

## WHY KEEP MICHIGAN'S PREVAILING WAGE?

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The Michigan prevailing wage is under attack. Following swiftly on their 1998 election successes, an obliging Governor and ill-informed legislators have already introduced a repeal bill and appear set to bludgeon one more of our State's long-standing, statutory protections. Enacted in 1965, Michigan's Prevailing Wage Act has:

(1) ***provided protection to the state's construction industry (both workers and responsible contractors alike) by***

- a. ensuring that skilled construction workers will be paid at least the wages and benefits that "prevail" in their local communities, and
- b. ensuring that predatory contractors will not have an incentive to underbid established businesses by using unskilled or low-skilled workers imported from other parts of the country who are willing to work for less than the local labor market is paying.

(2) ***acted as guardian of the public's interests by ensuring that the buildings, roads, and schools built with public monies would have the benefit of being constructed***

- a. by contractors using highly trained and skilled workers,
- b. with quality materials and quality workmanship
- c. using technologies that increase productivity and reduce costs, and
- d. with assured employment opportunities for minorities and women.

(3) ***protected Michigan's workforce and economy by***

- a. making sure that workers are paid fully for their work (no "forced kickbacks")
- b. ensuring the existence of established businesses
- c. paying prevailing wages and providing fringe benefits -- an essential element to retaining our state's current skilled workforce and to attracting new entrants into the construction trades.
- d. making it worthwhile for the state's contractors and unions to invest the millions of dollars annually in training workers, conducting apprenticeship programs, upgrading worker skills, and building scores of state-of-the-art training facilities.

While pundits ponder whether the repeal effort stems primarily from personal conviction, an election year promise to a special interest group, or is simply a hardball, political payback, few were surprised by the initiative. Offering neither need nor explanation, the Senate's bill (S.B. 207), like its French revolution counterpart, simply, swiftly, and summarily severs the offending provision from the corporal body of Michigan's statutes. If enacted as it presently stands, S.B. 207 would leave not one remnant of the protections that the prevailing wage has provided for the past 35 years -- nor substitute anything in its place. And, while a less severe alternative has also been introduced, its purpose seems more akin to that of a stalking horse -- being used to discern whether, and to what extent, the legislature is receptive (or possibly even eager) to give this legislation the thrust it needs to assure a successful consummation "for the good of the people."

There already exist scores of articles and editorial commentaries supporting or opposing the repeal of the prevailing wage in Michigan. And, if you're looking for a sure bet, count on there being many more such journalistic endeavors before a final vote is taken. Yet nowhere in this blizzard of words and contentions are you likely to find a sentence -- much less an article -- that focuses on the 99% of our state's citizens whose jobs and salaries, lives and livelihoods are affected by whatever happens to this legislation (whether they realize it or not).

Regrettably, we live in an era where few political issues are broadly discussed and fewer still are hotly debated. However, the prevailing wage is one issue that affects all citizens of the State **not just construction workers.**

*Now just wait one minute. I'm a citizen. And, up until now I've been reading what you've been saying and me, personally, I'm not interested. But you keep talking about "us" so, it sounds like I should be . So, before I leave, I want you to answer just one question.*

What's that?

*Why should I even care whether there's a prevailing wage or not in Michigan? That's the government's business. It doesn't affect me!*

Not affect you? Why sir (or madam), if you live in Michigan you can't help but be affected! No one, it seems, ever thinks of "us," the citizens of this State, when it comes to issues like this. But actually, we're the ones who have the largest stake in issues such as the prevailing wage. It's our money that's used to pay for the public buildings and roads and schools that we're talking about. It's our neighbors, our family members and possibly our selves who work in and, more importantly, utilize our public buildings to take care of our personal and business needs and problems. It's our cars and trucks which use the roads that are built. It's our children who must spend most of their waking hours in our schools and . . .

*OK already! You did it. You've got my attention. Now what do I do? Support it? Oppose it? Hell, I don't know the first thing about the prevailing wage – and I still don't see why I should care. But I'm willing to listen, so tell me. But make it quick. I've only got a short attention span. You know, television and all that.*

All right, the short list it is. That being the case, let's go by the numbers. First up,

**1. The prevailing wage promotes a level playing field.**

Making money is the reason why business is in business. Construction contractors are no different. They've got to make a profit just like everyone else – and they can and have done so, successfully, in Michigan. But they need help. If there's no prevailing wage, many honest contractors would find it far harder to compete or even stay in business. Why? Because without a prevailing wage there are many predatory contractors who will come in and underbid the honest contractor and then turn around and bring in unskilled and low skilled workers to do the work. The end result, too often, is poor workmanship, lower productivity, increased injuries, cost overruns and, *bottom line*, higher costs. But

that's only the beginning. Down the road there's higher maintenance costs, early replacement costs and . . .

*Yeah, but . . . doesn't the State check these guys out?*

You'd think so. Certainly there are state and local inspectors whose jobs are to check such things. But, you're talking about a very small number of inspectors and thousands of construction job sites.

