



A MACKINAC CENTER REPORT

THE EFFECTS OF MICHIGAN'S PREVAILING WAGE LAW

Paul Kersey



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The Effects of Michigan's Prevailing Wage Law

Paul Kersey

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Foreword

In 1999, the Mackinac Center for Public Policy examined the cost of state construction projects in Michigan between 1994 and 1997, a period when Michigan's prevailing wage law for state-supported construction projects was not enforced due to a federal court ruling. The result was Dr. Richard Vedder's 1999 Mackinac Center Report "Michigan's Prevailing Wage Law and Its Effects on Government Spending and Construction Employment."

This report firmly established that Michigan's mandated wages were "prevailing" in name only; they did not reflect market prices. In fact, Dr. Vedder found that these wages substantially increased the cost of state construction projects.

Michigan's prevailing wage law and administrative practice may be even more counterproductive now than they were in 1999. Since 2004, the state of Michigan has allowed third parties, not just individual workers, to challenge the practices of nonunion contractors engaged in state-financed construction.* This provision leaves nonunion contractors subject to complaints from union officials, making state construction projects more costly for the contractor and ultimately the taxpayer. Even if a contractor is eventually cleared in a prevailing wage investigation, the pending charge could easily hurt the contractor's ability to win contracts for other state jobs. Administrative rules like these point to the continuing problems associated with state government's mandating a wage, rather than allowing the market to determine the value of labor on a particular job.

* See, for instance, "Fact Sheet #2: Changes to Michigan's Prevailing Wage," State of Michigan Department of Labor and Economic Growth/Wage and Hour Division, March 2007, 1, http://www.michigan.gov/documents/cis/FS_2_Prevailing_Wage_191045_7.pdf, accessed June 22, 2007.

The following report, authored by Paul Kersey, is the natural follow-on to Dr. Vedder's earlier work. Unfortunately, after seven years, the conclusion remains the same: Michigan's prevailing wage law adds unnecessary costs to construction projects at taxpayers' expense. Kersey makes several recommendations to help improve this situation.

It is our hope that if the Mackinac Center examines the issue of state-mandated prevailing wages years from now, it will be in the service of history, not policy reform. Should this be the case, Paul Kersey's contribution will certainly be one of the reasons why.

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Executive Summary

Michigan's prevailing wage law requires that contractors on state-supported construction projects pay union wages. Passed at a time when union workers probably constituted a majority of Michigan's construction work force — they represented just 22.1 percent in 2006 — the “prevailing wage” now forces contractors to pay wages that average 40 percent to 60 percent higher than those found in the marketplace. The need for this wage boost is dubious. On average, construction workers in Michigan, union and nonunion, receive a median wage (excluding fringe benefits) well above the median wage for all Michigan workers.

The prevailing wage law increases the cost of construction by 10 percent to 15 percent, and the additional costs are passed along to Michigan taxpayers. Repeal of the state prevailing wage law would have saved taxpayers an estimated \$216 million in 2002, while the repeal of local prevailing wage laws could have saved another \$16 million. (These figures represent \$250 million and \$19 million in 2007 dollars.) Exempting just the public school districts from the law would have saved \$109 million in 2002, or \$126 million in 2007 dollars.

The main beneficiaries of prevailing wage laws are unionized construction workers, who are relieved of the burden of competing on wages with nonunion workers for state-supported construction. The benefits of the prevailing wage law to the state as a whole are minimal. There is some evidence that strong prevailing wage laws are associated with modest improvements in per-man-hour productivity, but this increase does not offset the higher wages that are also associated with strong prevailing wage laws. Hence, overall labor costs in these prevailing wage states are higher than in states without prevailing wage laws. There is conflicting evidence concerning the effect of prevailing wage laws on worker safety, and there is no evidence that the laws improve building quality.

Prevailing wage laws may limit jobs in the construction industry. In 18 states without prevailing wage laws in 2004, construction workers made up 5.3 percent of the work force, compared with only 4.2 percent for states with strong prevailing wage laws. In Michigan, construction employment made up only 3.7 percent of the jobs in the state's economy. Professor Richard Vedder has calculated that the temporary suspension of Michigan's prevailing wage law in the mid-1990s was responsible for the creation of an additional 11,000 construction jobs between 1994 and 1997.

Given the empirical evidence on the effect of prevailing wage laws, the state's economic difficulties and the changes that have taken place in the labor market, Michigan's prevailing wage law should be repealed. If policymakers choose to retain the law, it should at least be overhauled to reflect the current state of the construction industry and eliminate unnecessary costs to Michigan taxpayers.

Introduction

As the state of Michigan confronts economic difficulties of a severity rarely seen in its history, the state's political leaders should not hesitate to reconsider policies instituted decades earlier under different economic conditions. Among the policies that should be thoroughly re-examined is that of requiring the payment of union wages and benefits to construction workers on projects funded or supported by state government.

The state's prevailing wage law was enacted in 1965, back when Michigan's automobile industry was in its glory days and a larger portion of the state's work force, including its construction work force, was unionized. At the time, it could be plausibly argued that wages and terms of employment set by collective bargaining agreements "prevailed" in the construction labor marketplace, and that the state was prosperous enough that taxpayers could afford any additional cost that might result from the law's requirements. Thus, the prevailing wage law could have been seen as a modest regulation, designed to ensure that workers on state contracts received wages that were typical for their occupation and involved only modest additional costs for the state's taxpayers.*

Today, labor unions represent a much smaller — and still dwindling — portion of the work force, including that in the construction industry in Michigan. In 2006, only 22.1 percent of construction workers were covered by collective bargaining agreements.¹ The wages and terms of employment that prevail in Michigan today are more likely to be those found at nonunion "merit shop" contractors, set in an open market by the mutual agreement of workers and employers without the involvement of union officials. As a consequence, Michigan's prevailing wage law now forces taxpayers to pay for construction wages that in many cases may be more than 50 percent higher than are typical in the industry.

Meanwhile, the state government's budget has become especially difficult to balance. Many policymakers are understandably reluctant to raise taxes; in fact, the state Legislature will replace the state's "single business tax" at the beginning of 2008 in hopes of attracting new businesses and giving existing Michigan businesses a reasonable chance to be profitable. In these economic conditions, the prevailing wage law looks less like a reasonable rule to protect construction workers on state projects from "cutthroat competition," and more like a subsidy that the state and its taxpayers can no longer afford.

* Arguably, the total economic effect of the prevailing wage law might actually have been higher when the law was first implemented because the law effectively helps shield high-cost producers from competition. Those higher-cost producers were a larger proportion of the construction marketplace in 1965.

¹ Calculations based on Census Current Population Survey data by Barry Hirsch and David MacPherson, available online at <http://www.trinity.edu/bhirsch/unionstats>.

The Michigan Prevailing Wage Law

Coverage

Michigan's prevailing wage law governs the wages paid to all construction employees working on projects paid for by state government.² The statute's language even covers projects undertaken by local governments that use state financial resources, no matter how small the state's financial contribution. The vast majority of public school construction is governed by the prevailing wage law, even when all funds are provided by the local school district, because the state often serves as a guarantor for construction bonds issued by school districts. Michigan courts have ruled that this minimal state support for public school construction is enough to require the application of prevailing wages.³

The statute requires that any contract for construction involving state funds must provide, "[T]he rates of wages and fringe benefits to be paid to each class of mechanics by the bidder and all of his subcontractors, shall be not less than the wage and fringe benefit rates prevailing in the locality in which the work is to be performed."⁴ Prevailing rates are calculated by the Wage and Hour Division of the state Department of Labor and Economic Growth. When soliciting bids for construction, the state agency or local government is required to incorporate the appropriate rate schedule in its bid specifications. Assuming that the bidding is completed in a timely manner, the rates listed in the specifications will apply throughout the length of the project.⁵ A contractor that fails to pay the wages called for by the WHD may be charged with a misdemeanor.* In addition, the state agency or local government that authorized the construction may rescind the construction contract and bring in another contractor to finish the project, with the original contractor being liable for any additional costs.⁶

How Wage Mandates Are Determined

The statute does not define a prevailing wage, nor does it provide any guidance as to which specialties or trades among construction workers are to be recognized and issued a separate prevailing wage, but it does specify that the determination of prevailing rates is to be based on "collective agreements or understandings between bona fide organizations of construction mechanics and their employers" — in other words, union rates.⁷

The WHD determines prevailing wages on a county basis, using collective bargaining agreements submitted by local unions.[†] According to officials at the WHD, these rates were originally updated every 18 months, but in recent years updating prevailing wage schedules has become a constant process — wage schedules are updated whenever a union submits a new collective bargaining agreement.⁸ "Master contracts," involving all the employers in a region of the state, determine many of the rates; frequently one master contract will cover all

* Generally, criminal charges are reserved for employers that have failed to post prevailing rate tables. The more common penalty for violations is to hold back final payment for work done until back wages are paid off.

† Much of the process for determining Michigan's prevailing wage rates is not detailed in written regulations, particularly how a specific prevailing wage rate is determined once the relevant collective bargaining agreements have been gathered by WHD officials.

² 1965 P.A. 166, Mich. Comp. Laws §§408.551 et seq.

³ *West Ottawa Public Schools v. C. Patrick Babcock*, 107 Mich. App. 237, 309 N.W.2d 200 (1979).

⁴ M.C.L. 408.552.

⁵ M.C.L. 408.553.

⁶ M.C.L. 408.556, 408.557.

⁷ M.C.L. 408.554.

⁸ Jack Finn and Georgia Harris, Michigan Department of Labor and Economic Growth/Wage and Hour Division, telephone interview, March 23, 2006.

unionized workers in a craft in a given county.⁹ Where more than one contract may apply, the WHD will use a straight average of the rates contained in the contracts.

