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Stop Overcharging Michigan Taxpayers

The time is right to overturn the “prevailing wage” regime.

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When it comes to spending taxpayer money wisely, Michigan’s lawmakers could learn something from Indiana. Our neighbors to the south just repealed the state’s “prevailing wage law”—an outdated measure that unnecessarily hikes the cost of public construction projects like schools.

Our legislators in Lansing should do the same. These laws arbitrarily set the rate contractors are paid for public works projects throughout the state. Government-mandated rates vary from county to county, but what they have in common is that they’re almost always far higher than fair market wages. This unnecessarily burdens taxpayers, and also carries serious negative economic repercussions.

Fortunately for us, Michigan Senate Majority Leader Arlan Meekof and a number of sensible lawmakers have introduced bills to repeal this harmful law.

The legislature should take up these bills immediately. Under the prevailing wage regime, the state government is prohibited from negotiating the best, most competitive construction rates. This necessarily costs taxpayers—the customer in any public project—more money. It also makes little sense. Imagine if you were forbidden to shop for the most affordable household goods and necessities. Your bills would rise dramatically, without any corresponding increase in the quality of what you purchased.

The same is true in Michigan public construction thanks to this law. Hard-working Michigan taxpayers overspent an average of [\\$224 million](#) on public projects per year from 2002-2012, according to a study by the Anderson Economic Group. Research from the [Mackinac Center for Public Policy](#) found that overall construction costs in the state are 10 percent higher because of prevailing wages—a difference of \$16 million per year for city governments.

For cities with fiscal problems—especially Detroit—this kind of wasted money adds up. Average Michigan construction wages for public projects were 39 percent higher per hour than in private jobs. In Detroit, that’s a difference of almost \$15 per hour.

Supporters of this system say that such laws help attract more productive workers, and correspond with safer work. Yet scholars at the [Cato Institute](#) observed that prevailing wage laws do not decrease the number of on-site accidents. That's because contractors in private and public projects face the same state and federal safety standards. [Surveys](#) also show that higher productivity does not correspond with artificially higher wages.

What Michigan has overspent is money that our state could have dedicated to other pressing items. It could have paid for the construction of [315 new](#) schools, according to the Associated Builders and Contractors of Michigan. The same goes for low-income housing. A paper published in the [Industrial and Labor Relations Review](#) found that prevailing wage laws have increased the cost of low-income housing construction by as much as 37 percent in some states. The money could have went to a [\\$1,600 raise](#) for all Michigan public school teachers. And of course, it could have stayed with taxpayers.

This isn't just about wasted money, either. It also affects job growth. The difference between job growth in states with and without prevailing wage laws is stark. From 1994 to 1997, when Michigan temporarily suspended its law, [11,000 more](#) construction jobs were created each year. That's compared to the average of 4,000 construction jobs created in the years before that.

In light of evidence, there's simply no reason why a government-funded project should be treated any differently from a private one. A competitive bidding process helps keep costs reasonable in any undertaking—public or private.

Ultimately, Michigan's prevailing wage law adds to the stereotype that anything government touches becomes more expensive. Every dollar diverted to unnecessary labor costs is a dollar subtracted from schools, education, and taxpayers' wallets. The state legislature can fix this problem by following Indiana's lead and repealing this harmful law. Our lawmakers should be just as careful with our money as they would be with their own.