

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

January 11, 2010

Volume 10, Number 2

Prevailing Gamesmanship

In a bold New Year's Eve gambit, Mayor Ravenstahl's veto was able to stymie City Council efforts to institute a "prevailing wage" law in Pittsburgh through a bill it passed unanimously on December 21. Unable to override the veto because of the last minute Mayoral maneuver, irritated Council members have promised to reintroduce the legislation in 2010.

The Mayor's veto message outlined a number of good reasons for not allowing the Council passed bill to become law. Foremost were concerns about the impact on the City's future ability to attract investors and private development to the City. The other issue of concern in the veto message was the vagueness and ambiguity of terms in the legislation.

Be that as it may, now the Mayor, in an effort to assuage some of the anger among union leaders over the veto, has announced his intention to offer a different version of the prevailing wage bill. The Mayor apparently intends to water down the Council's version by excluding infrastructure spending, investment spending by authorities and state and Federal funds from the calculation of the City's contribution to a project. Council's plan would have subjected any project with \$100,000 of City and authority spending, including infrastructure, to the prevailing wage requirement. Moreover, under the Mayor's plan the City prevailing wage would not go into effect until Allegheny County enacted a similar law.

Of course, supporters of Council's version are not happy, claiming the Mayor's bill would effectively emasculate the effort to get workers a prevailing wage.

Obviously, the Mayor is trying to walk a very fine line that shows the unions he is their friend and supporter while at the same time attempting to show the business community that he does not want to hamper their ability to earn a decent return on investments made in the City.

Unfortunately for him, the fine line compromise approach will not work. Any bill strong enough to get any backing from unions and union supporting members of Council will be anathema to investors. And vice versa.

Playing the game of placating diametrically opposed interests is a fool's errand. The Mayor should hold firm with his original position. Prevailing wages are market place interference of the worst kind. They are basically a tax on affected businesses. By forcing businesses to pay a higher wage than the market requires does two things: it reduces the number of employees businesses will hire or reduces the company's bottom line—perhaps even making profitability impossible. Neither is in the City's long term interests.

Some will argue that the business can raise its prices to offset the higher wage. If affected businesses could raise prices and not lose sales or customer loyalty they would have already done it. At the same time, Council members argue that businesses benefiting from subsidies have an obligation to pay prevailing wages. Council members forget that investors use the subsidies because the City's tax, regulatory and labor climates require them to receive public assistance if they hope to have a viable enterprise. Now that some investors have come to the City under those conditions, Council wants to change the rules and tell them they have to pay wages above what the market requires.

In a certain sense one could argue that businesses that take City subsidies deserve to be told what wages they have to pay. After all, if you voluntarily invest in the City knowing the situation with regard to taxes, regulations, labor climate and political leanings of the government, then you only have yourself to blame when the government decides to change the rules and make unreasonable demands on you.

Nevertheless, passing the prevailing wage bill as envisioned by unions and Council will be a long term disaster for the City. While the law might boost income for a few workers in the short term, it will serve to reinforce the long held view by the business community—locally, nationally and perhaps globally—that Pittsburgh's government and political powers have no regard for the free market and no regard for businesses that have cast their lot in the City.

The Council must finally come to understand that the incessant drive and unbridled desire to convert businesses into tools of forced income redistribution is not going to work to the City's economic advantage. Such efforts vacuum the life out of true entrepreneurship in the City and create a business community that depends on and expects more and more handouts along with more and more government interference in its operations. Sad, but that is where the City's powerful interests seem determined to go.

The Mayor could do the City a very big favor by resisting the urge to launch a competitive prevailing wage bill. Rather, he should stand firm on what is best for a City that needs private development and the tax base it brings. None of the colossally difficult fiscal problems will be solved without significant private sector growth. A clear and unambiguous refusal to budge on this issue is a good place to start.

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