Contractors and interested third parties may submit complaints to the Wage and Hour Division if they believe that a rate is inaccurate, but according to officials at the WHD, there is no formal process for evaluating these complaints. The state does not take any other measures, such as examining payrolls of contractors to confirm that the rates listed are actually paid, or otherwise verifying the accuracy of the rates and terms of employment contained in the collective bargaining agreements submitted by unions.¹⁰ There are several ways that inaccuracies could occur: Unions could allow employers to skimp on fringe benefits, allow workers to be put in a work classification receiving lower wages than they would otherwise be entitled to, or offer employers special wage reductions on certain projects that are not reflected in the collective bargaining agreements that are sent to the state. One particular problem area may be in specialized crafts — road construction in particular — for which government agencies are likely to be the main customer. In extreme cases there could in fact be no private market and hence no need for either unions or employers to consider what effect wage rates might have on private-sector customers. Union officials will understandably want to set wages as high as possible, and employers will have little incentive to oppose them as long as these costs can be passed along to the state. Because the state is required by law to pay whatever rate appears in collective bargaining agreements, wage rates would effectively be determined by employers and union officials. In the absence of market competition, these rates are likely to be arbitrary from an economic point of view. The state's failure to verify that the rates found in union collective bargaining agreements are actually enforced in the private sector leaves the state vulnerable to fraud.

Prevailing Wage Laws in Other States

Most states have prevailing wage laws, as does the federal government, but Michigan's is one of the most restrictive. Only three other states — Massachusetts, Ohio and New Jersey — have statutes that explicitly call for a minimum wage based on rates found in collective bargaining agreements.¹¹ A fourth state, New York, has a statute that calls for the use of collectively bargained wages when 30 percent of the local construction work force is unionized, and the state's practice is generally to presume that this threshold has been met throughout the state.¹²

Other states have statutes that leave state or local officials a fair amount of discretion to set prevailing wage rates, neither defining what constitutes a "prevailing" wage nor calling for the application of collectively bargained rates. Among these states, some, such as Illinois, have customarily used union rates.¹³ Other state statutes are more detailed; Tennessee's prevailing wage statute, for instance, gives a listing

⁹ Ibid.

¹⁰ Ibid.

¹¹ Mass. Gen. Laws, chapter 149 §§26 et seq.; N.J. Stat. §§34:11-56:25-34:11-56:44; Ohio Rev. Code §4115.03.

¹² State of New York Commission of Investigation, *The New York State Prevailing Wage Law: An Investigative Analysis* (December 1983), 10-18.

¹³ Armand Thieblot, *Prevailing Wage Legislation* (Philadelphia: University of Pennsylvania, 1986), 152-53.

of worker classifications to be considered and divides the state into districts for determining prevailing rates.¹⁴ Finally, 17 states, including fast-growing ones like North Carolina, Virginia and Arizona, do not have prevailing wage laws in effect, allowing the market to set wages on state-sponsored construction.¹⁵

The Federal Davis-Bacon Act

The federal prevailing wage law is the Davis-Bacon Act of 1931, which applies to government construction projects involving more than \$2,000 of federal funds. The act, which has served as a model for many subsequent state prevailing wage laws, requires that construction workers receive “wages that will be determined by the U.S. secretary of labor to be prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the city, town, village, or other civil subdivision of the state in which the work is to be performed. ...”¹⁶ The Davis-Bacon Act does not call for the exclusive use of union wages, nor does it provide guidance as to how a prevailing wage is to be determined out of the many rates that might be found, although the Department of Labor’s practices often result in union wages being applied.

Federal prevailing wages are based on a U.S. Department of Labor survey of employers and unions in a locality.¹⁷ Prior to 1985, if a majority of workers in the area received the same pay rate, that rate was deemed to be the prevailing wage. If there was no majority wage, the wage paid to at least 30 percent of workers would be considered to prevail. If a prevailing wage could not be found under the first two criteria, the Department of Labor took the weighted average of all the rates that had been submitted, accounting for number of workers covered and hours worked.¹⁸

This rule meant that union scale applied quite frequently, especially in areas with a union presence strong enough to trigger the 30 percent rule. The Reagan administration changed the rules considerably in 1985, in particular dropping the 30 percent rule, so that unless a union provided a majority of the workers in a particular craft, it was not guaranteed to set the prevailing wage, and an average wage would be calculated instead.¹⁹ Professor Armand Thieblot, formerly of George Washington University, has presented evidence that the Department of Labor has been prone to manipulate survey results to create the appearance of a union majority wage where none actually exists.²⁰ Nonetheless, the federal law does not mandate the use of union wage rates, and in those counties where union membership is low, the rate set by the federal government will be closer to the market average.

¹⁴ Tenn. Code §§12-4-401 et seq.

¹⁵ Ohio Legislative Service Commission, “Members Only” Brief: Prevailing Wage Laws,” February 25, 2005, 10–14, available online at <http://www.lsc.state.oh.us/membersonly/126prevailingwagelaws.pdf>.

¹⁶ 40 U.S.C. §276(a).

¹⁷ 29 C.F.R. 1.1 et seq.

¹⁸ Hamid Azari-Rad, ed., *Economics of Prevailing Wage Laws, Alternative Voices in Contemporary Economics* (Aldershot, UK: Ashgate, 2005), 14–15.

¹⁹ Ibid.

²⁰ Armand Thieblot, “The Twenty-Percent Majority: Pro-Union Bias in Prevailing Rate Determinations,” *Journal of Labor Research*, 26, no. 1 (Winter 2005): 99–134.

Rationales for Preserving the Prevailing Wage

At bottom, there are two main rationales for the enactment and retention of prevailing wage laws. The first is based on notions of social justice and the desire to protect workers on government projects from having their wages undercut as a result of “cutthroat” competition in bidding. The second rationale is that by establishing a wage floor for construction labor, governments encourage the development of a highly skilled construction labor force that is more productive, suffers from fewer workplace injuries and constructs higher-quality buildings.

The Social Justice Rationale

The first rationale would appear, at first glance, to defy basic economic sense: When a government — or any customer, for that matter — solicits bids on construction of a building, the demand for construction labor is increased, meaning that more construction workers may be needed. Employers may then be forced to increase wages to attract qualified workers, especially if they need workers with specialized skills in order to meet their customers’ designs or if there are few unemployed construction workers in the area. But even if the new building requires few specialized skills or there is a large pool of idle construction workers, the process of bidding on a new building should at least tend to stabilize wages, rather than drive them further downward.

The social justice rationale makes more sense (although, as discussed below, it is still flawed) when seen in the light of the conditions that led to the passage of the Davis-Bacon Act. In the early years of the Great Depression, Sen. James Davis of Pennsylvania saw that workers on a federal building in New York had been brought up from the Southern states and were being paid wages well below those customarily paid to local construction workers.²¹ Against the backdrop of economic crisis, the supporters of the federal Davis-Bacon law were distressed to see construction workers’ wages being sharply reduced by what they considered an underhanded tactic: bringing in out-of-state workers who were willing to work for a much lower wage.*

The concern here is not the effect that government construction has on the overall labor market, but the effect that competition might have on workers native to the area of a government-funded project. The prevailing wage law is meant to protect construction workers by shielding them from competitive pressure; in effect, contractors may compete to produce the lowest bid on every other price term, but competition on wages is out of bounds.

There is a problem with this rationale, however. By passing the Davis-Bacon Act, the federal government protected the wages of highly paid construction workers in Northern cities, but in the process significantly limited opportunities for lower-paid workers in the South, who were less likely to be able to go north and find

* It has been argued that racism played a significant role in the passage of the Davis-Bacon Act, and that much of the hostility to the practice of bringing in a work force from out of state was due to the fact that much of that work force was African-American. There is some evidence for this thesis, but I take no position on it. I am unaware of any accusation that racism was a factor in the passage of Michigan’s prevailing wage law.

²¹ Richard Vedder, *Michigan’s Prevailing Wage Law and Its Effects on Government Spending and Construction Employment* (Midland, Mich.: Mackinac Center for Public Policy, September 1999), 3–4.

work because they were prevented from offering to work for lower wages. High-wage workers were protected; low-wage workers were blocked out. As we will see, something similar has come to pass with Michigan's prevailing wage law.

The "High-Wage, High-Skill" Rationale

A second argument focuses on the difficulties of training a highly skilled construction work force. Construction work, the advocates of prevailing wage laws contend, tends to be transient: Jobs in the field are not stable, and construction workers are likely to move between several employers as they undertake and complete various projects. As a consequence, employers are unlikely to provide training, as employers cannot be certain they will capture any of the benefits from the new skills.²² Prevailing wage advocates believe that by placing a floor beneath construction wages on government contracts, the prevailing wage law counteracts this flaw in the construction labor market. In particular, advocates of prevailing wage laws have stressed the value of union apprenticeship programs as a means of creating a highly skilled construction labor force that can command higher wages in the larger marketplace.

But markets can and will adjust to these sorts of difficulties, usually without government intervention. There is some evidence that strong prevailing wage laws are associated with greater participation in apprenticeship programs.²³ This, however, does not prove that these same workers are more productive than workers who receive other forms of training, including informal on-the-job training. For instance, participation in union apprenticeships may be associated with strong prevailing wage laws simply because there is a strong union presence that has successfully lobbied for strong prevailing wage laws. Prevailing wage critics have also argued that worker transience is mostly associated with unionized contractors, who utilize union hiring halls that dispatch workers to the contractors, while nonunion contractors are more likely to be able to maintain a stable work force, making it more practical for them to provide training themselves.²⁴

The Effects of Michigan's Prevailing Wage Law

A key problem with the high-wage, high-skill rationale, as discussed in detail below, is that the balance of the evidence indicates that prevailing wage laws do relatively little to improve the productivity of construction labor, and in fact tend to make construction labor more expensive overall. This finding suggests that the artificial wage floor created by prevailing wage laws can result in higher costs for taxpayers.

The Decline of the Union Movement in Michigan

By the terms of Michigan's prevailing wage statute, the Michigan Department of Labor and Economic Growth is required to look at union rates exclusively

²² Hamid Azari-Rad, ed., *Economics of Prevailing Wage Laws*, 39–40.

²³ *Ibid.*, 149–68.

²⁴ Armand Thieblot, "A New Evaluation of Impacts of Prevailing Wage Repeal," *Journal of Labor Research*, vol. 17, no. 2 (Spring 1996): 307–09.

in determining the prevailing wage. At the time the state law was passed, this might have been a reasonable way to find a prevailing wage. While there are no reliable figures for the state prior to 1983, it is estimated that in 1966, just one year after Michigan's law was passed, union members made up 41.4 percent of the U.S. construction work force.²⁵ Given Michigan's history as a heavily unionized state, it is very likely that half or nearly half of Michigan construction workers were covered by collective bargaining agreements, and the union rates generally did prevail at the time Michigan's law was passed.

