The National Electrical Contractors Association & Prevailing Wage in Michigan

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Why Michigan Needs a Prevailing Wage Law

• 1) Benefits our employers
  • Levels the playing field

• 2) Benefits our state
  • Collection of taxes
  • Promotes a 100% privately-funded training model
  • Public construction finishes on time and on budget
Leveling the Playing Field

• Misclassification of employees as independent contractors results in unpaid employer taxes

• Responsible contractors are forced to pay anywhere from $7,400-$9,900 more *per employee* due to employer taxes alone*
  • Average union electrician hourly wage = ~$30.00/hour
  • Employer taxes paid on top of $30.00/hour = $4.94/hour
    • Federal Social Security = 6.2%, or $1.86/hour
    • Federal Medicare = 1.45%, or $0.44/hour
    • Federal Unemployment = 0.8%, or $0.24/hour
    • State Unemployment = 8%, or $2.40/hour

*Assumes an electrician works between 1,500-2,000 hours in a year
Prevailing Wage Benefits Our State

• Misclassified employees often struggle to pay their share of taxes
  • Average union electrician hourly wage = ~$30.00/hour
  • Employee taxes withheld from hourly wage = $10.18/hour
    • Federal Income Tax = 22%, or $6.60/hour
    • State Income Tax = 4.25%, or $1.28/hour
    • Federal Social Security = 6.2%, or $1.86/hour
    • Federal Medicare = 1.45%, or $0.44/hour

• In total, misclassified employees could cost the state $15.12/hour, or between $22,680-$30,240 per employee per year* in lost tax revenue

* Assumes an electrician works between 1,500-2,000 hours per year
The Impact of Michigan’s Prevailing Wage Law on Education Construction Expenditures

Anderson Economic Group
September 17, 2015

• “We assumed that total construction labor costs are 25% higher under prevailing wage.” (emphasis added)

• “Firms can off-set higher wage rates by hiring more highly-skilled workers who work fewer hours on a project....”

• “We do not consider changes in worker productivity...that may occur in the absence of prevailing wage.”