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**Study: Prevailing Wage Repeal Would Shrink the Michigan Economy by \$1.7 Billion**

*Conducted by researchers at BCG Economics, Smart Cities Prevail, and the Midwest Economic Policy Institute*

Repeal of Michigan’s prevailing wage law would cost the state billions in lost economic output and millions in lost tax revenues, according to [a new economic study](#). The report concludes that weakening or repealing Michigan’s prevailing wage law is not in the best interests of taxpayers. The study was conducted by researchers at the Midwest Economic Policy Institute, BCG Economics, Colorado State University–Pueblo, and Smart Cities Prevail.

The study finds that prevailing wage repeal is associated with a greater use of out-of-state contractors when constructing public infrastructure and that materials costs increase when prevailing wage is repealed. Due to these effects, repeal of prevailing wage would result in 11,320 jobs lost and a \$1.7 billion reduction in economic activity across Michigan.

“When wages decrease, less productive workers replace skilled construction labor,” said Kevin Duncan, PhD; Professor of Economics at Colorado State University– Pueblo. The costs of other items also increase. Thus, reductions in the quality and productivity of workers offset any cost savings from cutting worker wages, Duncan explained.

“Prevailing wage laws support the largest privately financed system of higher education in this country,” added Frank Manzo IV; Policy Director of the Midwest Economic Policy Institute. “When prevailing wage is repealed, investment in apprenticeship training falls dramatically and high-skilled workers leave the industry.”

Decreases in the use of state-resident contractors and in the wages paid to Michigan workers have negative impacts on consumer spending. The study estimates that prevailing wage repeal would result in over \$600 million in lost revenues for Michigan contractors, an effect that would ripple through the economy.

Joseph Benson – Salvador Arana – Dave Sullivan – Bob Molaro – James Sweeney – Marc Poulos – Robert Bruno – Kelly Tyrrell

*Central Blacktop – Integrys Energy Group – Fmr. State Senator (R) – Fmr. State Representative (D) – IUOE Local 150 – III FFC – University of Illinois – CenterPoint*

“Prevailing wage repeal affects all industries, not just construction,” noted Alex Lantsberg, MCP; Research Analyst at Smart Cities Prevail. “Repeal would result in job losses in health care services, restaurants and bars, retail stores, the wholesale sector, and other industries. Property values also take a hit.”

These impacts [counter claims that repeal would save money](#) for public bodies. An elimination of prevailing wages is accompanied by a variety of changes that cancel out any intended savings. While the total costs of construction are unchanged, however, earnings losses by Michigan residents shrink the economy and reduce tax revenues.

The authors find that repeal of Michigan’s prevailing wage policy would have negative effects on Michigan businesses and working families, but note that the decision is up to the people of Michigan.

“On the one hand, prevailing wage is one of many policies which provide employers with skilled labor, reward high productivity with middle-class wages, and support Michigan contractors,” said Manzo. “On the other, Michigan could use the power of government to undercut privately-established wages and benefits in communities and ‘achieve prosperity’ by lowering incomes. It comes down to the type of state the voters want to live in.”

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The full report can be found online [at this link](#) or [at this link](#).

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