



## Studies on the Negative Impact of the Davis-Bacon Act and Prevailing Wage Policies

### 1. [Wisconsin Institute for Law and Liberty: The Effect of the Davis-Bacon Act in Wisconsin, May 2020](#)

A study conducted by WILL examined the cost impact of Davis-Bacon to contractors in Wisconsin. [Key findings include](#): Increased costs for counties across the state—20% higher across the professions in southeast Wisconsin and 1%-20% in the southwest and northwest portions of the state; lower competition—68% of construction companies in the WILL survey said that a repeal of the legislation would make them more likely to bid on projects; and higher employment costs, with 87% of survey respondents saying that compliance with Davis-Bacon makes a project more expensive.

### 2. [The Turner Center for Housing Innovation at the University of California, Berkeley: The Hard Costs of Construction, March 2020](#)

The report, Recent Trends in Labor and Materials Costs for Apartment Buildings in California, found that prevailing wage requirements on affordable housing projects cost an average of \$30 more per square foot than those without wage requirements.

### 3. [CBO: Repeal the Davis-Bacon Act, 2020](#)

The Congressional Budget Office has estimated that repealing the 1930's era Davis-Bacon Act would save the federal government \$17.1 billion between 2021 and 2030. The CBO's assessment does not reflect the true savings to taxpayers if Davis-Bacon is repealed. The CBO approximates that the Davis-Bacon Act applies to a third of all construction put in place by governments—as many state and local projects are partially or wholly funded with federal dollars triggering Davis-Bacon requirements. In 2020, [there was a total of \\$351.064 billion worth of public construction put in place](#). While the true inflationary impact of Davis-Bacon regulations is difficult to calculate with a high degree of certainty, if a third of government construction spending (\$117 billion) impacted by Davis-Bacon requirements was 10% less expensive, that would save taxpayers \$11.7 billion per year and more than \$100 billion over the next decade.

### 4. [DOL Inspector General Releases Report on Davis-Bacon Wage Audit, 2019](#)

On March 29, 2019, the U.S. Department of Labor's Office of Inspector General released an audit examining DOL's Wage and House Division's survey process for collecting data and determining the prevailing wage rate in four types of construction projects. According to the report, the OIG found that, as of September 2018, 3% of WHD's 134,738 unique published rates, roughly 4,400, had not been updated in 21 to 40 years. Additionally, of seven sampled surveys that analyzed 124 wage rates, the OIG found 48% of the rates were not determined

from data about a single construction worker within the 31 counties that the published rates represented. Finally, the report found union wages prevailed for 48% of the wage determinations, despite the fact that less than 13% of the U.S. private construction workforce is unionized.

#### **5. An Evaluation of How Repealing West Virginia’s Prevailing Wage Law Affected the Cost of Public Construction, 2018**

An August 2018 study released by the University of Kentucky Center for Business and Economic Research concluded that West Virginia’s prevailing wage mandate, repealed by the state legislature in 2016, inflated the cost of public school construction. By comparing projects bid from 2013 to 2018 and using data provided by the West Virginia School Building Authority, the authors determined that the cost of projects bid without a prevailing wage requirement were 7.3% lower than those bid with government-mandated wages. It is estimated that repealing the law in 2016 has already delivered approximately \$1 million in savings to taxpayers on school projects alone.

Further, the study found no conclusive research to support claims that quality and safety on public construction projects in West Virginia has been affected by repeal of the state’s prevailing wage law.

#### **6. Prevailing Wage Legislation and the Continuing Significance of Race, 2018**

A June 2018 piece in the Notre Dame Journal of Legislation by David E Bernstein, a professor at George Mason University’s Antonin Scalia Law School, examines [past research](#) and [articles](#) about the historic exclusion of minorities from good paying construction jobs and the racially motivated legislative intent behind the passage of the Davis-Bacon Act. The paper examines current public policy debates about the negative impact of the Davis-Bacon Act and prevailing wage laws on equity for the construction industry’s minority workers and minority-owned businesses.

