



## **THE REPEAL OF PREVAILING WAGE: A RACE TO THE BOTTOM**

### **Prevailing Wage & Public Construction Facts:**

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- Ohio Public Works awards are based upon lowest, responsive responsible bid.
- There are no qualification standards or responsibility standards in place for public building construction.
  - Passing Construction Reform would provide for Qualification standards for all entities on a public improvement project.
  - Construction Reform also contains Responsible Contracting criteria to protect the public owner, the Ohio taxpayer, and construction employees
- Historically, the “Construction Employee” has been a significant employment classification.
- Ohio’s Prevailing Wage Law was enacted in the 1930’s – largely to provide stability in Ohio’s construction workforce and to prevent the traveling, out-of-state construction groups from undercutting Ohio’s economic and construction workforce. (These same forces can be found today in the storm-chasing groups that invade Ohio after wind and storm damage to fix roofs, windows and such in the residential markets.)
- Ohio Prevailing Wages are established by locally collective bargaining agreements between an employer group and the respective construction trade unions.
  - A rural area’s prevailing wage is determined by the collective bargaining agreement for the closest urban area. (This is an area that needs amended if Prevailing Wage is not ended.)
- There is a current threshold of \$78,258 for new construction (\$23,447 for renovation) before the project is subject to the Prevailing Wage law. (These amounts are far too low for today’s construction environment.)
- Commercial construction and public construction contractors are increasingly having to compete against firms that utilize questionable employee classification practices.
  - There is currently a growing use and abuse of classifying employees as “Independent Contractors” on public works projects. The employee is often given a federal #1099 form to self-report wages for federal/state/local taxes and related employee/employer funds. These are rarely reported. All levels of government are denied precious monies, including the very expensive (for construction companies) Bureau of Workers Compensation and Unemployment compensation funds.
  - There is a growing segment of “undocumented” (illegal) workers on public projects throughout the state of Ohio. These workers are often paid in cash if they are not treated as Independent Contractors. The same abuse to our system occurs as in the preceding Independent Contractor issue.
  - Existing Ohio construction companies abiding by state and federal laws cannot compete against such contractors.

- Enforcement of the current law is spotty, arbitrary and often very confusing. Minor violations result in countless expense to all employers through legal fees and inequitable settlements. (Needs amended.)
- What projects are covered by prevailing wage law has been confusing over the past decade. The uncertainty often leads to conflict and unintentional violations. (Needs amended.)
- Both Union interests and Non-Union interests have sparked an escalating, expensive and cumbersome filing procedure for violations, alleged violations and minutia. Law firms are the only ones making out in these skirmishes.

**Repeal of Ohio’s Prevailing Wage would quickly lead to the following:**

- There would be a “free-fall” to the bottom for construction workers wages and benefits. Employee benefits – specifically Health Insurance and Pension benefits will disappear first, followed quickly by the wages.
  - The state of Ohio and all levels of government will experience a tremendous loss of income tax revenue.
  - Ohio Unemployment and Workers’ Compensation will experience large amounts of losses due to decreased funding.
  - If contractors cannot afford to pay health care benefits, this will lead to increased health care costs for everyone if and when uninsured workers or their families need expensive health care assistance.
  - With a significant decrease in wages, construction employees will have much less disposable income. This could negatively affect Ohio’s economy and even state universities as working class families will have a more difficult time assisting their children with tuition.
- “Independent Contractors” and “Undocumented Workers” will proliferate and dominate public construction projects.
- All bona fide Ohio construction employers will be negatively affected.
  - Ohio contractors will experience an increased competition from out of state contractors – especially those utilizing questionable employment practices (independent contractors/undocumented workers). Ohio contractors will not be able to get “low enough, quick enough” to compete.
  - Legitimate Open Shop (non-union) Employers would be caught in the “race-to-the-bottom” as they would have to reduce their wages and benefits to remain competitive and to counter the influx of out-of-state forces.
  - Union Employers will be faced with changing their management style and rid themselves of union agreements.
  - Legitimate construction companies will ultimately pay more into Employer funds as the independent contractor and undocumented worker proliferates, thus making them even more non-competitive with unscrupulous employers.
  - Many Ohio Union and Open Shop Employers will go out of business.
- Quality Construction Employees will leave Ohio in search of adequate compensation for their skilled trade experience and knowledge.

- The best mechanics (construction journeymen) living within 60 miles of the state border will be gone within a year as they will work in our surrounding competing states – the remaining workers will follow over a 5-10 year period.
- Construction Training (Apprenticeship) Programs will disappear as there will be no funding mechanism or demand for skilled workers.
- Public Owners will enjoy a short term reduction in their project costs, but as a trained workforce diminishes, it will ultimately cost public owners more.
  - Quality standards on public construction projects will experience a steep downward spiral.
  - The costs for maintenance of public buildings will increase as the overall quality has decreased. Likewise, the life-time of the public building will decrease.
  - As private construction regains momentum public works will be a market that responsible contractors – both Union and Non-Union will avoid.
  - Employee safety standards will also deteriorate on public works leading to injuries and additional burden on the Ohio Workers Compensation program.
- Private Owners will also apply downward pressure on wages and benefits while trying to balance a high quality project with lower overall labor costs.
- The Public Owner and the Ohio Taxpayer will suffer the greatest from Prevailing Wage Repeal.
- In short, everyone will eventually be a loser – particularly the Ohio taxpayer.

## **ABOUT AGC OF OHIO**

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*The Associated General Contractors of Ohio is the largest statewide commercial building association in Ohio. The association's membership includes both union and open shop (nonunion) general contractors, as well as quality subcontractors and suppliers. AGC of Ohio is a full-service chapter of AGC of America, the nation's oldest and largest commercial construction association, and its Ohio structure include seven self-funded, self-governed divisions located in the major metropolitan markets throughout the state.*

*With its structure, AGC of Ohio and its divisions represent hundreds of commercial contractors that employ thousands of craft workers. AGC and its members strive to improve the industry by promoting fair practices, working with public and private owners to stimulate construction markets, assisting with labor relations, and providing education and training services – all while upholding the AGC principles of skill, responsibility and integrity.*