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BUILDING AMERICA WITH PREVAILING WAGE

The Davis-Bacon Act Delivers Good
Middle-Class Jobs, a Stronger Economy,
and the Best Value for U.S. Taxpayers

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EXECUTIVE SUMMARY

The Davis-Bacon Act and related Acts have required local prevailing wages on federally-funded and federally-assisted construction projects since 1931. Prevailing wages are minimum wages for public works construction that reflect local market standards for different skilled trades. Additionally, 29 states have state-level “little Davis-Bacon Acts” that require prevailing wages on projects funded by state or local government. The main purpose of the Davis-Bacon Act is to protect local construction standards in the competitive public bidding process.

The Davis-Bacon Act Provides the Best Value for Taxpayers

- Most peer-reviewed studies conclude that prevailing wage has no significant impact on total project costs.
- Construction wages represent a historically small and declining fraction of total public works costs.
- The Davis-Bacon Act reduces spending on materials, fuel, and equipment on public works projects.
- Repeal of the Davis-Bacon Act would increase spending on public assistance for construction workers.
- By increasing worker incomes, the Davis-Bacon Act increases state and federal tax revenues.

The Davis-Bacon Act Levels the Playing Field and Strengthens the Economy

- Federal contracts go to the lowest bidder. Without local market standards to level the playing field, firms have incentives to cut corners on safety, benefits, and training and to engage in labor abuses in order to win bids.
- The Davis-Bacon Act reduces illegal employment practices and combats the underground economy.
- The Davis-Bacon Act increases hiring of local contractors and local workers.
- The Davis-Bacon Act keeps more tax dollars, more income, and more spending in the local community. This creates jobs across all sectors of the economy.
- The overall level of bid competition is not affected by the Davis-Bacon Act and similar state laws.

The Davis-Bacon Act Boosts Productivity, Safety, and Efficiency

- The Davis-Bacon Act promotes hiring and retention of higher-skilled workers.
- Worksite productivity is up to 33% higher in states with little Davis-Bacon Acts.
- States with little Davis-Bacon Acts have 15% fewer injuries on construction sites. Repeal of the federal Davis-Bacon Act would result in 76,000 more injuries and 675,000 more workdays lost to injury every year.
- The Davis-Bacon Act prevents skilled trade workforce shortages by boosting investment in apprenticeship training. At the state-level, states that have repealed little Davis-Bacon Acts have seen training drop by 40%.

The Davis-Bacon Act Helps Workers Access Ladders into the Middle Class

- The Davis-Bacon Act reduces the number of construction workers living in poverty by up to 30%.
- The Davis-Bacon Act increases blue-collar construction worker earnings by 16-17% annually.
- The Davis-Bacon Act increases the chance of a construction worker having health insurance at work.

The Davis-Bacon Act Benefits Veterans, Women, and People of Color

- Veterans are more likely to work in construction than non-veterans and are even more likely to be employed in construction in states that have little Davis-Bacon Acts.
- The Davis-Bacon Act reduces wage disparities for women and people of color, and result in higher segments of both groups pursuing careers in the construction trades.
- Congressional Black Caucus: “Davis-Bacon has been instrumental in bridging the wage gap for historically disadvantaged sectors of our society.”

Current Davis-Bacon Surveys are Transparent, Reliable, and Reflect Actual Market Standards

- By including wages, fringe benefits, and training contributions by job classification where the work is performed, Davis-Bacon wage surveys reveal actual market rates in more than 3,000 counties across America.
- The Commissioner of the Bureau of Labor Statistics says that use of BLS data is not appropriate for prevailing wage determinations because it excludes benefits, over-represents residential construction, does not account for the skill level of workers, does not survey actual construction sites, and is often based on small sample sizes.
- Changing the Davis-Bacon wage survey by using BLS data or other faulty procedures would impose a significant wage cut on millions of middle-class American construction workers.

Research consistently shows that the Davis-Bacon Act and similar state laws deliver a stronger economy, a growing middle class, higher standards of safety and productivity, and top value for taxpayers.

