest Economic Policy Institute, which found that repeal decreased the wages of blue-collar construction workers by an average of 8%.

FIGURE 4: DIFFERENCE-IN-DIFFERENCES RESULTS OF AVERAGE HOURLY WAGES FOLLOWING REPEAL (UP TO 2020)

Average Hourly Wages: Difference-in-Differences, 2015-2020				
Relative Changes	Indiana	Illinois	Ohio	United States
Difference: Construction and Extraction Occupations vs. All Occupations	-9.3%	-0.9%	-1.2%	-3.2%
<i>Difference-in-Differences: Indiana vs. Comparison Geographies</i>		-8.4%	-8.1%	-6.1%

Source: Occupational Employment and Wage Statistics from the Bureau of Labor Statistics at the U.S. Department of Labor, available at <https://www.bls.gov/oes/tables.htm>

It is true that employment in construction and extraction occupations has increased in Indiana relative to neighboring states. Prior to repeal, there were 111,770 Indiana workers employed in construction and extraction occupations, accounting for 3.8% of total employment. Post-repeal, the 127,000 construction

and extraction workers represented 4.1% of total employment in Indiana in 2019. The construction and extraction share of the total workforce has grown 0.3% faster in Indiana than Illinois, 0.2% faster in Indiana than in Ohio, and 0.1% faster in Indiana than in the United States. Once again, however, the increase in construction employment may be due to the [Next Level Roads](#) infrastructure bill that was passed in Indiana in 2017. Illinois, for example, did not pass its own [Rebuild Illinois](#) infrastructure package until 2019.

FIGURE 5: CONSTRUCTION AND EXTRACTION OCCUPATIONS AS A SHARE OF TOTAL EMPLOYMENT, PRE-REPEAL (MAY 2015) vs. POST-REPEAL (MAY 2019) AND INDIANA vs. COMPARISON STATES

Construction and Extraction Occupations as a Share of Total Employment, 2015-2019				
Year and Change	Indiana	Illinois	Ohio	United States
2015	3.8%	3.1%	3.3%	4.0%
2019	4.1%	3.1%	3.4%	4.2%
Growth: 2015-2019	+0.3%	+0.1%	+0.1%	+0.2%
<i>Difference: Indiana vs. Comparison Geographies</i>		+0.3%	+0.2%	+0.1%

Source: Occupational Employment and Wage Statistics from the Bureau of Labor Statistics at the U.S. Department of Labor, available at <https://www.bls.gov/oes/tables.htm>

Repeal of Common Construction Wage had negative consequences for blue-collar construction workers in Indiana. Repeal [resulted in](#) slower productivity growth, more worker turnover, and [zero savings for taxpayers](#). In general, the [same effects occurred in West Virginia](#), as [Governor Jim Justice recently admitted](#). And yes, the wages of the skilled construction workers in Indiana who were directly impacted by the policy change have grown significantly slower than their counterparts in other states. This means that repeal of Common Construction Wage resulted in about 8% lower wages for blue-collar construction workers in Indiana than they *would have* earned had the policy not been repealed. In other words, repeal of prevailing wage decreased the earnings of blue-collar construction workers in Indiana.

The naïve Mackinac Center for Public Policy article should be disregarded and discarded.