#### **7. Minnesota Center for Fiscal Excellence: Minnesota’s Prevailing Wage: An Evaluation of the Rate Setting Process, 2018**

A February 2018 study concluded that the Minnesota Department of Labor and Industry fails to receive significant responses on prevailing wage surveys, largely because of a flawed calculation method. The results of this flawed calculation method led to rates in greater Minnesota that are determined by using either old prevailing wage rates or inappropriately importing rates from other counties.

The process utilized by the department runs contrary to the intent of prevailing wage laws, which is to provide local wage rates for local workers. The study concludes with recommended courses of action to correct the outdated mode of gathering wage rates such as switching to a majority/average calculation and using employer-based surveys.

#### **8. George Mason University: Prevailing Wage Legislation and the Continuing Significance of Race, 2018**

A June 2018 study by David E Bernstein, a professor at the George Mason University Antonin Scalia Law School, explores how prevailing wage laws discriminate against minority construction workers who have been traditionally underrepresented in labor unions.

By examining the Davis-Bacon Act and the original intent of the law to exclude Black construction workers from working on federal projects, to looking at the continuing effects of prevailing wage laws and the lack of minority participation in labor unions, the author conclude that prevailing wage legislation has been harmful to minority construction workers.

**9. The Heritage Foundation: Labor Department Can Create Jobs by Calculating Davis–Bacon Rates More Accurately, 2017**

According to a January 2017 report issued by the Heritage Foundation, DOL uses unscientific and flawed methods to estimate the Davis-Bacon Act’s prevailing wage rates. The report found, amongst other findings, that current surveys do not use statistically representative samples, have tiny sample sizes, and inappropriately combine data from economically unrelated counties or set local wages using statewide data. Furthermore, nearly half of the surveys are over a decade old and don’t account for economic changes over the last ten years. The report concludes by suggesting DOL should switch to Bureau of Labor Statistics data and survey methodology for a more accurate prevailing wage determination.

**10. Prevailing Wage Regulations on California Residential Construction Would Increase Construction Costs 37%, Reduce Affordable Housing and Kill Jobs, 2017**

A 2017 study by Blue Sky Consulting Group, titled “Impacts of a Prevailing Wage Requirement on Market Rate Housing in California,” found that prevailing wage requirements on privately financed residential construction would “lead to a reduction in the number of new market rate houses built, fewer affordable housing units, and a decrease in the number of construction jobs in the state... Overall, our analysis shows that expanding prevailing wage requirements to include privately financed housing construction in California would also increase the costs of building new homes. Requiring prevailing wage rates for residential construction would increase hourly labor costs by 89% on average, with some parts of the state experiencing increases of more than 125%. We estimate that this increase could translate to a 37% increase in construction costs, or about \$84,000 for a typical new home.”

**11. Illinois Policy Institute: Building Fairness and Opportunity: The Effects of Repealing Illinois’ Prevailing Wage Law, 2017**

A study released in December 2017 by the Illinois Policy Institute found that repealing the state’s prevailing wage law would help boost the state’s economy by lowering the cost to taxpayers on publicly funded construction projects and spurring job growth in the construction industry. In looking at states that repealed their prevailing wage law, the study found that employment in the construction sector grew by almost 8%. In the state of Illinois, that could translate to 14,000 new jobs in the construction industry over the next decade. The study also found that repeal of the prevailing wage law could save taxpayers an average of 10% on publicly funded construction projects.

**12. Empire Center for Public Policy: Prevailing Wage—New York’s Costly Public Works Pay Mandate, 2017**

An April 2017 report released by the Empire Center for Public Policy found that prevailing wage requirements inflate the cost of publicly funded construction projects in New York by between 13% and 25%, depending on where projects are performed across the state. “Applied to New York’s current and projected capital budgets, these findings translate into billions of dollars in

excess costs over the next few years. This, in turn, translates into both fewer projects and higher taxes, increasing the challenge of making the Empire State a more affordable, attractive and competitive place to live, work and do business.”

The report also discusses the New York City Independent Budget Office 2016 [a findings on the impact that prevailing wage requirements would have on affordable housing projects built with the 421a property tax break](#). IBO estimated wage requirements would cost the city an additional \$4.2 billion, increasing affordable housing construction costs by 23%, or \$80,000 per unit.

