



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 by President Herbert Hoover 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. Lastly, the Ohio Department of Commerce adopted guidelines in 2008 to ensure the consistent application of prevailing wage, especially regarding 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, under 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 thorough 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.