Let me also add this: one can predict with near certainty that the State and local governments will NOT hire additional inspectors if the prevailing wage is repealed. If they do, then it's going to cost "us" that many more public dollars, not less to deal with the lack of a prevailing wage. And, if they don't hire more inspectors, the increased costs will, as usual, be borne by all of "us," the taxpayers.

*Ok, I've got the idea. What else?*

## **2. Having a prevailing wage minimizes graft and corruption.**

This is so because it assures fair bidding practices because ***it requires everyone to pay the same level of wages***. There's no point trying to "make a deal" or bribe an awarding authority since the prevailing wage imposes self-regulation and there's legal recourse if workers or contractors find something improper.

Even more important, **the prevailing wage encourages effective management of construction projects**. Since all contractors are required to pay the same wage, only the better managers can make a profit. Instead of exploiting workers, the focus is on better management.

It's very difficult for me to understand how some ill informed legislators can support ineffective management and managers who have a tendency to exploit workers. The notion is even more disturbing to me now because, as we move toward the 21st Century, better and more effective management will not only be expected but is likely to be a critically essential characteristic of any successful business. Having a prevailing wage forces effective management.

*OK. I see your points. But it's not anything that affects me.*

It's your dollars . . . But, let's look at some other factors. For instance, did you know

**3. The prevailing wage provides construction workers with the first line of defense against the "Hazards of Living?"**

*"Hazards of Living?" What the heck are the "Hazards of Living?"*

**First,** let's start with the obvious, **Death.**

For many workers, only the prevailing wage assures them of having a life insurance policy to provide for their family members in the event of their death. In most instances when a worker dies and there's no life insurance, it's Social Security and publicly funded agencies which provide assistance and help to the surviving family members. But the prevailing wage provisions, a private sector initiative, provides life insurance for workers and, more than that, it encourages both employers and employees to assist survivors through programs developed at no cost to the public.

**Second, Old Age.**

Because the prevailing wage requires it, workers have pensions which provide them with more than the subsistence income afforded by Social Security alone. Only 40% of American workers have private pensions. Instead of eliminating programs that ensure workers of a pension, the our legislators should be making it public policy to encourage private sector employers to provide pensions to their workers since this minimizes the use of tax dollars to support our nations senior citizens.

*What you're saying is that, what this repeal is really doin' is taking benefits paid for with private sector dollars away from workers who are working hard for them but won't even get them if this repeal goes through. And this will end up costing all of "us" more because, if they don't have them we end up with the tab. . . . While the legislators and governor aren't working any harder for their benefits, but they keep having them increased anyway -- and all of it is paid for with public tax dollars.*

That's one way to put it. But let me go on

### **Third, Sickness.**

There are over 40 million Americans without health insurance even as this is being written. The prevailing wage provides health insurance coverage for workers and their family members. When workers without health insurance or their family members require medical treatment, it's the State's Medicaid program which ends up having to pay. It's difficult to understand why state legislators would want to deny health benefits to construction workers when their own health benefits are paid for with taxpayer dollars and our prevailing wage provision means that a worker's medical costs will be covered by insurance -- NOT state monies.

### **Fourth, Industrial Accidents and Illnesses.**

Because the prevailing wage clearly specifies that the relationship between workers and employers is an "employment relationship" (as against workers being labeled as "independent contractors"), employees are assured of being covered by the State's Workers' Compensation Act.

*So, what you're saying is that not only does the prevailing wage offer protections to workers facing the "Hazards of Living," it does so without public funds.*

Exactly. Let me give you just a few more on my "short list" and I'll let you go.

### **4. Apprenticeship training.**

Paying the prevailing wage allows the private sector to train and prepare new skilled workers without the use of taxpayer dollars. Throughout our country there is an ever growing need for more well skilled workers. This is true in the construction industry, manufacturing and in many other sectors of the economy. While the State has to subsidize the training and education of most workers and employees, the substantial training and upgrading of skills required of construction workers is almost totally paid for with monies invested by contractors and unions -- NOT public funds.

Clearly it's in the interest of both the public and the Legislature to increase the number of skilled and fully trained construction workers -- *and it's especially beneficial to the State because there's no expenditure of public funds*. But most contractors and unions will have far fewer investment dollars if the prevailing wage is repealed. This means that, if the State wants to have and keep it highly skilled construction industry workforce, **the State is going to have to come up with a lot more of our dollars** to subsidize their training and upgrading of skills.

**5. The prevailing wage is "family friendly," moreso than any government program.**

That is, it helps our nation to achieve one of its primary goals: improving the quality of family life, and again, it does so without one cent of taxpayer dollars. **The state legislature should applaud this kind of initiative.**

**6. There's no persuasive evidence that elimination of the prevailing wage will result in cost savings.**

To the contrary, there is a great deal of research -- much of it gathered by the government's own auditors -- which clearly demonstrates that when you eliminate the prevailing wage standard, it encourages contractors to take short cuts, it compromises work quality, increases injury rates and lost work time, and results in higher maintenance costs. In the final analysis, when both direct and indirect costs are calculated, the total cost is invariably greater.

