

# WebMemo



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## Davis-Bacon Wages in Senate Immigration Bill Would Keep Immigrants in the Underground Economy

*James Sherk*

Over ten million undocumented immigrants reside in the United States, living and working outside the law. Hiding from the authorities, they operate in the shadows of the economy. The Senate recently passed legislation that would provide millions of illegal immigrants with legal guest-worker status in order to bring them into the mainstream of American life and make them accountable to the law. The Senate bill, however, requires that any business hiring guest workers pay them “prevailing wages” set well above market rates. Because very few employers would pay such inflated wages, the Senate bill would leave many illegal immigrants in the underground economy.

### **Davis-Bacon Defeats the Senate’s Goal**

“We have a national interest in identifying these individuals [illegal immigrants], incentivizing them to come forward out of the shadows, go through security background checks, pay back taxes, pay penalties for breaking the law, learn to speak English, and regularize their status,” said Senator John McCain (R-AZ).<sup>1</sup> These goals motivated the Senate to pass the Comprehensive Immigration Reform Act (CIRA). The bill would allow hundreds of thousands of illegal immigrants to apply for guest-worker visas that permit work and residence in the United States for up to six years. Senators hope that this law will bring illegal immigrants inside the protections and strictures of the rule of law.

But the Senate bill will bring few immigrants out of the shadows for a simple reason: Its prevailing

wage provisions would encourage guest workers to remain off the books.

The Senate bill requires that employers pay all guest workers the “prevailing wage” for their fields as determined under the Davis-Bacon Act. These prevailing wage rates are usually equivalent to union wages and are typically well above market rates. In California, for example, prevailing wages are 35 percent to 55 percent above market rates.<sup>2</sup> Carpenters in Los Angeles earn \$21.56 an hour in the market but \$31.71 an hour under Davis-Bacon. That difference could price guest workers out of the market.

On top of this added wage burden, the compliance requirements of Davis-Bacon are onerous and extremely expensive. The Government Accountability Office (GAO) found that Davis-Bacon paperwork alone increases federal contractors’ costs by over a billion dollars per year.<sup>3</sup> The Heritage Foundation has highlighted the economic problems associated with extending Davis-Bacon rates to immigrants, but the consequences of this provision extend beyond economic disruption.<sup>4</sup>

Businesses and contractors are unlikely to pay highly inflated wages and fill out reams of paperwork just for the privilege of hiring immigrant guest work-

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This paper, in its entirety, can be found at:  
[www.heritage.org/research/immigration/wm1180.cfm](http://www.heritage.org/research/immigration/wm1180.cfm)

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214 Massachusetts Avenue, NE  
Washington, DC 20002-4999  
(202) 546-4400 • [heritage.org](http://heritage.org)

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ers. They are more likely to decline to hire any guest workers—legally, at least. But many of the firms that employ the millions of undocumented immigrants in the U.S. today would probably be willing to hire those workers at market wages, illegally. Similarly, guest workers who cannot find legal work at inflated Davis-Bacon wages are unlikely to stop working. Instead, most of them will take jobs that illegally pay market wages.

Thus many immigrants could remain in the shadows of underground labor markets. If the only jobs most guest workers can find are those that illegally pay normal wages, then guest workers will take illegal jobs, or they will choose not to apply for legal guest-worker status in the first place. Working illegally, they will be unable to enter mainstream American society, and they will have no legal recourse against employers who exploit them or deny their rights. They will continue to hide from legal authorities, aware that they are violating the law.

**Conclusion**

The U.S. Senate wants to bring currently illegal

immigrants out from the underground economy and into the mainstream of American society. It wants them to go through background checks, pay their taxes, and be able to stand up for their rights. But forcing any business hiring a guest worker to pay vastly inflated wages guarantees that immigrants will remain in the shadows.

*James Sherk is a Policy Analyst in the Center for Data Analysis at The Heritage Foundation.*

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### Davis-Bacon vs. Market Wages in Selected Cities

	Seattle	Boston	Chicago	Los Angeles	San Diego
<b>Carpenter</b>					
Davis-Bacon	\$30.34-\$30.54		\$34.32	\$31.71	\$28.06
Avg. Market	\$26.33		\$31.06	\$21.56	\$21.07
<b>Electrician</b>					
Davis-Bacon	\$34.50	\$31.52-\$35.40	\$34.95	\$32.90	\$30.50
Avg. Market	\$27.86	\$32.18	\$30.37	\$23.96	\$21.09
<b>Plumber</b>					
Davis-Bacon		\$38.72	\$37.10	\$31.36	\$31.36
Avg. Market		\$26.26	\$23.94	\$20.18	\$22.27
<b>Construction Laborer</b>					
Davis-Bacon	\$19.26-\$26.26	\$25.35-\$27.35	\$28.90-\$29.65		
Avg. Market	\$19.73	\$21.10	\$27.60		
<b>Drywall Installer</b>					
Davis-Bacon				\$31.71	\$24.96
Avg. Market				\$24.96	\$20.03

Sources: Occupational Employment Statistics, Employment and Wages by Occupation, 3rd Quarter 2005, at [www.labormarketinfo.edd.ca.gov/cgi/career/?PageID=3&SubID=152](http://www.labormarketinfo.edd.ca.gov/cgi/career/?PageID=3&SubID=152); U.S. Department of Labor, Bureau of Labor Statistics, National Compensation Survey, at [www.bls.gov/nscs/locs/compub.htm](http://www.bls.gov/nscs/locs/compub.htm); U.S. Government Printing Office, Davis-Bacon Wage Determinations by State, at [www.gpo.gov/davisbacon/allstates.html](http://www.gpo.gov/davisbacon/allstates.html).

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3. "Budget Issues: Budgetary Implications of Selected GAO Work for Fiscal Year 2000," The General Accounting Office, April 1999. Available online at <http://www.abc.org/user-assets/Documents/Government%20Affairs/PrevailingWageLawStudies/GAObudget2000.pdf> (July 20th, 2006)
4. See Heritage Foundation WebMemo #1088 "Immigration Reform or Central Planning?" by Tim Kane, PhD. Available online at <http://www.heritage.org/Research/Immigration/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=97399>