But since 1966, the percentage of American workers who belong to unions has been inexorably dropping, and workers in Michigan and the construction industry are no exception.* According to an analysis of U.S. Census Bureau data, the trend for the last 20 years has been downward: In 1986, 32.8 percent of construction workers in Michigan were union members; by 1996, that figure was 25.6 percent; and in 2006, only 22.1 percent of Michigan construction workers were union members.²⁶ Hence, Michigan's prevailing wage law is based on wage rates for a shrinking minority of construction workers.

Prevailing Wage and Construction Industry Compensation

At first glance, the biggest beneficiaries of prevailing wage laws would seem to be nonunion construction workers employed on state construction projects. Unionized workers, one might be inclined to think, would have little to gain, because they receive union wages on every project. But the observed effects of prevailing wage laws are different. In nine states that repealed their prevailing wage laws between 1979 and 1988, construction workers overall saw slight declines in their wages.²⁷ The decline was far from evenly spread: Construction wages declined by 2 percent to 4 percent, but most of the declines actually occurred among unionized workers, who saw their wages drop by around 10 percent. Nonunion construction workers' wages were fairly stable.²⁸

A comparison of the Michigan Department of Labor and Economic Growth's "prevailing" wages to the average wages found among nonunion contractors in Michigan shows that the minimum wages set by DLEG may be more than twice the average wage among nonunion contractors. In 2005, for instance, carpenters in the Midland-Bay City-Saginaw area earned an average of \$17.65 per hour, including wages and fringe benefits, at merit shop companies, according to PAS Inc., a Michigan-based private company that tracks costs in the U.S. construction industry. But on state-sponsored construction, carpenters would have had to receive wages and fringes totaling at least \$35.25 per hour — an increase of 99.7 percent. Construction laborers in the Midland-Bay City-Saginaw area earned \$11.68 an hour at nonunion companies, but the 2005 prevailing wage figure from the DLEG was \$27.17, or 132.7 percent higher.²⁹

These are, to be sure, extreme examples, but when reliable figures can be found for nonunion wages in the many crafts in the construction work force,

* Admittedly, this conclusion is based on two sources using different methodologies and covering separate time periods, but both sources have one thing in common — significant decreases in union membership among construction workers. Leo Troy and Neil Sheflin estimate that union members made up 41.4 percent of the national construction work force in 1966, but only 23.5 percent in 1984. (*U.S. Union Sourcebook*, 1st ed. ([IRDIS: West Orange, NJ, 1985], 3–15). Hirsch and MacPherson estimate that nationally union membership declined among construction workers between 1986 and 2006 from 23.3 percent to 14.0 percent. These estimates are available online at <http://www.trinity.edu/bhirsch/unionstats>.

²⁵ Leo Troy and Neil Sheflin, *U.S. Union Sourcebook*, 1st ed. (West Orange, N.J.: IRDIS, 1985), 3–15.

²⁶ Calculations based on Census Current Population Survey data by Barry Hirsch and David MacPherson, available online at <http://www.trinity.edu/bhirsch/unionstats>.

²⁷ Daniel Kessler and Lawrence Katz, "Prevailing Wage Laws and Construction Labor Markets," *Industrial and Labor Relations Review* 54, no. 2 (January 2001): 259–74.

²⁸ *Ibid.*

²⁹ PAS Inc., *Merit Shop Survey*, 2004 and 2005; and Michigan Department of Labor and Economic Growth, Wage and Hour Division, *Prevailing Wage Rates for State Funded Projects*, available at http://www.dleg.state.mi.us/bwuc/bsr/wh/whc_tbl_2005.htm. All rates listed here include both base pay and fringes, unless otherwise noted.

the corresponding prevailing wage is on average considerably higher than the corresponding merit shop wage. For instance, in 2005, the prevailing wage was 48.5 percent higher in the Grand Rapids area, 51.9 percent higher in the Detroit area and 86.0 percent higher in the Saginaw area.³⁰ And the high costs are not limited to the state's urban areas: In 2004, prevailing wages in Hillsdale County averaged 56.3 percent higher than the corresponding average merit shop wages for the state of Michigan.*³¹ Overall, in 25 total comparable categories of workers in the Grand Rapids, Detroit and Saginaw areas in 2005, prevailing wage rates were 58.6 percent higher than the wages found at merit shop contractors.[†]³²

The U.S. Bureau of Labor Statistics, which surveys wages in 15 Michigan metropolitan areas, includes both union and nonunion employers in determining median wages. As a result, estimates from the BLS tend to be a bit higher than the average for nonunion contractors alone, but by the same token, BLS' coverage of the entire labor market means that the bureau's median wage figures should serve well as an alternative measurement of the true prevailing wage.‡ The BLS figures do not include fringe benefits, while the prevailing wage rates issued by DLEG do include fringe benefits, so any comparison requires adjustments for fringe benefits. A review of PAS and U.S. Department of Labor data indicates that fringe benefits for union and nonunion compensation in the construction industry range from the teens to the low 30s as a percentage of base pay.³³ Adjusting the BLS figures upward by 30 percent to account for fringe benefits,§ a comparison of median wages in the construction industry in 2005 with the 2005 prevailing wage rates in Michigan shows that Michigan's prevailing wage law resulted in an average wage increase of 39.1 percent.

Graphic 1: Selected Wayne County Labor Costs

Class	BLS Median	BLS Adjusted	Prevailing Wage	Percentage Difference **
Bricklayers	\$26.28	\$34.16	\$44.26	29.6
Carpenters	\$20.25	\$26.33	\$41.37	57.2
Construction Laborers	\$18.33	\$23.83	\$31.54	32.4
Electricians	\$31.16	\$40.51	\$46.88	15.7
Painters	\$18.84	\$24.49	\$36.66	49.7
Plumbers	\$26.93	\$35.01	\$49.58	41.6
Iron/Steel Workers	\$29.38	\$38.19	\$45.86	20.1

Source: U.S. Department of Labor, Bureau of Labor Statistics and Michigan Department of Labor and Economic Growth

Under this measurement, not all construction workers necessarily benefitted: Union rates for electricians in the Saginaw area in 2005, for instance, were essentially the same as the adjusted median wage reported by the BLS. But the vast majority of workers appear to have received double-digit pay increases on prevailing wage work compared to BLS median wages; of a total of 156 measurements of workers' wages spread over 15 Michigan metro areas in 2005, only 13 comparisons indicated that workers would not have received pay increases in excess of 10 percent. Some workers would have seen dramatic increases: Cement masons in the Ann Arbor area would have had their wages increased by 99.8 percent, from \$21.91 per hour (on a BLS median wage of \$16.85) to a prevailing wage of \$43.76 per hour, while

* The figure for Hillsdale County probably understates the extent to which prevailing wages inflate labor costs. The average statewide merit shop wages include urban areas, where costs will tend to be higher, while the prevailing wages apply to Hillsdale County only.

† The figures for each of the 25 categories in the three counties appear in Appendix A.

‡ It should be noted that the BLS figures include construction workers engaged in both residential and commercial construction. While it is possible that this might affect median wages for some categories, the effects seem to be minor. The overall results from the BLS comparisons are consistent with other measurements of construction industry wages and with the results of investigations of the effects of prevailing wage laws on the overall cost of construction.

§ This 30 percent figure in most cases overstates the fringe benefits earned by construction employees working on private-sector projects. As a result, the disparity between prevailing wage rates in public construction and the wage rates in private construction projects will tend to be understated here.

** This figure represents the percentage by which the prevailing wage exceeds the adjusted Bureau of Labor Statistics wage.

³⁰ Ibid.

³¹ Ibid.

³² Ibid.

³³ PAS Inc., Merit Shop Survey; U.S. Department of Labor, Prevailing Wage Determinations, General Decision MI20030081, effective January 20, 2006. (Unlike DLEG, the U.S. Department of Labor lists both base pay and fringe benefits in its prevailing wage determinations.)

carpenters in the Muskegon area would have seen their hourly wages boosted from \$14.00 (on a BLS median wage of \$10.77) to \$31.15, an increase of 122.5 percent. The cost of the prevailing wage law in 2005 varied from region to region. Wages in the Flint area would have received a boost of 20.4 percent, while in the Bay City area, the average wage boost would have been 66.8 percent. In the Detroit area, DLEG's prevailing wage rates were on average 39.0 percent higher than the corresponding median wage found by the BLS after adjusting for benefits.³⁴

Given these calculations with BLS and PAS figures, Michigan's prevailing wage law and its requirement that union wages be used on state construction projects adds roughly 40 percent to 60 percent to the cost of labor.

As a consequence, what Michigan law calls a "prevailing" wage is actually an above-market wage paid to a shrinking minority of construction workers. In the process, the state effectively subsidizes high-cost unionized contractors. Unionized companies with workers compensated well above average need not fear competition from companies that pay their workers a market-based wage when bidding on state-sponsored construction.

Another Perspective: Prevailing Wages and the Larger Work Force

Under the state prevailing wage law, the workers receiving the biggest boosts are not necessarily those with the greatest need. For example, consider the city of Detroit's "living wage," which is intended to ensure that low-skilled workers are not exploited in the course of city business. In 2006, companies and nonprofits doing business with the city were required to pay all employees working on city business — not just construction — a minimum of \$12.50 per hour,* which was 25 percent more than the amount that a full-time worker would need to meet the federal poverty line for a family of four.³⁵ By comparison, construction laborers — workers in one of the least-skilled occupations in the construction industry — at nonunion contractors in the Detroit area received an average base wage (including benefits) of \$19.60 per hour, 56.8 percent higher than the Detroit living wage. Electricians at nonunion firms had an average hourly wage of \$30.83, better than twice Detroit's living wage.³⁶

Michigan's prevailing wage law boosts these wages, already well above poverty level, even higher: Class I (underground) Laborers, one of the lower-paid categories of laborers, received \$31.54 per hour on state-supported construction in Wayne County in 2006, more than 2.5 times Detroit's living wage, while electricians received a minimum of \$44.37 per hour, more than 3.5 times Detroit's living wage.³⁷

The BLS estimates that in 2005 the median wage for all workers in the metropolitan Detroit area (including both hourly and salaried employees) worked out to \$17.72 per hour.³⁸ Again, this figure does not include fringe benefits, and again, assuming that fringe benefits are worth 30 percent of straight wages, we estimate total wages and benefits of \$23.04 per hour.³⁹ In 2005, the Michigan Wage and

* As of 2006, this figure was the required "living wage" for employees who do not receive health care benefits. Workers who receive sufficient health care benefits as defined by the Detroit ordinance could have received a wage as low as \$10.00 per hour.