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INTRODUCTION TO THE DAVIS-BACON ACT

With the renewed focus on rebuilding American infrastructure, Congress must support policies that also rebuild domestic family-supporting jobs with health and retirement benefits. Fortunately, such a policy is already in place and only needs to be applied to the vast construction activity ahead. The historically bipartisan Davis-Bacon Act creates a level playing field for all federal construction contractors by ensuring that public expenditures maintain and reflect local area standards for wages and benefits. The main purpose of the Davis-Bacon Act is to support middle-class American families by protecting market-based local wages and benefits in the competitive public bidding process. This policy brief summarizes the current state of research related to the Act and the essential role of prevailing wage policies in both the public construction sector and the American economy.

Federal construction bidding is not like the private sector. Government procurement agents are typically required to select the lowest bidder. This puts added pressure on contractors to engage in cutthroat bidding and sometimes labor abuses. In the low-bid model used on federally-assisted and federally-funded construction projects, contractors aim to lower their bid however possible, including by reducing worker wages and by jettisoning long-term costs such as training or benefits in order to win the short-term work. The Davis-Bacon Act levels the playing field, allowing local contractors and local workers a fair shot at these government projects and incentivizing competition based on core competencies in construction rather than on the lowest pay that employers can get away with. One of the purposes of the Davis-Bacon Act is to ensure that federal construction expenditures are fairly distributed across states and that wages do not all flow downhill to the standards set by the lowest-wage, least-insured areas of the country.

It is no accident, therefore, that bipartisan support for the Davis-Bacon Act and its “related” laws has continued for 85 years. From 1931 to the present, the Davis-Bacon Act and subsequently enacted applications of the Act to billions of dollars of federally-supported infrastructure projects have been central to the modern American procurement system. The Davis-Bacon Act applies prevailing wage standards to direct federal infrastructure construction, and through dozens of “related” laws, to federally-assisted state, county, and municipal construction projects. These laws, taken together, establish an interrelated institutional and governmental framework for the construction industry in the United States— one which fosters productivity and the training of skilled workers required to build the infrastructure needed for a growing, technologically sophisticated, and competitive national economy.

Under both Republican and Democratic Presidents, and with bipartisan support in Congress, billions of dollars have been spent by federal, state, and municipal contracting agencies to construct everything from military bases and the nation’s surface transportation systems to housing, hospitals, and sewer systems (29 CFR, Subpart A, section 5.1). During the Eisenhower Administration, strong bipartisan support resulted in the extension of the Davis-Bacon Act to the construction of the Interstate Highway System which laid the basis for unprecedented national growth and development. The debate at that time over the extension of, what Representative Russell Mack (R-Wash.) proudly called “a 25-year-old Republican law,” highlighted the important benefits of the Davis-Bacon Act to both contractors and workers. The history of the debate featured numerous Republican members seeking to protect contractors and workers from harm above all— stating that the Act, in preserving local standards, “does not raise wages but it does prevent wage cutting and it is wage cutting and labor standard lowering that we wish to prevent” (Whittaker, 2007). Several members further rebutted the claims of critics, saying that “the argument that it would greatly increase the cost of building roads is entirely a ghost and a phantom and is not substantiated by the facts” (Whittaker, 2007). Just as in the 1950s, today’s critics of the Davis-Bacon Act still make cost claims that are a “ghost and a phantom.”

There is evidence of effects on construction industry market outcomes when the Davis-Bacon Act is not utilized for large-scale infrastructure efforts. In late August 2005, following the devastation of Hurricane Katrina, President George W. Bush temporarily suspended the Act for Gulf Coast areas in Florida, Alabama, Mississippi, and Louisiana. The decision came at the urging of a small group of conservative House members who repeated old assertions about the Act creating bureaucratic delays, additional costs, and claims of discrimination “against

contractor employment of non-union and lower-skilled workers” (Whittaker, 2005). During the next two months, several billion dollars of contracts were awarded that carried no Davis-Bacon standards. Subcontracts which would flow from them for years to come also did not require prevailing wages. The results of investing public resources without labor standards were as devastating as they were predictable. Reports and later studies documented widespread displacement of local workers by migratory low-wage, low-skill workers who were forced to endure significant health and safety depredations as the cost of their employment.¹ The consequences of the suspension of the Davis-Bacon Act were so immediate and dire that a bipartisan group of legislators was summoned to the White House in late October where Chief of Staff Andrew Card announced that the President was reversing the suspension and reportedly conceded, “there appeared to be no savings garnered from suspending the Davis-Bacon Act” (Whittaker, 2005).

