

Illinois Prevailing Wage Trumps Area-Wide Union Contracts & Underlying U.S. DOL Apprenticeship Programs re: Fringe Benefits for Apprentices

Labor & Employment Law Update

By Jeffrey Risch on September 3, 2025

Governor Pritzker recently signed yet another amendment to the Illinois Prevailing Wage Act ("IPWA"). While this latest change does not directly impact non-union/merit shop contractors, it does have *an immediate impact on certain union signatory contractors*. Courtesy of HB2488, effective June 30, 2025 forward, all contractors must ensure that their apprentices are paid full journeyworker fringe benefits—REGARDLESS OF THE TERMS IN THE UNDERLYING PREVAILING UNION CONTRACT.

Contractors Formerly Looked to U.S. Department of Labor Apprenticeship Training Programs & Prevailing Area-Wide Union Contracts to Establish Pay for Apprentices

Historically, the Illinois Department of Labor ("IDOL") has permitted all contractors to pay its bona fide apprentices, who are registered with the U.S. Department of Labor ("U.S. DOL"), to pay a lower apprentice hourly wage *and fringe benefit scale* established by the underlying apprenticeship training program and (if applicable) prevailing union contract. Some unions allowed their signatory contractors to pay a discounted hourly rate and a lower fringe benefit package. While HB2488 does not disrupt IDOL's practice of permitting a discounted HOURLY RATE, it does prevent IDOL from applying any established discounts to the hourly FRINGE BENEFIT package. NOTE: To my knowledge, no such discount exists in the "non-union world" except as to the hourly wage rate.

HB2488 Creates an Unexpected Burden for Contractors

There's a bit of irony here: One of the governor's first official acts in 2019 was to ensure wages *and fringe benefits* under the IPWA would be no less than the prevailing rate under the prevailing and dominant local area-wide union construction contract. Despite this, there is now a new carve-out to this mandate.

It requires the prevailing wage rate to ignore any language in such contracts that allows the union signatory contractor to make a discounted contribution into fringe benefit funds for bona fide union apprentices.

In short, union signatory contractors who have signed onto or negotiated contracts with representative trade unions have just seen the terms agreed to become null and void under the new statutory change. On all projects covered under the IPWA, contractors are now forced to pay their apprentices the full fringe benefit package without taking any discount that is otherwise permissible under their negotiated union contract and union-sponsored apprenticeship training program.

What Stays the Same Under HB2488

Again, this change only impacts the fringe benefits portion of the prevailing wage rate—the hourly discounted rate for bona fide U.S. DOL registered apprentices still applies from all accounts. Further, under federal Davis-Bacon prevailing wage mandates, the underlying apprenticeship program and union contract will continue to affect the rates on federal prevailing wage projects.

How Union Contractors Should Proceed

Of course, now the question begs... How exactly does the union contractor remit payment to the applicable fringe benefit funds if the collective bargaining agreement doesn't reflect the prevailing wage obligations now in place? The immediate answer is that *all impacted union contractors need to discuss this issue with their unions and thoroughly examine their union contract(s) to ensure there's no existing language that already accounts for this scenario*. The issue comes down to the union contractor being able to make the full contribution or having to apply the value in a cash payment to the worker. As a reminder, contractors may choose to pay any shortfall on their fringe benefit obligation onto the worker's hourly base rate—but, this may have an impact on overtime premium rates.

The Bottom Line: A More Complicated IPWA

There's a lot to consider and digest with this recent change. Also, in light of the many amendments to Illinois' notorious prevailing wage law, ALL contractors need to fully understand how to comply with all aspects of the IPWA. Unfortunately, it's become even more confusing and complicated. Signatory union contractors must evaluate the impact of this new change with competent legal counsel.

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