

# Legislation to Grow the Middle Class Through Consistent Application of Prevailing Wage Law

## *Our Taxdollars Should Create Family-Sustaining Jobs, Not Poverty Jobs*

The long term decline in living standard of the American Middle Class, even here in Maryland, is now exacerbated by the worst economic downturn since the Great Depression. Now more than ever, lawmakers need to pass laws to reward work and grow the Middle Class.

Yet, all too often, our state tax dollars are funneled to private companies for projects that create poverty jobs (not middle-class jobs), with no requirements to hire Marylanders (as opposed to low-wage workers imported from out-of-state and even out-of-country), and with no health care benefits.

How does this happen? Because lawmakers in Annapolis have not yet applied consistently enough the successful policy of “prevailing wage”, which requires companies that get big state construction contracts to pay workers on those projects at least the “prevailing wage” for that profession – i.e., the average wage in that region for carpenters, electricians, masons, etc. Prevailing wage has been law for decades at the federal and state level (including in Maryland) and is one of our nation’s strongest engines for creating middle-class jobs.

State lawmakers are also not applying consistently enough the policy of “living wage”, as embodied in Maryland’s successful 2007 Living Wage Act, which requires companies that get a big state service contract to pay workers on those projects at least enough to keep a family of three from slipping below the federal Food Stamp eligibility level, requiring further expenditure by the state.

### **Solution**

Here are some of the gaps in prevailing wage and living wage laws that lawmakers should fill to ensure that more of our taxdollars create middle-class jobs for Marylanders:

- State tax dollars (more than \$250,000) doled out to private companies in the form of special tax breaks, special subsidies, and special loan financing are usually given with no requirements that recipient companies

pay workers on those projects a prevailing wage, provide health care, or even hire Marylanders;

- State tax dollars (more than \$500,000) doled out to private companies through intermediaries that are public in all but name -- such as the University System of Maryland, Port of Baltimore, BWI Airport, etc. -- are usually given with no requirement that the funds create good jobs with health care benefits for Marylanders;
- Tenants in state-subsidized economic development projects, including hotels and retailers, usually are not required to hire Marylanders at family-sustaining wages or provide health care benefits;
- Even construction contracts currently covered by prevailing wage law contain loopholes allowing contractors to *de facto* deny workers good health care benefits;
- Various other loopholes in existing prevailing wage law need to be closed, for example, the loophole allowing local public school systems to escape prevailing wage law on a construction project by fraudulently declaring the construction of a single school to be three or four smaller projects, thereby slipping under the dollar threshold triggering prevailing wage for a project.

Progressive Maryland and its allies will propose a bill in the 2010 session of the General Assembly to plug these gaps so that more of our taxdollars create prevailing wage jobs with health care benefits for Marylanders (not poverty jobs with no health care benefits for non-Marylanders). Our bill will be modeled on prevailing wage law, which has worked magnificently for decades in building the middle class; and it will be modeled on proven, successful laws in big jurisdictions around the country, such as Los Angeles, New York City, Chicago, and Pittsburgh, that apply prevailing wage more consistently in order to close the gaps described above.

In these tough economic times more than ever, lawmakers in Annapolis should ensure our taxdollars create prevailing wage jobs with health care for Marylanders. Just as Maryland was the first state in the nation to enact a statewide Living Wage law in 2007, so too should Maryland – the richest, best educated and most progressive state in the country – lead the way among states in applying the prevailing wage concept more consistently. In so doing, we will ensure that as many of our tax dollars as possible are going to private companies that do indeed create family-sustaining jobs (not poverty jobs) for Marylanders (not low-wage workers trucked in from out-of-state) and with good health care benefits. Maryland can and must show the rest of the country how to reward work and begin to rebuild the fraying American Middle Class.

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