

Editorial: Count the cost

If prevailing-wage law hurts economic development, it should be reconsidered

Friday, October 10, 2008 2:56 AM

Central Ohio is fortunate to be dotted with attractive, job-generating developments that came to be in large part because private-sector developers got a boost from the public sector: Clean Ohio Fund money for removing asbestos from an old building, say, or state help in buying equipment for a business expansion.

Gov. Ted Strickland's updated interpretation of Ohio's prevailing-wage law, which he characterizes as simply applying existing law consistently, threatens that sort of progress. The state should undertake an objective study of the prevailing-wage concept, including its rationale and its effect on economic development. If a fair analysis shows that prevailing-wage requirements hobble development, lawmakers should change the law.

Projects such as the old Seneca Hotel's rebirth as condominiums on E. Broad Street and the splashy Broad and High project, which is bringing vibrant retail and residential life Downtown, represent millions of dollars of private investment, helped along by smaller public contributions.

The Strickland administration's interpretation holds that more of those public-private undertakings should be considered single, unified projects and, thus, subject to prevailing-wage law. The administration maintains that past governors have ignored the law by requiring only the publicly funded parts of such projects to pay prevailing wage, leaving the privately funded parts free from prevailing-wage requirements.

Strickland insists he is applying the law as it was intended to be, but others see the move as a favor to the organized-labor interests that have supported the governor. He recently displeased that constituency by opposing a proposed ballot issue to mandate seven paid sick days for most Ohio employees. The governor rightly recognized that the measure would be a job-killer.

Wider application of the prevailing-wage requirement also is likely to cost jobs. As Ohio University economist Richard Vedder pointed out, anything that pushes wages higher than they would otherwise be is likely to result in fewer jobs.

Web-only letters

- [The Dispatch does not have room to publish all letters to the editor. Many appear online only. Click here to read them.](#)

Strickland spokesman Keith Dailey told *The Dispatch* the new guidelines won't affect economic development, but that's hard to accept without an economic-impact study. If the law makes building more expensive, some developers will be priced out of projects they otherwise would do.

A 2002 study by the Ohio Legislative Service Commission, looking at the effect of a 1997 law that exempted school construction from prevailing-wage requirements, suggests how much money prevailing wages can add to a project. The study found that waiving the law reduced the cost of the projects considered in the study by 10.7 percent, saving taxpayers \$488 million.

When unions questioned the savings and hired Ohio State University political scientist Herb Weisberg to review the study, Weisberg pointed out that the amount purportedly saved was within the study's margin of error, making the finding less significant. The commission study's author told *The Dispatch* he didn't dispute Weisberg's critique.

Such conflicting views underscore the need for an objective review.

According to the Department of Commerce, which enforces the law, projects in which government money pays for asbestos cleanup or helps buy equipment and machinery are most likely to be affected by the new interpretation.

That's harmful, because redeveloping distressed properties and retaining jobs by helping companies expand are among the biggest challenges.

Teaming private enterprise with public support is a powerful way to accomplish projects that otherwise would be too expensive for a private developer. They often are the key to reviving urban neighborhoods and cleaning up decades-old polluted sites.

If prevailing-wage law is going to undercut such initiatives, it will hurt all Ohioans and should be questioned.

©2008, The Columbus Dispatch, Reproduction prohibited