



Charles S. Owens, State Director
National Federation of Independent Business
115 W. Allegan / 6th Floor
Lansing, MI 48933
(517) 485-3409

**Repeal of Michigan's Prevailing Wage Law
Testimony before the Senate Committee on Michigan Competitiveness
Wednesday, May 13, 2015**

Charles S. Owens
State Director, National Federation of Independent Business

My name is Charles Owens and I am the State Director for the National Federation of Independent Business, an organization providing legislative advocacy for more than 11,000 Michigan small businesses. Including many in the construction trades.

We are here today to ask your support for Senate Bills 1, 2 and 3 that would end Michigan's antiquated and unnecessary Prevailing Wage Law.

All Michigan citizens share the concerns of the Senate Members on this committee with regard to the adequate funding of our schools and infrastructure in the face of challenging budgets. While state and local governments are looking for ways to stretch resources and be good stewards of the taxpayer's dollars, we would be remiss if we did not examine the impact of Michigan's outdated and wasteful prevailing wage law on the cost of construction projects financed with state taxpayer dollars.

We would be remiss because we would be missing the opportunity to increase the buying power of the state, school districts and local governments without any new taxes or increased state spending.

While the testimony of experts and those with experience is important and useful in this discussion, we also have the benefit of solid experience where prevailing wage laws have been repealed or suspended. We have the Michigan experience where prevailing wage laws were effectively suspended for almost three years. We have the Ohio experience where prevailing wage laws on school construction, specifically, were repealed. We have the national experience where 44 other states have abolished or significantly amended their prevailing wage laws.

What have we learned with regard to the elimination of prevailing wage laws that contradict the claims of prevailing wage supporters?

Claim #1: Michigan's Prevailing Wage Law Protects Worker Safety.

- Michigan's prevailing wage law is completely silent on issues of safety. In fact, Michigan's prevailing wage law neither requires nor even suggests that jobsites be safe. Safety is simply not within the purview of Michigan's prevailing wage law and it never has been. OSHA and MIOSHA regulate safety at worksites and the same regulations apply to all work sites. (*Comparison of Nonunion and Union Contractors Construction Fatalities*, Charles Culver Ph.D., P.E., Former Director, Office of Construction and Engineering for OSHA, May 1995)
- In Michigan, an analysis of accident reports from 1996 – 1999 refute any claim that union contractors provide safer worksites. In fact, the analysis showed that unionized employers had three times as many willful MIOSHA violations than non-union employers, even though more non-union contractors were inspected. The same analysis showed no significant correlation between injury rates and the presence or absence of the state prevailing wage. (*Prevailing Wage Rates as They Relate to Accident Rates*, Kalmin Smith, Ph.D., Deputy Director Michigan Department of Consumer & Industry Services, memo dated July 11, 2000)

Claim #2: Michigan's Prevailing Wage Law Guarantees Construction Quality.

- Michigan's prevailing wage law does not require that construction projects be built to any degree of quality. Prevailing wage projects in the State of Michigan are subject to the same building codes and bid requirements as any other project. Architects and Engineers design the projects the same way. Building Inspectors follow identical regulations and procedures to issue permits and inspect the work under the same building codes.
- In 1997, Ohio repealed prevailing wage laws on school construction projects. Listen to the customers: 98% of school districts said that there has been improvement in quality or no change in quality at all since the repeal took effect. (Ohio Legislative Budget Office, 2000)

Claim #3: Repealing Michigan's Prevailing Wage Law Would Reduce Worker Wages.

- In the two years prior to Ohio's repeal of prevailing wage on school projects, construction workers' wages increased 4.5%, while in the two years following the repeal wages increased 6.9%. There are many causes for this, but the union claims that workers' wages would plummet have certainly proved untrue. (Bureau of Labor Statistics)
- 85% of construction workers in America and more than 80% in Michigan work in non-union construction companies. Workers are very well aware of unions and their missions. The union claim of better wages is well known, yet 4 out of 5 workers in America have seen what unions have to offer and have rejected it. If the unions are offering a better deal shouldn't four out of five workers be working union instead of non-union? (Bureau of Labor Statistics)

Claim #4: Michigan's Prevailing Wage Law Allows Better Training for Workers

- Michigan's prevailing wage law does not require training of any kind. The same governmental entity (Department of Labor/Bureau of Apprenticeship Training) that approves non-union training programs approves union ones. If non-union apprenticeship programs are bad, then so too are union ones because both are approved by the same entity.

Claim #5: Michigan's Prevailing Wage Law Ensures a Local & Diverse Workforce

- Michigan's prevailing wage law doesn't require a "local workforce." To say that retaining the prevailing wage law will ensure a local workforce is completely false.
- Many "local" contractors are non-union contractors that are small businesses who cannot afford to put up with the added regulation and paperwork of a prevailing wage jobsite. Many do not even bid on these jobs. By keeping smaller local contractors out of the bidding prevailing wage laws actually hinder one of their intended purposes: to encourage local labor on the jobsite.
- Women, African Americans and Hispanics overwhelmingly choose non-union construction employment opportunities rather than union ones. (BLS)

What does prevailing wage cost taxpayers?

The Michigan experience during the time that the law was voided has shown a range of between 6 – 15% higher cost due to prevailing wage laws with the same project, same contractors, and same quality. The only thing different was the reinstatement of prevailing wage.

The bottom line is that repealing Michigan's prevailing wage law would free up hundreds of millions of dollars annually in construction costs. We urge lawmakers in the House and Senate move quickly to end Michigan's Prevailing Wage Law.