The Davis-Bacon Act has supported local economies and benefitted American taxpayers for decades. Securing its achievements for the future is more important than ever. By upholding local wages, the Davis-Bacon Act protects work for local contractors and construction workers. When local workers and companies are employed, more of the project funds remain in the local economy, stimulating additional economic activity. The Davis-Bacon Act also supports proper safety and skills training programs, improves economic outcomes for veterans, and provides pathways into the middle class for all blue-collar workers— keeping them off government assistance programs. Finally, the methodology for ascertaining Davis-Bacon prevailing wage and benefits rates is valid, transparent, reliable, and based on surveys of actual local construction market participants. Repealing or weakening the Davis-Bacon Act would have zero impact on reducing federal spending, but it *would* result in a substantial wage cut for America’s working class.

THE DAVIS-BACON ACT IS AN EFFECTIVE JOB SKILLS ADVANCEMENT POLICY

Construction is the most volatile major industry in the United States. The construction industry is inherently seasonal in nature, with major projects built and repaired during peak months with desirable weather. Construction work is also cyclical and contingent on both private market conditions and public sector investment. When workers finish a project, there is often a period of unemployment while they look for another job, sometimes with new employers. The turbulence caused by these seasonal, cyclical, and fiscal factors creates strong disincentives for employers and employees to invest in the type of training that leads to a highly-skilled, efficient, and safe workforce. Contractors are afraid of losing the investment if workers who they train decide to leave to work for a competitor after a project is finished. On the other hand, workers do not have the incentive to pay for training out-of-pocket because the possibility of prolonged spells of unemployment could prevent the investment from paying off. The result is a “market failure” in which insufficient worker training is provided in construction.

The Davis-Bacon Act helps correct this market failure by reflecting local, market-based standards for wages, benefits, and training contributions in the community where the project is being built. The law ensures that the next generation of construction workers is trained, the current skilled workforce is retained, and the previous generation is cared for in retirement. For over eight and a half decades, the Davis-Bacon Act has helped employers to invest in the human capital development of construction workers, promoting a skilled workforce that completes high-quality public construction projects on-time and under budget. Furthermore, these benefits are not confined to the public construction projects themselves. The apprenticeship training that is incentivized and supported by the Davis-Bacon Act and “related” laws carries over to private infrastructure construction projects because once a worker is trained, he or she retains that training throughout his or her career. Local economies benefit when construction workers can pay for their own retirement needs and health care for themselves and their families.

Economic research shows that, at the state level, prevailing wage laws that cover state-assisted public construction (known as “little Davis-Bacon Acts”) are successful at increasing apprenticeship training in the construction industry. Economist Cihan Bilginsoy finds that apprenticeship enrollments are 6 to 8 percent higher in states with little Davis-Bacon Acts. Apprentices also complete their on-the-job and classroom training at a faster rate in states with little Davis-Bacon Acts (Bilginsoy, 2005). Another study found that the

apprenticeship share of the construction workforce is 14.4 percent in states with little Davis-Bacon Acts compared to 7.7 percent in states with no law (Dickson Quesada et al., 2013). The result is that workers are more productive due to little Davis-Bacon Acts. Productivity per construction worker is 14 to 33 percent higher in states with little Davis-Bacon Acts (Philips, 2014).

Studies conducted after the repeal of little Davis-Bacon Acts have shown strong correlation with a decrease in worker training. After Utah repealed its law, the rate of apprenticeship training declined to historical lows (Azari-Rad et al., 1993). Registered apprenticeships fell by 38 percent in Kansas following repeal (Philips, 2014). After repeal in Colorado in 1985, apprenticeship training decreased by 42 percent. In fact, in an analysis of nine states that repealed their little Davis-Bacon Acts from 1979 to 1988, researchers found that repeal was associated with a decrease in training by 40 percent and caused workplace injuries to rise by 15 percent (Philips et al., 1995).

