

WebMemo



Published by The Heritage Foundation

No. 2209
January 15, 2009

Extension of the Davis–Bacon Act: The Heritage Foundation 2009 Labor Boot Camp

James Sherk

What Is the Davis–Bacon Act?

- The Davis–Bacon Act requires federal construction contractors to pay at least the wage rates prevailing on non-federal construction projects in the same locality.
- The act was intended to prevent the purchasing power of the federal government from driving down construction wages during the Great Depression.
- The act applies to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works.¹
- To calculate the wages that contractors must pay, the Wage and Hour Division (WHD) surveys construction wages and publishes prevailing wage determinations for each county in the United States. Federal contractors must then pay their employees at least the prevailing wage for each class of worker.

Policy Objections

- In most cities, Davis–Bacon wages bear no resemblance to prevailing market wages. In some cities, Davis–Bacon rates are more than double market wages. In other cities, Davis–Bacon rates are below the minimum wage.
- Davis–Bacon wages differ from actual construction wages because fundamental flaws mar the process used to determine prevailing wages.²

- WHD uses unscientific self-selected survey samples.
- Inspector general audits found errors in 100 percent of wage reports examined.
- Most prevailing wage surveys are years out of date. Some rates in effect have not been updated since the 1970s.
- Davis–Bacon rates average 22 percent above market wages.³ This needlessly inflates the cost of federal construction and wastes taxpayer dollars.
- Where Davis–Bacon rates are below market wages and the federal government is a major construction employer, the government's purchasing power can depress wages—precisely the effect the law was intended to prevent.⁴
- Despite the proven flaws in Davis–Bacon, proponents of the act continue to call for its expansion to private sector construction projects. Private sector employers do not have the same purchasing power as the federal government, and there is no economic justification for extending Davis–Bacon coverage to private construction.

This paper, in its entirety, can be found at:
www.heritage.org/Research/Labor/wm2209.cfm

Produced by the Center for Data Analysis

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Economic Effects

- Repealing the act would save the federal government \$8.6 billion on construction costs and \$100 million in administrative costs each year.
 - Costs of compliance with the act for the construction industry total nearly \$190 million per year.
 - The act's repeal would also result in the creation of an estimated 31,000 new construction jobs, most of which would go to members of minority groups.⁵
 - Davis–Bacon's requirements also make it extremely difficult for minority, open-shop contractors to employ and train unskilled minority workers. Given that unskilled workers must be paid the same wage as a skilled worker, there is no incentive to hire the unskilled worker.
- Ralph C. Thomas, executive director of the National Association of Minority Contractors, stated that a minority contractor who acquires a Davis–Bacon contract has “no choice but to hire skilled tradesmen, the majority of which are of the majority. This defeats a major purpose in the encouragement of minority enterprise development—the creating of jobs for minorities. . . . [Davis–Bacon] closes the door in such activity in an industry most capable of employing the largest numbers of minorities.”
 - Eliminating prevailing wage requirements raises minority wages.⁶
- Davis–Bacon Act wastes tax dollars.
 - Tax dollars could be used to build more for less money. Instead, the Davis–Bacon Act builds less for more money.
- James Sherk is Bradley Fellow in Labor Policy in the Center for Data Analysis at The Heritage Foundation.

1. U.S. Department of Labor, Wage and Hour Division, “Davis–Bacon and Related Acts,” at <http://www.dol.gov/esa/WHD/contracts/dbra.htm> (December 29, 2008).
2. James Sherk, “Davis–Bacon Prevailing Wage Determinations Need to Be Calculated Scientifically,” Heritage Foundation *Backgrounder* No. 2111, March 3, 2008, at <http://www.heritage.org/research/labor/bg2111.cfm>.
3. Sarah Glassman *et al.*, “The Federal Davis–Bacon Act: The Prevailing Mismeasure of Wages,” Beacon Hill Institute at Suffolk University, February, 2008, at <http://www.beaconhill.org/BHISTudies/PrevWage08/DavisBaconPrevWage080207Final.pdf> (January 12, 2009).
4. James Sherk and Patrick Tyrrell, “Davis–Bacon Flaws Hurt Florida's Workers,” Heritage Foundation *Backgrounder* No. 2156, July 7, 2008, at <http://www.heritage.org/Research/Labor/bg2156.cfm>.
5. Institute for Justice, “Removing Barriers to Opportunity: A Constitutional Challenge to the Davis–Bacon Act,” *Litigation Backgrounder*, at http://www.ij.org/index.php?option=com_content&task=view&id=861&Itemid=165 (December 29, 2008).
6. Daniel P. Kessler and Lawrence F. Katz, “Prevailing Wage Laws and Construction Labor Markets,” *Industrial and Labor Relations Review*, Cornell University, Vol. 54, No. 2 (January 2000), pp. 259–274.