

Friday, February 29, 2008

To the Editor:

In “IDA reforms on horizon?” (Jan. 30), a study released by the state Economic Development Council was cited to show that requiring Industrial Development Agency projects to pay prevailing wages would increase construction costs. That study is deeply flawed. Its methodology is like a building without a foundation: It might look OK from the outside, but knock on the door and it collapses in a heap.

The study’s fatal flaw is that it assumes productivity is the same for all construction, whether prevailing wage or not. That assumption flies in the face of considerable research by construction economists that show that workers paid prevailing wages are much more productive and cost effective than workers paid lower wages. This is because they receive years of intensive skill and safety training in real apprenticeship programs, they require less supervision and they save on materials and time because they do jobs right the first time. A classic study covering 14 years of highway construction nationwide found that states with higher construction wages had 11 percent lower total costs per mile of highway because of higher productivity and savings from less work done over.

Economic developers should look at the value that prevailing wage makes possible and not be deceived by the false allure of low wages. In the end, you want a building that is durable and cost effective.

More and more, informed observers are concluding that to buttress New York’s position in the global economy, we need to place even greater emphasis on high skills that make us more productive, rather than opt for a “low-road” approach of low skills, low wages and low productivity. The NYS Economic Development Council needs to educate its members that the foundation of “prevailing wage” is a multi-year system of rigorous construction skills and safety training. The result is, as it should be, higher skills, higher productivity and higher wages and benefits.

Albany failed to pass IDA reform by the Jan. 31 deadline after giving itself seven more months past last year’s deadline. It’s time for our state elected officials to revamp the way IDAs operate so that taxpayers start to get some real return on the hundreds of millions of dollars of tax breaks IDAs hand out. It’s also crystal clear that the “economic development” community needs to get behind a strategy that focuses on investing in workers’ skills and higher productivity and ensuring that all workers and communities benefit from the resources this state invests in the name of economic development.

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