³⁴ Calculations by the Mackinac Center for Public Policy, based on U.S. Department of Labor, Bureau of Labor Statistics, *Metropolitan Area Occupational Employment and Wage Estimates*, 2005; and Michigan Department of Labor and Economic Growth, *Prevailing Wage Determinations*, 2005.

³⁵ City of Detroit Finance Department, City of Detroit Ordinance 45-98.

³⁶ PAS Inc., *Merit Shop Survey*.

³⁷ Michigan Department of Labor and Economic Growth, Wage and Hour Division, *Prevailing Wage Rates for State Funded Projects*.

³⁸ U.S. Department of Labor, Bureau of Labor Statistics, *Metropolitan Area Occupational Employment and Wage Estimates*.

³⁹ This is a reasonably generous estimate, at least by the standards of the construction industry in the Detroit area. With a few exceptions, fringe benefits as a percentage of base pay range from the teens to the low 30s in both the union and nonunion sector. PAS Inc., *Merit Shop Survey*; U.S. Department of Labor, *Prevailing Wage Determinations*, General Decision MI20030081, effective January 20, 2006.

Hour Division's prevailing wage determinations for Wayne County listed 118 separate wage categories, of which only two were compensated at less than \$23.04 per hour. Sixty-four classes of workers would have received hourly pay and fringe benefits in excess of \$40 per hour.* Working full time for 50 weeks per year on state-supported construction — but without working overtime — these workers would have received state-mandated compensation in excess of \$80,000 per year.

Michigan's construction work force, overall, is fairly well paid. In 2006, the median wage for construction workers, including both union and nonunion workers across the state, was \$20.31 per hour (excluding fringe benefits) — 28.1 percent higher than the median wage of \$15.86 for all workers in Michigan.†⁴⁰ Even if one believes that government should take active steps to redistribute income to low-wage workers, in most cases this is not what Michigan's prevailing wage law does. To the contrary, the prevailing wage law generally mandates large pay increases to workers who frequently would earn above-average wages without any government intervention.

Prevailing Wage, Productivity and Cost-Effectiveness

Prevailing wage advocates claim that by boosting construction wages, the law promotes a better-trained and more productive construction work force — the high-wage, high-skill argument. U.S. Census data suggests construction workers may be more productive in states with strong prevailing wage laws — but this does not mean that prevailing wage laws are cost-effective.

We compared states with strong prevailing wage laws to states without prevailing wage laws by using U.S. Census Bureau data to calculate value-added per construction worker and value-added per dollar of compensation. In 18 states without prevailing wage laws, the value-added per worker is \$142,027, while the value-added per worker in 11 states with strong prevailing wage laws is \$159,304, indicating that on a worker-for-worker basis, construction labor is 12.2 percent more productive in states with strong prevailing wage laws.⁴¹

It should be noted, however, that these “value added” calculations are likely to inflate the value of construction done by higher-wage workers. The Census Bureau defines value added as the “value of business done less costs for construction work contracted out to others and costs for materials, components, supplies, and fuels.”⁴² The “value of business done” calculation, in turn, is based on the sum of “receipts, billings, or sales.”⁴³ Construction bids will include an allowance for labor costs, so these will be recaptured as part of a contractor's receipts. The Census' “value added” calculations do not, however, attempt to adjust for variations in labor costs, even though higher labor costs in and of themselves do not add to the functionality of a building. As a consequence, the value added on a construction project in a high-wage jurisdiction may appear to be higher than in a jurisdiction

* While the prevailing wage law mandates compensation in excess of \$40 per hour for most categories of construction workers, it is not necessarily the case that this figure applies to a majority of Wayne County construction workers.

† These BLS figures include work performed under the state prevailing wage law. However, state and local government construction only amounted to approximately 15 percent of total construction in Michigan in 2002, and not all of this government-supported construction would have been covered by the prevailing wage statute. Average non-union wages found by PAS also compare favorably with the average wage for all workers in the state. Given the limited amount of construction subject to the prevailing wage law, it is very likely that construction workers would have earned more than the BLS median wage even in the absence of the prevailing wage law.

⁴⁰ U.S. Department of Labor, Bureau of Labor Statistics, *OES Occupational Employment and Wage Estimates, Michigan*.

⁴¹ Source: Mackinac Center calculations based on U.S. Census Bureau, *2002 Economic Census, Construction Industry Series*, Table 3, 3.

⁴² See U.S. Census Bureau, *2002 Economic Census, Construction Industry Series*, A3., Appendix A.

⁴³ *Ibid.*

with relatively low construction wages. Because states with strong prevailing wage laws tend to have higher construction wages, the value added by workers in strong prevailing wage states may be somewhat inflated. With this in mind, it is possible that productivity per worker is not significantly higher in states with strong prevailing wage laws.

Furthermore, the same Census data indicates that payroll costs per construction worker are 19.2 percent higher in the strong prevailing wage states than in states with no prevailing wage laws. If one divides construction value-added by construction labor payroll, one finds that in strong prevailing wage states, each dollar paid for construction labor generates \$4.27 in value-added, but in states without prevailing wage laws, a dollar of construction labor generates \$4.54 in value-added. On a dollar-by-dollar basis, construction labor is 6.3 percent more productive in states without prevailing wage laws.

It should be noted that Michigan's overall labor costs by this measurement are fairly good; the average dollar spent on labor yielded \$5.02 value added. But there is little reason to credit the prevailing wage law with this — several states without prevailing wage laws do much better on this measurement. And as noted above, construction labor generally provides more value in states without prevailing wage laws.

This is roughly what one would expect to see when the cost of labor is boosted artificially: Employers make increased use of equipment or training to improve the productivity of their labor force, but there is no guarantee that employers will be able to completely offset the increased cost of labor. A government can command that wages be increased, but it cannot command that there be machinery or knowledge to make up for the higher wages.

And in the process of using training or equipment to improve labor productivity, employers may make do with less labor or refuse to hire untrained workers, reducing employment opportunities in construction. In 18 states without prevailing wage laws, construction workers made up 5.3 percent of the work force in 2004, compared with only 4.2 percent for strong prevailing wage states, an indication of the possibility that prevailing wage laws limit opportunities in the construction industry. In Michigan, construction employment made up only 3.7 percent of the employment in the state's economy.⁴⁴

In short, while individual workers may be more productive in states with strong prevailing wage laws, strong prevailing wage laws are also associated with higher payroll costs. The overall effect is to make construction labor more expensive, not less. This may be an attractive trade-off for construction workers (assuming they are able to find steady work), but it is a poor deal for business owners outside of the construction industry. Although the law does not apply to them directly, businesses seeking to build new facilities or expand existing facilities are likely to find it more expensive to do so in states with strong prevailing wage laws.

⁴⁴ U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Employment Survey*, 2004.

Workplace Safety and Quality of Construction

There is conflicting evidence on the question of what effect prevailing wage laws have on workplace safety. A regression analysis of nonfatal injury rates between 1976 and 1999 done by economist Hamid Azari-Rad shows lower injury rates in states with prevailing wage laws. Depending on the class of injury, prevailing wage laws were associated with injury reductions of as much as 10.2 percent.⁴⁵ But data compiled by the Occupational Safety and Health Administration between 1975 and 1978 tell a dramatically different story: States without prevailing wages had significantly lower construction injury rates.⁴⁶ Furthermore, OSHA data show that states that repealed their prevailing wage laws between 1978 and 1990 had declining injury rates, just like states that had prevailing wage laws throughout that period and states that did not have prevailing wage laws.⁴⁷ As in the earlier OSHA numbers, states without prevailing wage laws tended to have lower injury rates than states with prevailing wage laws. Unlike Azari-Rad's data set, the OSHA figures included fatal injuries, making the OSHA data more complete.

In the end we cannot draw any firm conclusions on injury rates, partly because of the conflicting evidence, and partly because there has been no direct comparison of injury rates between prevailing wage jobs and non-prevailing-wage jobs (regardless of the state in which the work was performed). As we will see later, this kind of job-by-job comparison has been performed numerous times for overall construction costs. Regardless, it appears unlikely that prevailing wage repeal would bring about an increase in construction workplace injuries — and might very well be associated with a decrease.

Nor is there compelling evidence that prevailing wage laws improve the quality of construction, although this is a difficult thing to quantify and track, and few studies have dealt with this aspect of prevailing wages. One measurement, admittedly crude, of the effect that prevailing wage laws have on construction quality is a survey of public school officials in Ohio performed by the Ohio Legislative Service Commission in 2000, two years after Ohio exempted public school districts from the state's prevailing wage law. Only 2 percent of school officials reported that the quality of construction had declined, indicating that prevailing wage laws had no effect, or at least that school districts had other means at their disposal to ensure that construction work was performed competently.⁴⁸

In a more extensive report issued a year and a half later by the OLSC, the overwhelming majority of respondents, 91 percent, reported no change in construction quality since the exemption took effect, while 3 percent reported lower quality and 6 percent reported that construction quality had improved.⁴⁹

Difficulties for Bidders

Michigan's prevailing wage law has had other significant effects on the process of public construction. The practice of the state's Wage and Hour Division is to use

⁴⁵ Hamid Azari-Rad, ed., *Economics of Prevailing Wage Laws*, 181–83.

⁴⁶ Armand Thieblot, "A New Evaluation of Impacts of Prevailing Wage Law Repeal," 310.

⁴⁷ *Ibid.*, 311.

⁴⁸ "Prevailing Wage Exemption Provides Schools with Lower Costs, Higher Quality Education," Buckeye Institute for Public Policy, May 1, 2000, available online at <http://www.buckeyeinstitute.org/article/509>.

⁴⁹ Ohio Legislative Service Commission, *S.B. 102 Report: The Effects of the Exemption of School Construction Projects from Ohio's Prevailing Wage Law*, May 20, 2002, 11.

union work classifications to create prevailing wage scales. This is a reasonable step in light of the law's requirements, but one that has the effect of imposing not only union wages, but also union work classifications on nonunion contractors that bid on and win public construction contracts. The finely detailed classifications will often be unfamiliar to nonunion contractors, especially smaller companies that rely less on specialization. A typical prevailing wage determination from the WHD may list more than 100 different work categories. Categories can be very detailed: Crane operators can be paid any of five separate rates depending on the length of the crane's boom and jib; laborers' pay can vary depending on how far outside the building they are working.⁵⁰ By contrast, wage reports for nonunion companies typically list only 30 occupations.*

Apprehension about possible legal liability from inadvertent violations may lead some nonunion contractors to forgo bidding on public construction. These contractors would be at risk of misapplying union categories with which they are unfamiliar, and even if they understand those categories, their own practices might not align with the union standards imposed by Michigan's prevailing wage. In such situations, potential legal liability would lead contractors to place workers in higher-paying work classifications. Some contractors would adjust their bids upward to account for this risk; others might forgo bidding on government contracts, reducing competition. Either way, taxpayers would bear the increased cost of government construction.

