

Davis-Bacon Act/Prevailing Wage

OVERVIEW

The Davis-Bacon Act is an 80-year-old wage subsidy law administered by the U.S. Department of Labor (DOL) that mandates so-called “prevailing” wages for employees of contractors and subcontractors performing work on federally financed construction projects.

The Davis-Bacon Act, as administered by DOL, unnecessarily hinders economic growth, increases the federal deficit, and imposes an enormous paperwork burden on both contractors and the federal government. It stifles contractor productivity by raising costs, ignores skill differences for different jobs, and imposes rigid craft work rules.

The inefficient wage survey process used by DOL to calculate Davis-Bacon wages often results in union wages being deemed “prevailing” even though only 13.1 percent of the construction industry is unionized. As a result, Davis-Bacon frequently mandates union wages and requires contractors to use outdated and inefficient union job classifications, which ignore the productive work practices successfully used by merit shop contractors.

In addition, Davis-Bacon fails to provide equal access to work opportunities because complexities and inefficiencies in the act’s implementation make it nearly impossible for many qualified, small merit shop firms to competitively bid on publicly funded projects. These businesses—and the construction industry in general—are at an even greater disadvantage due to traditionally low net profit margins and the current unemployment rate of more than 17 percent.

From a fiscal standpoint, a recent Congressional Budget Office estimate found the Davis-Bacon Act raises federal construction costs by \$15.7 billion. Numerous academic studies have shown that repeal of the act would create real and substantial savings to the government without affecting workplace productivity, safety or market wages.

Although ABC has long advocated for the full repeal of the Davis-Bacon Act, it has also recommended numerous reforms over the years that could have mitigated some of the act’s damage to the economy. However, despite repeated criticisms from the Government Accountability Office (GAO) and DOL’s own Office of Inspector General, DOL has implemented few, if

any, meaningful reforms in its administration of the act since the early years of the Reagan administration.

A 2011 GAO report found the Davis-Bacon wage survey process suffers from a lack of transparency in how the published wage rates are set and contains data errors regarding the number of employees and hourly and fringe benefit rates. This latest GAO report makes clear that DOL is simply incapable of implementing the Davis-Bacon Act’s provisions in a fair and common-sense manner. Therefore, ABC sees no alternative than to repeal the act entirely.

ABC will continue to work in the 112th Congress to fully repeal the Davis-Bacon Act.

ABC SUPPORTS

- Full repeal of the Davis-Bacon Act.
- The Davis-Bacon Repeal Acts (H.R. 745/H.R. 746), introduced by Rep. Steve King (R-Iowa) and Rep. Connie Mack (R-Fla.), which would repeal the Davis-Bacon Act.
- Legislative and regulatory efforts designed to improve efficiencies and limit the negative impacts of the Davis-Bacon Act and state prevailing wage laws.

ABC OPPOSES

- Unequal access to work opportunities. Davis-Bacon prevents many qualified small and merit shop businesses from bidding on publicly funded projects because complexities and inefficiencies in the act make it nearly impossible for them to compete.
- Waste, fraud and abuse. Numerous studies have demonstrated that prevailing wage laws set artificial wages, which are often fraudulent, restrict competition, mandate the use of outdated job classifications and, as a result, unnecessarily add billions of dollars to the cost of public works.
- A legislative agenda that pushes for the widespread and rampant expansion of the Davis-Bacon Act into areas of public and private projects, where it has never before been mandated.