

# WebMemo



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## Davis–Bacon Act Extensions: The Heritage Foundation 2010 Labor Boot Camp

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### 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.
- 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.<sup>1</sup>

- 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- Most prevailing wage surveys are years out of date.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.<sup>2</sup> 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.<sup>3</sup>
- 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/wm2758.cfm](http://www.heritage.org/Research/Labor/wm2758.cfm)

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### Economic Effects

- The Davis–Bacon Act increases the cost of federally funded construction projects by 9.9 percent.
- Repealing Davis–Bacon restrictions would allow the government to build more infrastructure and create 100,000 more construction-related jobs at the same cost to taxpayers.
- Tax dollars could be used to build more for less money. Instead, the Davis–Bacon Act builds less for more money.
- Alternatively, repealing the act would save the federal government \$9 billion on annual construction costs, excluding the stimulus spending. Eliminating the Davis–Bacon Act would have reduced the cost of the construction portion of the stimulus by over \$12 billion.
- Davis–Bacon’s requirements 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.<sup>4</sup>

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1. 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>.
2. Sarah Glassman *et al.*, “The Federal Davis–Bacon Act: The Prevailing Mismeasure of Wages,” Beacon Hill Institute, February, 2008, at <http://www.beaconhill.org/BHISTudies/PrevWage08/DavisBaconPrevWage080207Final.pdf> (January 12, 2010).
3. 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>.
4. Daniel P. Kessler and Lawrence F. Katz, “Prevailing Wage Laws and Construction Labor Markets,” *Industrial and Labor Relations Review*, Vol. 54, No. 2 (January 2000), pp. 259–274.