Construction workers are not asking for handouts. The wages and benefits they receive reflect the *value of their work*. It's the result of the skills they've acquired and ably use to construct the buildings, roads, and schools of our nation -- and in our State.

EQUALLY IMPORTANT IS THE FACT THAT HAVING THIS LARGE POOL OF SKILLED WORKERS IS ALSO AN ASSET TO THE STATE. It is a most notable achievement -- more than notable, it's "remarkable" -- that Michigan was recently designated as the *number one state for new construction* by *Site Selection magazine*

*for the second year in a row.* That's not an accident. While there are many reasons contributing to this award, one of the most important is the availability of a large, highly skilled and well-trained labor force. For those who make such decisions, this means not only that our State has the workers able and available to work in the plants and factories once their built, but, *of more initial importance*, that there is a large, in-state construction workforce of proven reliability and with the needed training and skills available to build their factory or building by a specified date and using cost effective technologies.

And, just to make the point crystal clear, I'll state the obvious: **Michigan achieved its designation as the number one state for site selection with our prevailing wage provisions in effect!** As the litany of case studies of states which have repealed their prevailing wage statutes makes evident, once the provision is gone, skilled construction workers tend to move to other areas or into higher-paying, non-construction jobs, new entrant numbers drop precipitously, costs rise, injuries increase and so on. For those in our Legislature looking for lessons to be learned from the experiences of other states, the lessons -- both for keeping the prevailing wage and the consequences of repeal -- don't get much more on point.

One of the basic tenants of our state's government is that our representatives are elected by the people to do what's best for them and for the State as a whole. In turn, much of the public's cynicism of the legislative process stems from a sense that decisions aren't really made on the basis of "what's best for the people," but rather, which special interest group was able to corral the largest number of votes -- and at what price. Too often today, it appears to us, the members of the public, that legislators have forgotten that the purpose of democratic government is to serve the interests of the citizens of the State - - NOT the special interest groups. Most certainly, it's clearly evident that the state's prevailing wage *is a public policy in the interest of the State and its citizens -- while repealing it benefits no one except certain special interest groups.* Instead of seeking to return the state to an era when using public funds for capital expenditures was



synonymous with cronyism, corruption and corporate greed, our state's legislators should be in the forefront of making sure that contracts are awarded on the basis of honest bids.

*Yeah, but . . . I mean, how about the wages that are paid for work on highway construction and such? They sure seem awful high to me.*

Of course wages in the construction industry are higher than average. But do you know why?

*No. But I'll sure stay around for the answer to that one.*

The answer is not a state secret: it's **labor saving technology**. Let me give you just one example. Though we're on the eve of the 21st Century, many countries still build their roads by hiring 500,000 workers to break rocks and another 100,000 to carry them away and at best, many of them remain dirt road washed away every so often by floods or monsoons or they simply break down and become impassible. By contrast, America has the largest and finest system of roads and bridges in the world. Why the difference? Well, there are many, but one of the most important is the fact that America's road building workers receive the highest road building wages in the world.

As I stated earlier, one reason they're paid so well is because of the skills and abilities they bring to their jobs. However, there's an even more important reason: their high wages strongly encourage the development of new and improved technologies. In turn, better technology has allowed road-building contractors to improve quality, increase productivity and lower costs (in part by using fewer workers per mile of road).

This formula isn't a secret – or limited to road building. The fact of the matter is that for much of this century, the high wages earned by American workers has not only allowed the vast majority of workers to greatly increase their standard of living, but it has also been a prime incentive for corporate America to search for new and better labor saving equipment to make its products faster and at less cost without sacrificing quality. In fact, for most of this century, not only has this cycle been effective in allowing workers' wages to

continue to rise, but it's also been the cornerstone of an economy that's been the envy of the world AND STILL IS.

A person needs to look no further than the explosive expansion of America's infrastructure in the last half century in order to see that, far from merely improving the lot of those who build our roads, the real beneficiaries have been all of us. It's "us," our families, everyone, that enjoys traveling on better roads, pays lower prices resulting from lower transportation costs, and benefits as new, more cost efficient, road-building technologies are utilized to reduce costs not only in construction but also in manufacturing, agriculture, and throughout the business world.

If our State's legislators are truly interested in comparing the evidence showing how the prevailing wage has benefited our State, its citizens, and society in general, it needs to look further than the sometimes shoddy and invariably self-serving studies churned out by the opponents of the prevailing wage. If they do, I'm sure they'll find the same facts and come to the same conclusions that I've presented to you.

In so many words, I believe that

- to assure that our State's construction contractors remain competitive
- to keeping construction costs low and quality high
- to expend LESS taxpayer dollars, NOT MORE and, finally,
- to keep our State's economy strong

**it's in all of our interests including the State's to make sure that we KEEP Michigan's prevailing wage -- NOT REPEAL IT!**