

# The Prevailing Wage Act of 1965: Good for Michigan

The Michigan Prevailing Wage Act of 1965 was based on the federal Davis-Bacon Act of 1931, which was named for the two Republican lawmakers who were its sponsors. At the time the clear intent of the law was to ensure that local labor was performed by local workers, not by a low-wage workforce brought in to undercut area wage standards.

Michigan's Prevailing Wage law was established under the same principles: To prevent low-wage, unskilled workers from undercutting an area's wage standard, to maintain quality workmanship on state-sponsored construction projects and to assure the strength of local economies by keeping local tax dollars re-circulating in the economy.

Over the years, other detractors have claimed repeal would save taxpayers as much as 30 percent. Testimony by the Mackinac Center for Public Policy before a state House subcommittee suggested 10-15 percent savings. Generally labor represents 25 percent of the cost of a construction project. At 10-15 percent savings, construction workers would have to work for about half their wage in order for taxpayers to realize those savings, which is highly unlikely.

There is ample real-world evidence from several studies that repealing prevailing wage laws don't providing savings to taxpayers. One study looked at three states. The state of Kentucky adopted a prevailing wage law for school construction in 1996. Ohio repealed its prevailing wage law for public school construction in 1997. And, a court ruling temporarily suspended the Michigan Prevailing Wage Act from 1994-1997, making our state a "poster child" for study prevailing wage repeal, because we had it, lost it, and regained it, ac-

ording to a study by University of Utah Professor Peter Phillips.

"A study of the construction of 391 schools in these three states, half built under prevailing wage laws and half not, **found no meaningful or statistically significant difference** in the cost of construction," Phillips wrote. Furthermore, he said construction at 4,000 schools across the nation were similarly examined, and he got the same result: no statistical difference in costs whether prevailing wage was applicable or not.

Furthermore, a 1998 study by State University at New York Professor Mark Prus examined how a prevailing wage law, or lack of a law in six East Coast states, affected school construction costs. **"I concluded that prevailing wage laws had no impact and that cost variances were caused by other factors, such as (project) size and cost of materials,"** Prus wrote.

Numerous other studies and papers on prevailing wage show that repeal isn't all it's cracked up to be. Republicans in Congress understand the benefits of prevailing wage. On Feb. 19, 2011, a Davis-Bacon repeal amendment, offered by Congressman Steve King (R-IA), was defeated by a vote of 189-233, with 48 Republican members joining 185 Democrats in opposing the King Amendment.

The threat of undermining local wage standards is as real today as it was in 1931. Without a prevailing wage on which to base their bidding, contractors will be tempted to under-bid others by employing a lower-cost, out-of-state workforce, and oftentimes, an undocumented workforce that doesn't pay taxes.

Keeping Michigan's Prevailing Wage Act is a good idea in a variety of ways.