THE DAVIS-BACON ACT PROVIDES PATHWAYS INTO THE MIDDLE CLASS FOR ALL WORKERS

The Davis-Bacon Act promotes middle-class pathways for all workers and supports general protection of workers against exploitation. The policy sustains construction *careers*, not just seasonal jobs. By upholding family-sustaining wages and benefits, the Davis-Bacon Act entices skilled workers to enter the construction industry and keeps experienced workers from leaving the industry, preserving human capital investment. This is true for all workers— regardless of race, ethnicity, gender, age, religion, national origin, ancestry, marital status, or sexual orientation.

Although a few political blogs have made strange claims about the origins of the Davis-Bacon Act, the evidence of the Act’s positive lasting economic outcomes for construction workers is clear. There is no credible evidence, for instance, that the Davis-Bacon Act reduces or deters participation in the construction industry among people of color (Belman & Philips, 2005). In fact, recent work suggests just the opposite (Mishel, 2017).

Prevailing wage has been found to reduce income inequality in the construction industry by raising incomes more for low-wage workers than for higher-paid workers. Given that racial and ethnic minority workers are more likely to live in low-income households, the Davis-Bacon Act contributes to people of color achieving middle-class incomes. For these reasons, Congressional Black Caucus member Marc Veasey (D-Texas) has noted that “Davis-Bacon wage protections... have helped cement labor agreements and other fair practices that have helped the African American community and all Americans achieve prosperity and economic security” (Veasey, 2013). Perhaps members of the Congressional Black Caucus put it best in their resounding endorsement of the Davis-Bacon Act two decades ago (CBC, 1995):

“Davis-Bacon has been instrumental in bridging the wage gap for historically disadvantaged sectors of our society. In the face of decaying social and economic opportunities, this measure provides women and minorities with an important tool to achieving greater parity with their mainstream counterparts. ... The Davis-Bacon Act has made a valuable contribution to instituting protective equity and stability to American workers everywhere. We believe this important labor protection should be continued and strengthened, not eliminated.”

In addition to minority participation in the construction trades, the Davis-Bacon Act substantially benefits military veterans. Researchers find that veterans are statistically more likely to work in construction than non-veterans. Through the United States Military Apprenticeship Program (USMAP), active military members now account for 21 percent of all registered apprentices in the United States. Veterans who return home to become blue-collar construction workers benefit substantially from the Davis-Bacon Act and similar policies by preserving local wage standards. Researchers find that little Davis-Bacon Acts increase veteran income by 7 to 11 percent, improves employer-provided health coverage for veterans working in construction by 11 to 15 percent, and reduces poverty by 24 to 31 percent among veterans in blue-collar construction occupations. Weakening or repealing the federal Davis-Bacon Act would reduce the attractiveness of employment in construction for veterans and have disproportionately negative impacts on those who served their country (Manzo et al., 2016a). These findings have been peer reviewed. Economist Abdur Chowdhury notes that the

“research uses reliable data and is based on sound analytical work” and concludes that repeal “would be an economic disaster for veterans” (Chowdhury, 2017).

THE DAVIS-BACON ACT BOOSTS ECONOMIC DEVELOPMENT AND SUPPORTS LOCAL EMPLOYERS

The Davis-Bacon Act boosts local economies across America. Economic impact analyses on the effects of prevailing wage have been performed by numerous scholars. Whether evaluating the federal Davis-Bacon Act, “little Davis-Bacon Acts” at the state level, or similar municipal policies, the economics of prevailing wage laws are clear and consistent. Without the Davis-Bacon Act, nonlocal and cut-rate contractors with less-trained workers come in, undermine the local market rate, and take taxpayer dollars back with them to their home states or countries upon project completion. Conversely, by maintaining reasonable construction worker wages, improving training and productivity, and discouraging out-of-state contractors with lower-paid workers from eroding the market, the Davis-Bacon Act has positive economic and social impacts (Duncan & Manzo, 2017; Duncan et al., 2015; Duncan & Lantsberg, 2015; Kelsay, 2015; Manzo et al., 2014; Philips, 2014; Dickson Quesada et al., 2013; Kelsay et al., 2011). The Davis-Bacon Act supports work for local contractors at privately-negotiated wages for construction workers.