The Empire Center report also notes that the New York prevailing wage rates include fringe benefits, the entirety of which do not go directly to workers but instead are used to bolster underfunded and struggling union pension plans.

**13. Wisconsin Taxpayers Alliance: Evaluating Wisconsin’s Approach to Determining Prevailing Wages: State Methodology, Regional Market Comparisons, Local Fiscal Impact, 2015**

The Wisconsin Taxpayers Alliance found the survey method used to calculate prevailing wage led to wages that: "do not reflect varying county construction wages or regional labor markets; are more ‘costly’ in low-wage, low-income counties, particularly those in northern Wisconsin; can fluctuate widely and unpredictably from year to year, rather than change slowly and consistently as market wages typically do; can require contractors to pay un-skilled workers more than skilled workers in some situations; and may cost state and local government hundreds of millions of dollars in excess costs."

**14. Anderson Economic Group: The Impact of Michigan’s Prevailing Wage Law Education Construction Expenditures, 2015**

A study by East Lansing-based Anderson Economic Group found that Michigan’s prevailing wage law is costing taxpayers and draining millions of dollars per year from the state’s public universities, community colleges and school districts by needlessly driving up the costs of construction projects. The study found that between 2003 and 2012, \$21 billion in taxpayer-funded school construction was subject to Michigan prevailing wage regulations, which increased construction costs by an estimated total of \$1.267 billion, or an average of \$126.7 million a year.

**15. Anderson Economic Group: Illinois’ Prevailing Wage Law and the Cost of Education Construction, 2014**

A report by Anderson Economic Group LLC found that an estimated \$2.9 billion in education construction expenditures are subject to Illinois prevailing wage law and in the absence of the state's prevailing wage law, Illinois could have saved \$158 million on average each of the past 10 years. With an additional cost of \$158 million per year due to prevailing wage laws, Illinois could have saved \$1.6 billion dollars on school construction from 2002 to 2012.

**16. Columbia University: The Complex Worlds of New York Prevailing Wage, 2012**

A study released by Columbia University's Center for Urban Real Estate revealed New York's methods for establishing prevailing wage rates are grossly outdated and costing New York taxpayers money and jobs.

The study found the New York system of using collective bargaining agreements to establish wage rates is likely invalid given that union membership is lower than 30% in most localities. In fact, unions represent only 24% of the state's construction workforce, yet New York still relies on union collective bargaining agreements when establishing prevailing wage rates. Near the turn of the last century, New York established wage standards to ensure construction workers were receiving a normal, or "prevailing," private-sector wage and benefits on public construction work. While New York law allows the prevailing wage rate to rely on wage rates in collective bargaining agreements between unions and private employers, it may only do so if such employers employ at least 30% of workers in the same trade in the locality where the work is being performed.

[Video: Unions and Pols Pay to Play: WSJ Opinion](#)

#### **17. GAO: Davis-Bacon Act: Methodological Changes Needed to Improve Wage Survey, 2011**

An April 6, 2011, report published by the Government Accountability Office, "Davis-Bacon Act: Methodological Changes Needed to Improve Wage Survey," highlighted serious flaws in how wages are determined under the Davis-Bacon Act, and recommended steps for DOL to take to remedy some of the issues. GAO examined how DOL has addressed previous concerns from stakeholders and also looked at new issues that need to be resolved.

In the report, GAO acknowledged some actions by DOL to correct problems with the process and with the wage survey process but criticized the agency's inability to fix major problems related to accuracy, overall quality and timeliness—pointing out that DOL is still years behind schedule on many of its surveys, forcing federal contractors to rely on out-of-date information.

GAO also noted ongoing issues with the representativeness of the wage determination survey results, reporting that about 26% of final wage rates for job classifications are based on wages reported for six or fewer workers. In addition, 63% of all DOL wage determinations consider wages set by union agreements to be "prevailing," even though only 14% of construction workers are covered by such an agreement.

