



# VIEWPOINT

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## Hamilton County Jail Needs to Escape Prevailing Wage

By: David Hansen

### Summary

Ohio's prevailing wage law could add between \$10.9 million and \$21.8 million to the cost of a new Hamilton County jail if the law is still in effect when bids are taken on the project.

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While the means of financing a new jail for Hamilton County are being debated, it is clear the funds will likely come exclusively from the region's own resources. Unlike highway, school or other public construction projects, there is little opportunity for sharing the costs of a new jail with the state or federal government.

For this reason, Hamilton County policymakers and opinion leaders should consider one important step today in order to reduce the costs of their jail tomorrow. They should take the lead in advocating for repeal of Ohio's prevailing wage law.

This law could add between \$10.9 million and \$21.8 million to the cost of a new jail if it is still in effect when bids are taken on the project.

Ohio's prevailing wage law requires state and local government to pay above-market wages on all major construction projects. These wages are not really "prevailing" in the sense that markets freely determine the wage rate based on supply and demand.

Instead, bureaucrats determine the prevailing wage using local union wage and benefit rates. Prevailing wage is a price-setting scheme a Soviet apparatchik would be proud of.

The impact on the entire construction labor market is harmful by any standard. According to a 1999 analysis by Ohio University's Richard Vedder, prevailing wage for public construction is associated with fewer construction jobs overall, slower growth in new construction jobs and lower labor productivity for all construction workers.

Because the entire construction market is so distorted by prevailing wage, it is difficult to determine the difference between the prevailing wage rate and the wage rate that would be created by the free market. Still, the research supports an estimate suitable for understanding the dimensions of prevailing wage's impact on the Hamilton County jail project.



Prevailing wage policies cost taxpayers big bucks.

*Source: Corbis*

Research that takes into account broader labor market issues finds that prevailing wages range from 20% to 40% higher than market-set wages.

The ‘hard’ construction costs for the new jail appear to be about \$209.9 million. According to the Census Bureau, labor’s share of typical institutional facility construction costs was 26% in 2002. If the jail project follows this form, Ohio’s prevailing wage law will increase the cost of the project by \$10.9 million to \$21.8 million.

The financial burden of this law on Hamilton County should be reason enough for its repeal.

But as Capital University economics professor and Buckeye Institute Scholar Robert A. Lawson writes, “The real outrage of the law is its intended and unintended effects on minorities and low-skilled workers. In 1931, when Ohio’s law was passed, many white construction firms found themselves facing stiff competition from lower cost labor, primarily from African-Americans newly migrating to the North. Rather than lower prices to meet the competition, they lobbied for the prevailing wage law that effectively squeezed minority firms out of the market.”

There is more than correcting past bigotry at stake in repeal of the prevailing wage. In 2001, Stanford’s Daniel Kessler and Harvard’s Lawrence Katz studied the social impacts of prevailing wage laws by comparing nine states which repealed the policy between 1979 and 1988 with states where the law was intact. They found that prevailing wage laws are associated with larger gaps in wages paid between white and black construction workers while prevailing wage repeal is linked to narrower race-based wage gaps.

It is up to the Ohio General Assembly to eliminate these many costs imposed by the state’s prevailing wage law on Hamilton County as it struggles to pay for a new jail and other local public works projects in the future.

Given the influence of Southwest Ohio’s legislative delegation, the Statehouse just might respond favorably to the challenge of repealing prevailing wage. The starting point would be for the region’s leaders to make repeal a priority. The facts show that without prevailing wage, precious public dollars stretch further and the color-blind forces of the free market spread prosperity ever wider.

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