The Ohio report cited earlier also found that some nonunion contractors had concerns about the effect that widely differing wage scales might have on employee morale: Workers might perceive favoritism in assignments to more lucrative government contracts, or they might react negatively when returning from union-scale public work back to market-wage work for a private-sector customer.⁵¹ The Ohio report indicated that prevailing wage laws tend to reduce the number of bidders on public construction, increasing the cost to taxpayers.⁵²

Overall Cost of Construction

As detailed earlier, the exclusive use of union rates in setting prevailing wages results in wages that are 40 percent to 60 percent higher than the average found in the marketplace. Professor Richard Vedder's analysis of construction costs using 1997 U.S. Census Bureau data revealed that depending on the type of construction, labor costs appear to make up 20 percent to 30 percent of the overall cost of construction.⁵³ A similar analysis based on figures from the 2002 economic census showed little change: Depending on how nonconstruction workers (mainly office and administrative staff) are treated, payroll for construction workers appears to make up somewhere between 23 and 28 percent of the cost of construction nationally. Census figures for Michigan are similar.⁵⁴

* See, for instance, PAS Inc., *Merit Shop Reports* or BLS *Occupational Employment Survey*.

⁵⁰ Michigan Department of Labor and Economic Growth, Wage and Hour Division, *Prevailing Wage Reports for State Funded Projects*.

⁵¹ Ohio Legislative Service Commission, *S.B. 102 Report*, 9.

⁵² *Ibid.*, 9-10.

⁵³ Richard Vedder, *Michigan's Prevailing Wage Law*, 14.

⁵⁴ Author's calculations based on U.S. Census Bureau, *2002 Economic Census, Construction Industry Series, Commercial Building Construction*, tables 2 and 3.

Assuming that labor costs make up 25 percent of construction costs, the prevailing wage would add 10 percent to 15 percent to the overall cost of construction. As we will see in the next section, this estimate matches fairly closely with the experience of jurisdictions that have either added prevailing wage laws or granted exemptions from them.

Experience of Michigan and Other Jurisdictions

Michigan is among the states where prevailing wage laws have been repealed, albeit temporarily. From December 1994 to June 1997, Michigan's prevailing wage law was held to be invalid by the federal courts.* During that time, school districts were free to consider bids from nonunion contractors that were predicated on the payment of market wages. In 20 cases where nonunion contractors did so, they were consistently able to make bids lower than unionized companies. On average, the potential savings from the use of market wages were in excess of 10 percent and as high as 16 percent.⁵⁵

During that time, the state's construction industry added 17,600 jobs annually, compared to annual job growth of only 4,000 in the years prior to 1994. In his analysis of the suspension of the prevailing wage law, Vedder adjusted the numbers to account for the effects of weather and the expansive mid-1990s economy, but he nonetheless concluded that prevailing wage suspension was responsible for the creation of 11,000 new construction jobs between 1994 and 1997.⁵⁶

In 1992 the Canadian province of British Columbia enacted the Skill Development and Fair Wage Policy, a prevailing wage law that set minimum construction wages at 90 percent of union rates. Economists Cihan Bilginsoy and Peter Philips analyzed the bids received on 54 school construction projects made before and after the policy took effect, and they found that construction costs appeared to increase by 16 percent once the policy took effect.[‡] More recently, an analysis in California showed that when low-income housing construction was made subject to prevailing wage laws, the cost of construction was significantly higher. The authors of that study, affiliated with the University of California at Berkeley, concluded that a new state law that would extend California's prevailing wage law to all state-subsidized housing construction would increase the cost of new construction by between 9 percent and 37 percent.⁵⁷

But perhaps the best indicator of what effects prevailing wage repeal might mean for Michigan can be found in Ohio, where the state Legislature exempted public school construction from that state's prevailing wage law in 1997. Like Michigan's law, Ohio's prevailing wage law calls for the exclusive use of collective bargaining

* In *Associated Builders and Contractors, Saginaw Valley Area Chapter v. Perry*, 869 F.Supp. 1239 (E.D.Mich.1994), a U.S. district court found that the Michigan Prevailing Wage Act was in conflict with the Employee Retirement Income Security Act of 1974, a law that pre-empts any state law relating to benefits. The manner in which the Michigan Department of Labor treated fringe benefits in calculating the prevailing wage and determining whether an employer paid that wage was found to relate to benefits. Because the trial court found a significant portion of the Michigan Prevailing Wage Act to be unenforceable, it ordered that the act in its entirety was unenforceable.

On appeal, the 6th U.S. Circuit Court reversed the trial court's holding (see *Associated Builders and Contractors, Saginaw Valley Area Chapter v. Perry*, 115 F.3d 386 [6th Cir. 1997]). In reversing, the court held that there was nothing in ERISA itself or the legislative history surrounding ERISA's passage to indicate congressional intent to pre-empt laws such as Michigan's Prevailing Wage Act.

† It should be noted that during the period that prevailing wages were suspended in Michigan, builders had to account for the risk that the prevailing wage would be reinstated and that they might be liable for back pay. This likely muted the effect of prevailing wage suspension, diminishing both savings and employment gains.

‡ Cihan Bilginsoy and Peter Philips, "Prevailing Wage Regulations and School Construction Costs: Evidence from British Columbia," *Journal of Education Finance* 24 (Winter 2000): 415-32. In spite of the cost increase, which they concede to be statistically significant, Bilginsoy and Philips conclude that prevailing wage repeal, as a cost-saving strategy, is "misguided."

⁵⁵ Richard Vedder, *Michigan's Prevailing Wage Law*, 14.

⁵⁶ Richard Vedder, *Michigan's Prevailing Wage Law*, 7-11.

⁵⁷ Sarah Dunn, John M. Quigley, and Larry A Rosenthal, "The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing," *Industrial and Labor Relations Review* 59, no. 1 (October 2005): 141-57.

agreements in determining prevailing wages, and Ohio's climate, both physically and economically, is similar to Michigan's. Repeal of prevailing wage should have similar results for Michigan contractors, government agencies and construction workers.

Five years after the exemption was enacted, the Ohio Legislative Service Commission, at the behest of the state Legislature, reviewed data on school construction costs before and after the exemption took effect. The commission's analysis accounted for changes in the cost of construction materials, building types and differences between rural and urban districts. The commission found that the exemption had allowed Ohio public schools to save a total of \$487.9 million, 10.7 percent of construction spending.⁵⁸ The biggest impact was on additions to existing buildings, where the exemption produced savings of 19.9 percent.⁵⁹ The OLSC also concluded that public school construction was not a large enough portion of the overall construction industry in Ohio to have a significant effect on employment or wages in the construction industry.⁶⁰

The Overall Cost of the Prevailing Wage for Michigan Taxpayers

From our estimates of labor costs and the experience of Michigan and other jurisdictions, it seems reasonable to conclude that Michigan's prevailing wage law, by mandating union wage rates on all public construction, adds 10 percent to 15 percent to the cost of all public construction. Because state and local governments spend billions of dollars annually on construction, this imposes a heavy burden on the state's taxpayers.

In fiscal 2002,* Michigan state government spent more than \$1.44 billion on construction, while public schools spent \$1.32 billion, and local governments spent approximately \$2.6 billion.⁶¹ Some of this construction was covered by the federal Davis-Bacon Act. The Davis-Bacon Act itself mandates the payment of prevailing wages on any project where the federal government provides more than \$2,000, and although the act does not explicitly mandate union scale, there is anecdotal evidence of some bias in that direction.⁶² For the sake of simplification, this paper will assume that where the Davis-Bacon Act applies, the potential savings for the state and local governments would be negligible if Michigan's prevailing wage law were repealed.

The Davis-Bacon Act has had the heaviest impact in road construction. In 2002, Michigan's state and local governments received \$661 million in highway funding from the federal government.⁶³ The state of Michigan has customarily passed a quarter of federal roads funding on to local governments.⁶⁴ This proportion would leave \$496 million of state-managed road construction subject to the federal Davis-Bacon Act.

* The year 2002 is the most recent for which U.S. Census data on state and local construction spending are available.

⁵⁸ Ohio Legislative Service Commission, *S.B. 102 Report*, 22–25.

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*, 36–37.

⁶¹ U.S. Census Bureau, *Compendium of Government Finances, 2002*, 115; U.S. Census Bureau, *Statistical Tables, Public Elementary-Secondary Education Finances: 2001–02*, table 9.

⁶² Armand Thieblot, "The Twenty-Percent Majority," 99–134.

⁶³ Federal Highway Administration, *Highway Statistics 2002*, Table SF 21: State Funding for Highways – Summary, available online at <http://www.fhwa.dot.gov/policy/ohim/hs02/sf21.htm>.

⁶⁴ Michigan Department of Transportation, *State Long-Range Transportation Plan 2005-2030: Finance Technical Report*, 2006, 5.

State departments of transportation have some flexibility in how federal highway funds are used. While it is possible for federal funds to be spread out over many projects, making all of those projects subject to the Davis-Bacon Act, it is also generally possible to concentrate them into several projects, leaving the remaining state road projects free from Davis-Bacon mandates.⁶⁵ Consequently, of the \$1.44 billion in state government construction spending in 2002, only the \$496 million in federal highway funds received by state government would have been covered by Davis-Bacon laws. The remaining \$945 million in state construction spending, both highway and nonhighway, would have involved minimal federal money, leaving state government free to apply its own wage policy. If we assume that the state prevailing wage law increased construction costs by 10 percent — a conservative assumption — the state would have saved approximately \$86 million in state construction spending in 2002.*

The state also transferred \$1.08 billion to local governments for road construction and maintenance in 2002. While exact figures for highway construction by local governments are not available, we do know that overall capital outlay (a category that includes both construction and related expenses, such as land acquisition) made up around 43 percent of highway spending in Michigan in 2002.⁶⁶ Assuming that same ratio applied on these transferred funds would give us \$464 million that was used for capital outlay. From this one could reasonably estimate that around half, \$232 million, was spent on road construction that was not subject to the federal Davis-Bacon Act.[†] This in turn leads to an additional \$21 million in likely savings on highway construction and maintenance if the state prevailing wage law had not been in effect.

