



# Prevailing Wage Labor Basics

## Prevailing Wage

**What is Prevailing Wage?** Introduced in 1931 by U.S. Senator James Davis and U.S. Representative Robert Bacon, the Davis-Bacon Act was an attempt by Congress to set aside jobs on federal projects for local workers during the Great Depression. The Act, which established a pay requirement, or prevailing wage, passed through a Republican-controlled Congress and was signed into law that year. The idea behind the prevailing wage is to keep big government projects from damaging the local economy by driving down wages and undermining living standards.

Ohio passed its prevailing wage law (ORC, Chapter 4115) later that same year. Ohio's prevailing wage law applies to construction projects any time a public authority provides financial or in-kind support which exceeds established cost thresholds. The Ohio Department of Commerce determines the prevailing wage rates for the classes of work called for by the public project in the locality where such work is to be performed. These rates vary from locality to locality, and are based on collective bargaining agreements.

Over the years, much has been said and written about the intent and application of prevailing wage. And, seemingly every year attempts are made to limit or extract prevailing wage from certain projects. In 1982, Ohio Attorney General William Brown opined, "if a project is funded in part (by public moneys), and in part through private sources, all laborers and mechanics on the project must be paid at the prevailing rates determined in accordance with ORC, Chapter 4115, regardless of whether the (public moneys) are applied to pay construction costs." Also that year, the Ohio Supreme Court stated "the primary purpose of the prevailing wage law is to support the integrity of the collective bargaining process by preventing the undercutting of employee wages in the private construction sector."

In 1994, the General Assembly passed a law to prohibit the subdividing of projects to avoid the application of the prevailing wage unless the projects are conceptually separate and unrelated to each other, or encompass independent and unrelated needs of the public authority. And, in 2008 the Ohio Department of Commerce issued guidelines to ensure the consistent application of prevailing wage, especially regarding the mixture of private and public funding and subdivision of projects.

**Why is Prevailing Wage Good for Ohio?** Paying a prevailing wage to skilled local construction workers means more money for working families and the community at large. Utilizing 2007 U.S. census data, studies have shown that worker pay is 19% higher in states with strong prevailing wage laws. Strong healthcare and retirement benefits for construction workers are also a priority in prevailing wage states. Paying a strong prevailing wage on public works serves to stimulate the state and local economy by increasing consumer purchasing power and bolstering state and local tax bases. States with higher wages consistently demonstrate better schools, health care facilities, infrastructure, public safety and vital services for its citizens.

Quality and consistency are also benchmarks of construction work in states with strong prevailing wage laws. Using the same census data, it was determined that on a worker-for-worker basis, construction labor in states with strong prevailing wage laws are 12 percent more productive than states without prevailing wage laws. Under prevailing wage law construction is routinely completed on time, on budget, and at a level of workmanship that doesn't require costly repairs. Studies consistently show the application of prevailing wage enhances training of skilled craftsmen and women through apprenticeship programs and decreases workplace injuries and fatalities.

Prevailing wage law is not only economically beneficial for workers and the local community but it is proven to have no overall effect on the project cost to the public employer. According to a 2008 study by the Economic Policy Institute "most researchers have found that prevailing wage regulations in practice do not increase government contracting costs." Significant in its findings, EPI points out that projects that pay higher wages attract better-skilled workers that complete the job in less time with lower maintenance and repair costs.

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# What Are Prevailing Wage Laws?

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- Prevailing wage laws ensure that workers on public construction projects paid for with taxpayer dollars are paid a wage comparable to the local standard or "prevailing" wage.
- They prevent contractors from low-balling bids and undercutting community wages with cheap, unskilled labor, and they make sure work is done by trained workers who know what they're doing. These requirements ensure high-quality construction work and help prevent cost overruns.
- Prevailing wage requirements have been used in this country since 1891, but were made the law of the land in 1931 when Congress passed the federal Davis-Bacon Act. Today, 32 states and the District of Columbia have prevailing wage laws of their own.

## **Why Are Prevailing Wage Laws Under Attack?**

- Contractors who are more concerned with having a low-wage workforce than in the quality of their projects, along with corporate groups like the notoriously anti-union Associated Builders and Contractors (ABC), strongly oppose them. So do the politicians they helped elect.
- They've tried four times to outlaw prevailing wage laws at the federal level, but every attempt has failed. Now, with more corporate-backed, anti-worker legislators in Congress and state legislatures, they're at it again.
- These legislators are repeating ABC's lies about prevailing wage laws. The truth is, contractors that don't want to pay fair wages for skilled labor are behind the attacks.

# Lies About Prevailing Wage Laws—and the Truth

When They Say...	We Say...
<p><i>Prevailing wage laws are Depression-era requirements for wage subsidies. The free market should determine wages.</i></p>	<p><b>The free market in localities determines local wage standards.</b> Prevailing wage laws just ensure they're not undercut by unscrupulous contractors who want to low-ball bids with unskilled labor. Prevailing wages for various building trades professions are determined by what workers in a community are paid for doing that type of work.</p>
<p><i>Ending prevailing wage laws would create jobs.</i></p>	<p><b>Nonsense.</b> That's exactly what they said about NAFTA, trade with China, Wall Street deregulation and tax cuts for the rich—and we've seen how false that was. This is another lie designed to cut workers' wages.</p>
<p><i>Prevailing wage laws keep unskilled laborers, including minorities and women, from getting a start in construction.</i></p>	<p><b>No.</b> Prevailing wage laws prevent these workers from being exploited by unscrupulous contractors. And because of special wage provisions for participants in federal- or state-approved apprenticeship programs, prevailing wage laws encourage public work contractors to sponsor these programs, which are subject to affirmative action requirements and provide training opportunities for women and minority workers.</p>
<p><i>Prevailing wage laws increase what taxpayers spend for public construction projects.</i></p>	<p><b>Not true.</b> Opponents have tried for years—unsuccessfully—to make this case. An extensive study of research on the subject found no evidence that prevailing wage laws increase costs. In fact, by ensuring skilled workers do the work, prevailing wage laws can increase productivity and reduce the time it takes to complete the project. After conducting a major review of research on prevailing wages in 2008, the Economic Policy Institute concluded that "a growing body of economic studies finds that prevailing wage regulations do not increase government contracting costs."</p>
<p><i>Prevailing wage laws are nothing more than union welfare programs.</i></p>	<p><b>Way off base.</b> Prevailing wage laws apply to union and nonunion workers on a construction project. States and localities set the prevailing wage rate based on union wages, the average construction wage in the area or a combination of both.</p>