#### **18. Nevada Policy Research Institute: Who Really Prevails Under Prevailing Wage? 2011**

A study published by the Nevada Policy Research Institute found that although labor unions represented only 13% of the labor force in Nevada construction industry in 2011, union wage rates were set as the "prevailing" rate 77% of the time. The report compared the prevailing wage rates required by the Nevada Labor Commissioner with those found in the marketplace, as reported by the state Department of Employment, Training and Rehabilitation. The report concluded that in 2009 and 2010, taxpayers footed an additional \$625 million and \$346 million, respectively, as a result of Nevada's inflated prevailing wage law.

#### **19. Cato: Prevailing Wage Laws: Public Interest or Special Interest Legislation? 2010**

A study published in the *Cato Journal*, concludes that the purpose of prevailing wage laws is to limit competition and provide significant benefits to labor unions. These policies come at the expense of hardworking taxpayers that are forced to pay more than otherwise necessary for projects that require prevailing wage mandates. George Leef, Director of Research at the John W. Pope Center for Higher Education Policy, concludes that no societal benefits result from union favoritism.

## **20. GAO and Department of Energy Reports Find Negative Impact of Davis-Bacon Prevailing Wage Requirements on American Recovery and Reinvestment Act Projects, 2010**

The American Recovery and Reinvestment Act of 2009 expanded federal Davis-Bacon requirements to 40 additional federal programs, according to a [Feb. 24, 2010, report](#) published by the U.S. Government Accountability Office. Although the impact of new Davis-Bacon regulations varied among federal agencies, several agencies reported it had a negative impact on ARRA-related program administration and goals that resulted in needless delays, increased costs and [complaints from stakeholders harmed by the policy change](#).

A [Feb. 10, 2010, GAO report](#) found four federal agencies complained that Davis-Bacon regulations directly delayed their ability to spend funds, in part because DOL was required to determine prevailing wages for home weatherization work in every county in the United States. A related [February 2010 U.S. Department of Energy Office of Inspector General report](#) cited Davis-Bacon regulations as the prime factor holding up the launch of its Weatherization Assistance Program, which did not begin work until October 2009, eight months after President Obama signed ARRA into law.

A [March 4, 2010, GAO report](#) determined that “as of Dec. 31, 2009, 30,252 homes had been weatherized with Recovery Act funds, or about 5% of the approximately 593,000 total homes that DOE originally planned to weatherize using Recovery Act funds.” This bureaucratic boondoggle [helped shape the narrative that ARRA failed at funding and creating shovel-ready jobs](#).

## **21. Public Policy Foundation of West Virginia: An Economic Examination of West Virginia’s Prevailing Wage Law, 2009**

The [Public Policy Foundation of West Virginia](#) on Feb. 16, 2009, released a study that concludes West Virginia's average state prevailing wage rate is at least 49%, and as high as 74% (using adjusted figures), above West Virginia's true market prevailing wage in the construction industry. The study also found that as many as 1,500 more jobs could be created if West Virginia's prevailing wage law were repealed or reformed to reflect actual market wages.

“An Economic Examination of West Virginia’s Prevailing Wage Law” recommends full repeal of the West Virginia prevailing wage law. Short of repeal, the study makes four recommendations to improve state prevailing wage requirements: (1) change the method of establishing prevailing wage rates so that they better reflect true prevailing local market rates; (2) mandate that new methodology by law; (3) create exemptions to the prevailing wage for small contracts; and (4) create exemptions to the prevailing wage for schools.

## **22. The Beacon Hill Institute: The Federal Davis-Bacon Act: The Prevailing Mismeasure of Wage, 2008**

The Beacon Hill Institute at Suffolk University in Boston found that wages on federally funded

construction projects under the Davis-Bacon Act are grossly inflated. The February 2008 study compared the methods used by BLS and the WHD to determine the prevailing wage for workers employed on federally funded construction projects.

Researchers examined nine occupational categories in 80 metropolitan areas and concluded that the current WHD method unnecessarily inflates wages by a weighted average of 22% when compared to wages determined by BLS methodology. Some of the problems found in the calculation of the prevailing wages under WHD included untimely wage reporting, poor survey design and the opportunity for unions to dominate the survey process.

