



Stretch taxpayer dollars and promote equality in government: Repeal the prevailing wage

By F. Vincent Vernuccio

On Sept. 14, organizers to repeal Michigan's prevailing wage law submitted almost 400,000 signatures to the state elections bureau.

The 50-year old law requires bidders for construction contracts with state and local governments and schools to pay union-scale wages. It also requires these companies to abide by myriad Byzantine requirements for job classifications and reporting.

Prevailing wage artificially increases the cost of taxpayer-backed construction contracts. A recent study by the Anderson Economic Group estimates that "Michigan's prevailing wage law has increased the financial obligation for education construction by an average of \$127 million per year for the last 10 years." Education-related construction and repair costs for local governments during the period 2003 – 2012 could have been about \$1.3 billion lower without prevailing wage, according to the report.

Timeforrepeal.com, a website published by the Associated Builders and Contractors of Michigan, details the cost to individual schools districts in Michigan. According to the website, Michigan could have built hundreds of "brand new, average sized elementary schools with the money that was lost to prevailing wage."

Earlier this year, both Wisconsin and Indiana considered the problems with their own prevailing wage laws — and repealed them. In 1996, Ohio exempted school construction from a prevailing wage requirement; in a 2002 report, the Ohio Legislative Service Commission said the state saved 10.7 percent on school projects as a result.

Michigan is something of an anomaly in the country when it comes to prevailing wage. Eighteen states do not have any prevailing wage law (federal law would apply to federally funded projects). Of the remaining states, only six calculate the wage as Michigan does, which is to only look at union contracts and not all wages in the geographic area of the project.

Almost 80 percent of the construction industry in Michigan is nonunion. Despite its name, the prevailing wage is not the wage most frequently paid, since it is based on data from — at most — only one-fifth of the contracts in the state. That puts the other four-fifths of construction workers at a disadvantage by favoring the small minority of unionized firms.

continued on back

Summary

Michigan's prevailing wage requirement puts the vast majority of construction firms in the state at a disadvantage when it comes to bidding on public projects, and raises costs for taxpayers. Schools and other government agencies would benefit from a repeal of the requirement.

Main text word count: 706



Michigan's prevailing wage requirement shuts many construction workers out of publicly funded projects and raises costs for taxpayers.

According to data cited by The Detroit News there are over 350,000 different wage classifications for Michigan's prevailing wage, creating what the news outlet calls "a construction company's red tape nightmare."

Considering that Michigan has roughly 150,000 construction workers, there are over two job classifications in prevailing wage law for each worker. Construction companies must monitor workers on prevailing wage projects to make sure they comply with the law. This may mean that the same worker may get paid several different rates on the same job depending what work he is doing. Monitoring and complying with the several pay rates increases costs for the employer and, as a result, the taxpayer.

Companies and as a result taxpayers are paying more to simply comply with prevailing wage regulations; the extra money spent on compliance is not used to actually increase wages.

The law was suspended for two and a half years in the mid-1990s. During this period, economics professor Richard Vedder estimates, more than 11,000 new jobs were created as a result.

Prevailing wage's close linkage to collective bargaining may be driving jobs out of state. Under state law, 50 percent of people working on state construction contracts must be Michigan residents. According to the Michigan Department of Technology, Management, and Budget, the requirement is waived for employees of companies with collective bargaining agreements. So the very firms the law benefits are exempt from Michigan hiring requirements, meaning they can import out-of-state workers to do Michigan jobs.

Legislative approval of the petition language may happen this fall; if it does, the measure would bypass the need for Gov. Rick Snyder's signature and automatically become law. If the Legislature does not give its assent, voters will decide in the November 2016 election.

The governor reportedly made a backdoor deal with unions to oppose a repeal in exchange for organized labor's backing of the disastrous spring ballot proposal for a tax hike for roads and a bevy of other issues.

Repealing the prevailing wage burden will save taxpayers money, result in more jobs, make new schools more affordable and level the playing field for the vast majority of construction workers in the state.

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