Public school districts across the state spent \$1.32 billion on construction in 2002. Because the state acts as a surety on most of the bonds used for public school construction in Michigan, the overwhelming majority of this construction is covered by the state prevailing wage law. We estimate that 90 percent of school construction is affected by the prevailing wage law, or approximately \$1.2 billion in 2002.[‡] Thus, in the absence of the prevailing wage law in 2002, school districts would have spent \$109 million less.

Given the three estimates above, it is reasonable to project that repeal of the state's prevailing wage law would have saved \$216 million in 2002. (An estimate of the possible savings for county and municipal governments with the repeal of the state prevailing wage law on projects that are partly funded by the state is beyond the scope of this report.)

* Our assumption that the prevailing wage law adds 10 percent to the cost of construction implies that repeal would result in a savings of 9.09 percent.

† John C. Taylor, an associate professor of marketing and logistics at Grand Valley State University, made a similar assumption in making his own estimate of the possible savings from state prevailing wage law repeal. See John C. Taylor, *Road Funding, Time for a Change* (Midland, Mich.: Mackinac Center for Public Policy, 2007), 74. Taylor used a different base year (2004) and made slightly different assumptions on the effect of the prevailing wage law, to come up with an estimate of \$25 million in likely savings.

‡ According to municipal funding expert Lou Schimmel, "nearly all" of school construction is at least partially funded by qualified bonds. Mike Alandt, director of the Municipal Advisory Council of Michigan, puts that figure at 80 percent to 90 percent. Lou Schimmel, telephone interview, March 9, 2007; Mike Alandt, telephone interview, March 16, 2007.

⁶⁵ Shirley Ybarra, former director, Virginia Department of Transportation, telephone interview, February 4, 2006.

⁶⁶ Federal Highway Administration, *Highway Statistics 2002*, Table SF 21: State Funding for Highways – Summary, available online at <http://www.fhwa.dot.gov/policy/ohim/hs02/sf21.htm>.

In addition, many of Michigan's largest local governments, such as Detroit, Ann Arbor and Lansing, have prevailing wage statutes of their own.⁶⁷ While there appear to be no county prevailing wage laws on the book, there are at least nine municipal prevailing wage laws in Michigan, covering cities with approximately 15 percent of the state's population.*⁶⁸ In 2002 Michigan municipalities spent another \$1.2 billion on construction projects other than roads (road spending was discussed earlier), and if we assume that municipalities' construction spending roughly mirrored their share of the population, these nine municipal governments would have spent approximately \$180 million.⁶⁹ By our earlier estimate, these communities could have spent \$16 million less on the same construction if they had not enacted prevailing wage ordinances, or if the Michigan Legislature had precluded local governments from enforcing prevailing wages.

Overall, we estimate that in 2002 alone, Michigan taxpayers would have saved \$232 million on construction spending by school districts and by state and municipal governments in the absence of state and municipal prevailing wage laws. This is a fairly cautious estimate, based on a relatively modest assumption of the cost of Michigan's prevailing wage law on average construction costs. An equivalent amount in 2007 dollars would be \$269 million.[†]

Solutions to the Prevailing Wage Problem

Repeal

Michigan's prevailing wage law increases the cost of construction on state-supported projects by 10 percent to 15 percent, adding hundreds of millions of dollars to the burdens borne by state taxpayers. The law also forces union work rules and wages on a construction industry that is increasingly nonunion. Unions represented 32.8 percent of Michigan construction workers in 1986, but only 22.1 percent of construction workers in 2006.

It is not clear that prevailing wage laws improve the quality of construction or the safety of construction workers. To the extent that prevailing wage laws improve the productivity of construction workers, that improvement is more than offset by the higher wages that are also associated with prevailing wage states. And the prevailing wage law has a reverse Robin Hood effect: Its main beneficiaries are construction workers who already earn hourly wages well above the average for workers in this state.

Lawmakers may be concerned that prevailing wage repeal will leave construction workers vulnerable to downward pressure on wages in the marketplace. This concern is understandable, but misplaced: Construction spending by state and local governments in Michigan totaled \$5.4 billion in 2002, only about 15 percent of the \$36 billion in construction work done in Michigan that same year.⁷⁰

* Those municipalities are Detroit, Warren, Lansing, Ann Arbor, Livonia, Battle Creek, Bay City, Kalamazoo and Saginaw. For population figures, see US Census Bureau "Quick Facts" available online at <http://quickfacts.census.gov/qfd/states/26000.html>

† This figure was calculated using the consumer price index to adjust for inflation.

⁶⁷ Detroit, see ordinances §18-5-60; Ann Arbor, see chapter 14 §1:319 and Lansing ordinances §206:18.

⁶⁸ U.S. Census Bureau, *State and County Quick Facts: Michigan*, <http://quickfacts.census.gov/qfd/states/26000.html> (accessed August 11, 2007).

⁶⁹ Mackinac Center for Public Policy calculations based on data from the U.S. Census, 2002 *Census of Government, State and Local Government Finance*.

⁷⁰ U.S. Census Bureau, *Michigan 2002: 2002 Economic Census, Construction*, 3.

At a time when a shrinking state economy is leading to lower tax revenues for state and local governments, a policy associated with increased costs, lower employment and minimal (if any) benefits is ripe for repeal. A temporary judicial suspension of Michigan's prevailing wage produced exactly the sort of effects that Michigan policymakers should be looking to bring about in the state's current economy: increased employment and efficiency in government spending. Repeal of Michigan's prevailing wage law would be the best option.

Alternatives to Repeal

If policymakers are unwilling to repeal prevailing wage outright, there are a number of ways to reduce the scope of Michigan's prevailing wage law or update its provisions to reflect the current state of the economy. Any of the following proposals will reduce the burden on taxpayers while still leaving construction workers with some protection from labor market competition.

Exempt Public School Construction

The state contributes relatively little to the actual cost of public school construction, serving only as a backer of construction bonds; the actual money comes from school districts. Lansing's involvement in the details of bidding on public school construction is minimal. As in Ohio, public school construction is a relatively modest part of the overall construction marketplace, and the effect of this exemption on construction labor markets should be minimal. Nevertheless, exempting public school construction from Michigan's prevailing wage mandate could save taxpayers approximately \$120 million annually, based on 2002 estimates.

Temporary Suspension

The Davis-Bacon Act allows the president to suspend prevailing wage requirements in cases of emergency, permitting faster and cheaper reconstruction of government buildings and speedier restoration of vital services and infrastructure.⁷¹ As the state of Michigan confronts its own economic crisis, lawmakers should consider suspending prevailing wage as a means to balance budgets without increasing taxes or reducing state construction. During this time, the state could study the effect of the law's suspension on Michigan's construction wages, employment and quality.

Change How the State Calculates Prevailing Wages

Changing the state's calculation of the prevailing wage so that it reflects actual market conditions is not without complications, but if it is done correctly, state and local government could enjoy most of the cost savings that they would realize after repealing the prevailing wage law.

⁷¹ 40 U.S.C. §276a-5.

Such a change would require a careful redrafting of the law. The prevailing wage statute currently calls for the exclusive use of collectively bargained (that is, union) rates in determining prevailing wages. The statute should instead call for the state's department of labor to calculate the average wages of all qualified workers, union and nonunion, for each class of construction labor.

Most of the costs of Michigan's prevailing wage law come about because of the statutory tie to union wages, which might have covered half of Michigan's construction work force at the time the law was passed, but cover less than a quarter of that same work force today. Union wages are on average 40 percent to 60 percent higher than those paid to nonunion construction workers, who make up more than three-quarters of Michigan's construction industry. If the tie to union rates were dissolved, contractors would still be prohibited by law from paying below-average wages, but taxpayers would no longer be forced to pay wages well above those typical for the industry. The cost of labor on government construction would then be reasonably close to the cost of construction labor for private-sector customers.

At the same time, the state should consider basing the work classifications for prevailing wages on a neutral source, such as the U.S. Department of Labor's Standard Occupational Classification or the North American Industry Classification System. Under the current practices of the state's Wage and Hour Division, work classifications can vary from county to county or shift as new collective bargaining agreements take effect. The use of a neutral set of work classifications would allow union and nonunion contractors to refer to one consistent set of rules that apply across the state.

Lawmakers should also consider reducing the number of geographic divisions used for setting prevailing wages, or even call for the creation of a single, statewide rate schedule. In an age when markets for goods and services are increasingly global, it would seem more than reasonable to think of the Detroit area, for example, as a single construction marketplace with fairly consistent wages, as opposed to the current practice of issuing separate wage determinations for Oakland, Macomb, Washtenaw, Livingston, Monroe and Wayne counties. A single statewide rate schedule would be simplest and would provide more than adequate protection to the state's construction labor force. There is no compelling reason the state of Michigan should protect construction workers in Flint against competitors from Traverse City, especially if both are paid, at a minimum, average wages for the state.

If the Legislature were to adopt these recommended changes to prevailing wages, it would need to give precise directions to state agencies for calculating rates — specifically, how wage data are to be collected, and how the data are to be used to set a final rate. Lawmakers should bear in mind that when prevailing wages are miscalculated, whether due to fraud, mathematical error or the requirements of

an outdated prevailing wage statute, government and taxpayers bear the greater risk. Construction workers are not obligated to accept work at the rates set by the state. If the rate calculated by the state understates the correct wage, workers should still be able to find work at the true prevailing wage, which would be a higher rate of pay. But if the rate determined by the state is erroneously high, contractors are obligated to pay the higher wage unless the error is found and corrected. This cost will most likely be passed on to government agencies and, ultimately, taxpayers.

Lawmakers should resist the temptation simply to defer to federal Davis-Bacon determinations. While in theory the rate determinations made by the U.S. Department of Labor should reflect the overall labor market, the research noted earlier into DOL's determinations has uncovered evidence that wage data have been manipulated in favor of union rates.⁷² In a state like Michigan, with a history of strong unions, the opportunities and pressures for such manipulation would be particularly strong. Michigan would be better advised to set its own standards with strict procedures in place to ensure fair determinations based on accurate data.