The BHI study found the WHD's inaccurate measurement of wages has several principal consequences for construction wages and costs:

- The WHD methods inflate wages by an average of 22%.
- The WHD methods inflate construction costs on projects subject to the DBA by 9.91%.
- The WHD methods unnecessarily raise construction costs by a total \$8.6 billion per year on projects subject to the DBA.
- States that opt to use the DBA prevailing wage, the DBA methodology or the local union wages are likely to experience higher public construction costs.

### **23. Mackinac Center for Public Policy: The Effect of Michigan's Prevailing Wage Law, 2007**

A study by the Mackinac Center for Public Policy estimates that Michigan's prevailing wage law, which requires union wages to be paid on state construction projects, costs state taxpayers about \$250 million per year. The main effect of this extra cost is to boost the wages of construction workers, most of whom earn compensation well above the average for Michigan residents, according to the study. Michigan's prevailing wage law also appears to decrease the number of construction jobs in the state.

The study also found that because state guarantees on school district construction bonds trigger prevailing wage requirements, the prevailing wage law also applies to most public school construction. Exempting public school districts alone from the law's requirements would likely save state taxpayers about \$125 million annually.

### **24. University of California, Berkeley: The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing, 2005**

A paper published in 2005 by the Program on Housing and Urban Policy at the University of California, Berkeley, presented new evidence on the increased costs of California's prevailing wage laws on construction. "The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing" estimates that new prevailing wage requirements under Senate Bill 975, signed into law by Governor Davis in 2001, increased costs on state-subsidized low-income housing in California by between 9% and 37% under the most credible statistical models, which take into account geographical location as well as project attributes, financing and developer characteristics. According to the paper, under reasonable conditions, the authors' mid-range estimate of the prospective decrease in dwellings in California subsidized by tax credits alone exceeds 3,100 units per year. Research for this paper was supported by a grant from the U.S. Department of Housing and Urban Development and the Berkeley Program on Housing and Urban Policy.

**25. Minnesota Taxpayers Association: Prevailing Wage Rates in Minnesota, 2005**

A study conducted by the Minnesota Taxpayers Association found the state's method for calculating prevailing wage rates on public construction increased project costs by between 7% and 10%. Minnesota and California use a “modal” calculation in which the rate that is most frequently reported in a survey is designated as the “prevailing” wage.

According to the study, Minnesota's modal method of calculating the prevailing wage rate increases the likelihood that large-scale, collectively bargained wage rates become the prevailing wage, because these rates tend to be uniform within a specific job class. The study found that in 26 of the 32 counties where state building projects were located, federal prevailing wage rates were set entirely from union rates.

**26. California Institute for County Government at California State University, Sacramento: An Analysis of Market and Prevailing Wage Rates for the Construction Trades in California, 2004**

An August 2003 study from the California Institute for County Government at California State University, Sacramento shows that federal commercial prevailing wage rates and state prevailing wage rates in California are on average 36% to 55% higher than market wages.

The study compares market wages to commercial and residential Davis-Bacon federal prevailing wage rates and state prevailing wage rates on a county-by-county basis for five trades: electricians, carpenters, drywall installers, HVAC/sheet metal workers and plumbers. Maps included with the study show that, as a general rule, the disparity between government-imposed rates and market wages increases as the distance increases between a county and the California Department of Industrial Relations headquarters in San Francisco.

**27. Ohio Legislative Bureau: The Effects of the Exemption of School Construction Projects From Ohio's Prevailing Wage Laws, 2002**

The Legislative Bureau of the Ohio Legislature determined that rescinding prevailing wage requirements for school construction saved \$487.9 million in aggregate school construction during the post-examination period, an overall savings of 10.7%. This study provides background information and evaluates the amount of money saved by school districts and education service centers due to the exemption, the impact of the exemption on the quality of school building construction, the impact of the exemption on the ways of construction of public school buildings and summarizes the findings and discusses the limitations.

**28. Kentucky Legislative Research Commission: An Analysis of Kentucky's Prevailing Wage Laws and Procedures, 2001**

In May of 2001 the Program Review and Investigations Committee authorized a study of Kentucky's prevailing wage law. The committee staff suggested changes to the prevailing wage laws so they would more accurately reflect local wages.