There is one other alternative that the state could consider, which is to adopt the Bureau of Labor Statistics determinations. BLS annually calculates statewide median wages for hundreds of occupations, including more than 30 separate categories of construction work. The BLS' "State Occupational Employment and Wage Estimates" covers the entire marketplace, union and nonunion, and provides a sound basis for prevailing wage determinations if state legislators prefer to delegate that task to an agency outside of state government.

Revise the Prevailing Wage Law To Focus on Low-Wage Workers

Another, simpler step that the state could take to rein in the cost of the prevailing wage while leaving a floor beneath construction wages is to establish what might be called a "median-wage rule." Under this median-wage rule, the state would still make use of collective bargaining agreements in setting prevailing wage rates, but the law would be focused on protecting the pay of lower-wage workers.

The rationale for this rule is fairly straightforward and entirely in keeping with Michigan's traditional concern for low-wage workers. Michiganians hope to improve wages and working conditions for those on the lower rungs of the economic ladder, but most construction workers are not really on the lower rungs. Construction workers can and often will receive generous compensation for their skills and effort; there is no need for the state to mandate wages that are substantially above average for the community as a whole.

Under the median-wage rule, the Wage and Hour Division would mandate minimum wages equal to the lesser of the collectively bargained wage or to the

⁷² Armand Thieblot, "The Twenty-Percent Majority," 99-134.

median wage for all workers (not just construction workers) in the state with a reasonable adjustment made for fringe benefits.

With the median-wage rule in place, workers on state-supported construction projects would still be protected by a wage floor, but contractors (and, by extension, taxpayers) would not be forced by law to pay wages that are significantly higher than the average for all Michigan workers.

The median-wage rule would also require action by the Legislature, but compared to generating accurate prevailing wage determinations, this median-wage rule would be much simpler to draft and implement.

Conclusion

Whatever the intentions behind the prevailing wage law when it was passed, it is difficult to develop a rationale for its continuation, at least in its current form.

The prevailing wage law forces the payment of union wages on state construction projects despite the fact that union workers made up just 22.1 percent of the construction work force in Michigan in 2006. In the process, the law provides a boost in compensation of 40 percent to 60 percent to construction workers who already receive wages well above the average for workers in this state. This cost is ultimately passed on to Michigan taxpayers, who lose \$232 million annually — a conservative estimate calculated in 2002 dollars — without any discernible benefit for the vast majority of Michiganians.

The need for a prevailing wage law is dubious, but lawmakers who wish to preserve a wage floor on state-supported construction have several reform options that will still allow the people of Michigan to realize significant savings on government construction. The key is to free contractors from the unnecessary burden of matching the wages found in collective bargaining agreements and to allow those contractors to pay market wages on state construction projects.

However well-intentioned Michigan's prevailing wage law might have been when passed, it now costs taxpayers hundreds of millions of dollars annually while it boosts the pay of higher-wage construction workers and closes opportunities for lower-wage construction workers. In a time of high unemployment and dwindling revenues, this costly law ought not go unchanged.

Appendix A

Graphic 2: Nonunion Compensation vs. Michigan Prevailing Wage 2005* (Metropolitan Area/COUNTY)

PAS Craft Categories	Nonunion Total Compensation	Prevailing Wage	Percentage Difference	Wage and Hour Division Categories
Detroit/WAYNE				
Block/Stone Masons	\$30.66	\$44.26	44.4	Same
Bricklayers	\$33.05	\$44.26	33.9	Same
Carpenters	\$23.45	\$40.24	71.6	Carpenter/Piledriver
Cement Masons	\$28.09	\$38.42	36.8	Same
Electricians	\$30.83	\$46.88	52.1	Inside Wireman
Roofers	\$25.42	\$43.36	70.6	Same
Welders	\$24.54	\$35.53	44.8	Compressor/Welder Operator
Laborers	\$19.60	\$31.54	60.9	Class I/Underground
Grand Rapids/KENT				
Carpenters	\$22.36	\$31.15	39.3	Carpenter/Piledriver
Cement Masons	\$22.52	\$29.65	31.6	Same
Electricians	\$27.63	\$35.49	28.4	Inside Wireman
Structural Ironworkers	\$23.67	\$33.74	42.5	Same
Metal Bldg. Mechanic	\$20.13	\$33.18	64.8	Pre-engineered Metal Work
Painters	\$18.89	\$29.09	54.0	Same
Pipefitters	\$25.20	\$40.68	61.4	Plumber and Pipefitter
Sheet Metal Workers	\$22.65	\$34.62	52.8	Same
Sprinkler Fitters	\$25.12	\$40.36	60.7	Same
Welders	\$23.17	\$32.70	41.1	Class F Operating Engineer
Laborers	\$15.77	\$24.68	56.5	Class A Laborer
Saginaw/SAGINAW				
Carpenters	\$17.65	\$35.25	99.7	Carpenter/Piledriver
Cement Masons	\$18.86	\$33.19	75.9	Same
Electricians	\$26.15	\$39.23	50.0	Inside Wireman
Pipefitters	\$22.81	\$42.77	87.5	Plumber and Pipefitter
Sheet Metal Workers	\$21.68	\$36.93	70.3	Same
Laborers	\$11.68	\$27.17	132.7	Class A Laborer
Average			58.6	

* The state prevailing wage figures are provided by county, and the PAS Inc. nonunion compensation figures are provided by metropolitan area.

Nonunion total compensation calculated from PAS Inc. wage and fringe benefit data in PAS' "Merit Shop Special Reports."
Prevailing wage data taken from the Michigan Department of Labor and Economic Growth Wage and Hour Division.

Appendix B

**Graphic 3: Adjusted Median Wages vs. Michigan Prevailing Wage 2005*
(Metropolitan Statistical Area/COUNTY)**

Class	BLS Median	BLS Adjusted †	Prevailing Wage	Percentage Difference‡	Note
Ann Arbor/WASHTENAW					
Bricklayers	\$27.77	\$36.10	\$44.27	22.6	
Carpenters	\$21.06	\$27.38	\$40.86	49.2	
Cement Masons	\$16.85	\$21.91	\$43.76	99.8	
Construction Laborers	\$16.29	\$21.18	\$29.31	38.4	Hazardous Class A
Operating Engineers	\$22.99	\$29.89	\$34.50	15.4	Fireman or oiler
Electricians	\$31.01	\$40.31	\$49.19	22.0	
Painters	\$22.81	\$29.65	\$36.66	23.6	
Plumbers	\$29.70	\$38.61	\$45.62	18.2	
Roofers	\$20.36	\$26.47	\$35.68	34.8	
Sheet Metal Workers	\$28.69	\$37.30	\$49.72	33.3	
Structural Iron/Steel Workers	\$20.57	\$26.74	\$45.86	71.5	
<i>Average</i>				39.0	
Battle Creek/CALHOUN					
Carpenters	\$17.62	\$22.91	\$32.15	40.4	
Cement Masons	\$18.85	\$24.51	\$30.83	25.8	
Construction Laborers	\$13.75	\$17.88	\$25.22	41.1	Class A
Operating Engineers	\$20.79	\$27.03	\$31.05	14.9	Oiler, fireman, heater oper.
Electricians	\$22.44	\$29.17	\$39.69	36.1	
Painters	\$15.84	\$20.59	\$28.60	38.9	
Plumbers	\$23.73	\$30.85	\$44.17	43.2	
Sheet Metal Workers	\$26.28	\$34.16	\$39.32	15.1	
<i>Average</i>				31.9	
Bay City/BAY					
Carpenters	\$12.98	\$16.87	\$35.25	108.9	
Construction Laborers	\$14.36	\$18.67	\$27.17	45.5	
Operating Engineers	\$20.11	\$26.14	\$30.70	17.4	Class G: Oiler, fireman etc
Plumbers	\$12.01	\$15.61	\$42.77	173.9	
Roofers	\$19.11	\$24.84	\$33.51	34.9	
Sheet Metal Workers	\$23.61	\$30.69	\$36.93	20.3	
<i>Average</i>				66.8	
Detroit/WAYNE					
Bricklayers	\$26.28	\$34.16	\$44.26	29.6	
Carpenters	\$20.25	\$26.32	\$41.37	57.2	
Tile and Marble Setters	\$30.67	\$39.87	\$35.99	-9.7	Tile finisher
Cement Masons	\$19.27	\$25.05	\$38.42	53.4	
Construction Laborers	\$18.33	\$23.83	\$31.54	32.4	Underground Class I
Operating Engineers	\$22.34	\$29.04	\$34.50	18.8	Fireman or oiler
Drywall Installers	\$14.09	\$18.32	\$37.30	103.6	Drywall Taper (only listing)
Electricians	\$31.16	\$40.51	\$46.88	15.7	
Glaziers	\$22.75	\$29.57	\$40.02	35.3	
Painters	\$18.84	\$24.49	\$36.66	49.7	
Plumbers	\$26.93	\$35.01	\$49.58	41.6	
Plasterers	\$19.19	\$24.95	\$38.32	53.6	

* The state prevailing wage figures are provided by county, and the Bureau of Labor Statistics median wage figures are provided by metropolitan statistical area.

† The adjustment is a 30 percent increase to account for fringe benefits.

‡ This figure represents the percentage by which the prevailing wage exceeds the adjusted Bureau of Labor Statistics wage.

Class	BLS Median	BLS Adjusted †	Prevailing Wage	Percentage Difference‡	Note
Roofers	\$23.10	\$30.03	\$43.36	44.4	
Sheet Metal Workers	\$24.58	\$31.95	\$49.72	55.6	
Structural Iron/Steel Workers	\$29.38	\$38.19	\$45.86	20.1	
Elevator Installer	\$29.75	\$38.68	\$47.71	23.4	
<i>Average</i>				39.0	
Detroit Suburbs/OAKLAND					
Bricklayers	\$25.00	\$32.50	\$44.26	36.2	
Carpenters	\$22.33	\$29.03	\$41.37	42.5	
Tile and Marble Setters	\$20.20	\$26.26	\$35.99	37.1	Tile finisher
Cement Masons	\$22.55	\$29.32	\$38.42	31.1	
Construction Laborers	\$17.11	\$22.24	\$31.54	41.8	Underground Class I
Operating Engineers	\$24.02	\$31.23	\$34.50	10.5	Fireman or oiler
Drywall Installers	\$22.87	\$29.73	\$37.30	25.5	Drywall Taper (only listing)
Electricians	\$30.44	\$39.57	\$46.88	18.5	
Glaziers	\$20.30	\$26.39	\$40.02	51.6	
Painters	\$20.29	\$26.38	\$36.66	39.0	
Plumbers	\$26.31	\$34.20	\$49.58	45.0	
Plasterers	\$30.30	\$39.39	\$38.32	-2.7	
Roofers	\$19.91	\$25.88	\$43.36	67.5	
Sheet Metal Workers	\$23.59	\$30.67	\$49.72	62.1	
Structural Iron/Steel Workers	\$25.39	\$33.01	\$45.86	38.9	
Elevator Installer	\$28.72	\$37.34	\$47.71	27.8	
<i>Average</i>				35.8	
Flint/GENESSEE					
Bricklayers	\$25.49	\$33.14	\$40.50	22.2	
Carpenters	\$22.73	\$29.55	\$35.85	21.3	
Tile and Marble Setters	\$24.45	\$31.79	\$30.31	-4.6	Tile finisher
Cement Masons	\$19.44	\$25.27	\$33.79	33.7	
Construction Laborers	\$18.58	\$24.15	\$28.63	18.5	Hazardous Class A
Operating Engineers	\$19.84	\$25.79	\$30.70	19.0	
Drywall Installers	\$20.11	\$26.14	\$31.19	19.3	Finisher (only listing)
Painters	\$15.69	\$20.40	\$28.87	41.5	
Plumbers	\$29.08	\$37.80	\$47.06	24.5	
Roofers	\$22.07	\$28.69	\$33.51	16.8	
Sheet Metal Workers	\$29.41	\$38.23	\$42.90	12.2	
<i>Average</i>				20.4	
Grand Rapids/KENT					
Bricklayers	\$19.36	\$25.17	\$32.91	30.8	
Carpenters	\$17.62	\$22.91	\$31.15	36.0	
Tile and Marble Setters	\$20.32	\$26.42	\$26.12	-1.1	finisher
Cement Masons	\$17.65	\$22.95	\$29.65	29.2	
Construction Laborers	\$14.26	\$18.54	\$24.68	33.1	Class A
Operating Engineers	\$18.46	\$24.00	\$31.05	29.4	Class G: Oiler, fireman etc
Drywall Installers	\$18.18	\$23.63	\$33.12	40.1	
Electricians	\$21.24	\$27.61	\$35.49	28.5	
Glaziers	\$16.74	\$21.76	\$35.66	63.9	
Painters	\$14.14	\$18.38	\$29.09	58.3	
Plumbers	\$21.96	\$28.55	\$40.68	42.5	

† The adjustment is a 30 percent increase to account for fringe benefits.

‡ This figure represents the percentage by which the prevailing wage exceeds the adjusted Bureau of Labor Statistics wage. The state prevailing wage figures are provided by county, and the Bureau of Labor Statistics median wage figures are provided by metropolitan statistical area.

Class	BLS Median	BLS Adjusted +	Prevailing Wage	Percentage Difference [‡]	Note
Plasterers	\$19.97	\$25.96	\$29.86	15.0	
Roofers	\$13.47	\$17.51	\$23.75	35.6	
Sheet Metal Workers	\$18.96	\$24.65	\$34.62	40.5	
Structural Iron/Steel Workers	\$21.80	\$28.34	\$33.74	19.1	
Elevator Installer	\$33.31	\$43.30	\$44.78	3.4	
<i>Average</i>				31.5	
Holland/OTTAWA					
Bricklayers	\$18.92	\$24.60	\$32.91	33.8	
Carpenters	\$16.46	\$21.40	\$31.15	45.6	
Cement Masons	\$15.37	\$19.98	\$29.65	48.4	
Construction Laborers	\$12.84	\$16.69	\$24.68	47.9	Class A
Operating Engineers	\$17.79	\$23.13	\$31.05	34.3	Class G: Oiler, fireman etc
Drywall Installers	\$17.70	\$23.01	\$33.12	43.9	Taper and finisher
Electricians	\$19.75	\$25.68	\$35.49	38.2	
Painters	\$16.15	\$20.99	\$29.09	38.6	
Plumbers	\$21.45	\$27.89	\$40.68	45.9	
Roofers	\$13.65	\$17.75	\$23.75	33.8	
Sheet Metal Workers	\$15.32	\$19.92	\$34.62	73.8	
<i>Average</i>				44.0	
Jackson/JACKSON					
Carpenters	\$19.48	\$25.32	\$34.67	36.9	
Cement Masons	\$17.20	\$22.36	\$33.02	47.7	
Construction Laborers	\$13.68	\$17.78	\$28.80	61.9	Class A Hazardous
Operating Engineers	\$19.24	\$25.01	\$30.70	22.7	
Electricians	\$23.22	\$30.19	\$49.19	63.0	
Plumbers	\$20.34	\$26.44	\$44.17	67.0	
<i>Average</i>				49.9	
Kalamazoo/KALAMAZOO					
Bricklayers	\$17.30	\$22.49	\$36.56	62.6	
Carpenters	\$18.20	\$23.66	\$32.15	35.9	
Cement Masons	\$18.01	\$23.41	\$30.83	31.7	
Construction Laborers	\$16.86	\$21.92	\$25.22	15.1	
Operating Engineers	\$21.94	\$28.52	\$31.05	8.9	
Electricians	\$15.74	\$20.46	\$36.62	79.0	
Painters	\$16.72	\$21.74	\$28.60	31.6	
Plumbers	\$26.70	\$34.71	\$38.94	12.2	
Roofers	\$16.73	\$21.75	\$29.49	35.6	
Sheet Metal Workers	\$22.45	\$29.18	\$39.32	34.7	
<i>Average</i>				34.7	
Lansing/INGHAM					
Bricklayers	\$23.82	\$30.97	\$38.74	25.1	
Carpenters	\$18.42	\$23.95	\$35.47	48.1	
Tile and Marble Setters	\$18.88	\$24.54	\$26.12	6.4	Finisher
Cement Masons	\$25.14	\$32.68	\$33.02	1.0	
Construction Laborers	\$17.71	\$23.02	\$28.02	21.7	
Operating Engineers	\$18.85	\$24.51	\$30.70	25.3	
Drywall Installers	\$12.91	\$16.78	\$33.12	97.3	
Electricians	\$23.84	\$30.99	\$49.19	58.7	

† The adjustment is a 30 percent increase to account for fringe benefits.

‡ This figure represents the percentage by which the prevailing wage exceeds the adjusted Bureau of Labor Statistics wage. The state prevailing wage figures are provided by county, and the Bureau of Labor Statistics median wage figures are provided by metropolitan statistical area.

Class	BLS Median	BLS Adjusted †	Prevailing Wage	Percentage Difference‡	Note
Glaziers	\$22.17	\$28.82	\$35.66	23.7	
Painters	\$13.04	\$16.95	\$29.09	71.6	
Plumbers	\$21.31	\$27.70	\$44.17	59.4	
Roofers	\$13.00	\$16.90	\$30.75	82.0	
Sheet Metal Workers	\$20.86	\$27.12	\$39.32	45.0	
Structural Iron/Steel Workers	\$22.18	\$28.83	\$45.86	59.1	
<i>Average</i>				44.6	
Monroe/MONROE					
Carpenters	\$17.00	\$22.10	\$41.37	87.2	
Cement Masons	\$23.69	\$30.80	\$35.55	15.4	
Construction Laborers	\$16.01	\$20.81	\$29.31	40.8	Hazardous Class A
Painters	\$21.00	\$27.30	\$36.66	34.3	
Plumbers	\$21.00	\$27.30	\$40.91	49.9	
Sheet Metal Workers	\$19.15	\$24.89	\$42.73	71.6	
<i>Average</i>				49.0	
Muskegon/MUSKEGON					
Carpenters	\$10.77	\$14.00	\$31.15	122.5	
Construction Laborers	\$13.94	\$18.12	\$24.68	36.2	Class A
Operating Engineers	\$19.36	\$25.17	\$31.05	23.4	Class G: Oiler, fireman etc
Painters	\$11.45	\$14.89	\$29.09	95.4	
Roofers	\$11.13	\$14.47	\$24.04	66.1	
<i>Average</i>				68.7	
Benton Harbor/BERRIEN					
Carpenters	\$15.04	\$19.55	\$32.15	64.4	
Construction Laborers	\$12.34	\$16.04	\$25.22	57.2	
Operating Engineers	\$18.62	\$24.21	\$31.05	28.3	
Electricians	\$27.19	\$35.35	\$40.27	13.9	
Painters	\$15.78	\$20.51	\$28.60	39.4	
Plumbers	\$21.10	\$27.43	\$38.94	42.0	
Roofers	\$15.99	\$20.79	\$31.23	50.2	
Sheet Metal Workers	\$19.48	\$25.32	\$38.81	53.3	
<i>Average</i>				43.6	
Saginaw/SAGINAW					
Bricklayers	\$17.17	\$22.32	\$36.05	61.5	
Carpenters	\$17.24	\$22.41	\$35.25	57.3	
Cement Masons	\$13.61	\$17.69	\$33.19	87.6	
Construction Laborers	\$18.49	\$24.04	\$27.17	13.0	
Operating Engineers	\$19.28	\$25.06	\$30.70	22.5	
Drywall Installers	\$22.76	\$29.59	\$29.55	-0.1	Finisher
Electricians	\$30.42	\$39.55	\$39.23	-0.8	
Painters	\$28.68	\$37.28	\$27.83	-25.4	
Plumbers	\$31.23	\$40.60	\$42.77	5.3	
Roofers	\$15.73	\$20.45	\$33.51	63.9	
Sheet Metal Workers	\$26.09	\$33.92	\$36.93	8.9	
Structural Iron/Steel Workers	\$23.50	\$30.55	\$45.86	50.1	
<i>Average</i>				28.7	
Average of All Sample Categories				39.1	

† The adjustment is a 30 percent increase to account for fringe benefits.

‡ This figure represents the percentage by which the prevailing wage exceeds the adjusted Bureau of Labor Statistics wage. The state prevailing wage figures are provided by county, and the Bureau of Labor Statistics median wage figures are provided by metropolitan statistical area.

Source: U.S. Department of Labor, Bureau of Labor Statistics and Michigan Department of Labor and Economic Growth

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