Evidence from little Davis-Bacon Acts at the state level support the notion that prevailing wage laws are associated with more work for local contractors. Prus (1999) discovered that the probability of winning a bid on a public school construction project is 5 percent higher for in-state contractors in states with little Davis-Bacon Acts. Similarly, a case study from southern Indiana illustrates how the weakening and eventual repeal of Indiana’s little Davis-Bacon Act negatively impacted local contractors. Public works construction employment in the 13 southernmost Indiana counties decreased by over 800 jobs (-21 percent) after the wage policy was weakened. Over the same period, public works construction employment grew by nearly 800 jobs (21 percent) in 14 border counties across the river in Kentucky. Average construction wages were about 24 percent lower in Kentucky, suggesting that weakening the wage policy resulted in greater demand for low-wage, out-of-state workers (Manzo, 2016). The net impact of the public construction process in this case was to reduce the overall wage scale and economic benefits for the region.

Economic research has further found that the wage policy supports local contractors but, importantly, does not reduce bid competition. A recent study by Economist Kevin Duncan focused on the effect of Davis-Bacon prevailing wage requirements on the cost of highway resurfacing projects in Colorado, comparing projects funded by the federal government, which require the payment of Davis-Bacon prevailing wages, to projects financed by the State of Colorado, which are not covered by a wage policy. After taking project size and complexity into account, Duncan found no significant project cost difference associated with the law and that the level of bid competition does not vary between state and federal projects (Duncan, 2015a).

Economic research on municipal prevailing wage standards corroborates the finding that the policies reflect local market wages and have no statistical impact on bid behavior. An examination of public works projects in five San Francisco Bay-area municipalities found that prevailing wage standards had no effect on the number of bidders or on contractor bidding behavior relative to the engineer’s estimate of the value of the project (Kim et al., 2012). Another study on library construction in Santa Clara County, California revealed that 39 percent of subcontractors employed on prevailing wage projects were county-resident businesses but the corresponding figure when prevailing wages did not apply was 23 percent. Since local contractors were three times more likely to use local construction workers, more labor income and spending remained in the county when prevailing wages applied (Duncan, 2011).

THE DAVIS-BACON ACT PROVIDES THE BEST VALUE FOR TAXPAYERS

The Davis-Bacon Act fosters good, middle-class careers for America’s blue-collar workers. Because workers are more productive, they earn higher incomes. There is a significant disparity in wages paid to blue-collar construction workers between states with little Davis-Bacon Acts and states without the wage policy (Philips, 2014; Azari-Rad et al., 1993). A recent economic analysis found that little Davis-Bacon Acts increase blue-collar

construction worker earnings by between 16 and 17 percent annually. These effects are statistically significant. Little Davis-Bacon Acts also have a larger impact on low-income individuals, increasing earnings by 18 to 19 percent for working-class construction workers while having no effect on the wage and salary income of managers and supervisors in the industry. As a result, little Davis-Bacon Acts reduce the number of blue-collar construction workers earning less than the official poverty line by 30 percent (Manzo et al., 2016b). By removing local market-based standards, repeal would result in wage cuts for workers and more jobs going to nonlocal, low-wage employers.

The Davis-Bacon Act increases government tax revenue. Because they earn higher incomes, blue-collar construction workers in states with little Davis-Bacon Acts contribute more in tax revenues than in states without the laws. The Davis-Bacon Act also saves taxpayers money by reducing government assistance costs. A new working paper finds that the absence of little Davis-Bacon Act standards reduces income tax and property tax revenues from construction workers by 17 percent while raising the number of workers on government assistance programs and increasing employment among undocumented workers, negatively impacting the public purse (Philips & Blatter, 2017).

By raising productivity and training standards, the Davis-Bacon Act also reduces injury rates. In states without little Davis-Bacon Acts, job-related disabilities are 12 percent higher (Philips, 2014) and fatality rates are 18 percent higher (Dickson Quesada et al., 2013). In the nine states that repealed their little Davis-Bacon Acts from 1979 to 1988, workplace injuries increased by 15 percent post-repeal. The federal Davis-Bacon Act, researchers estimate, is responsible for preventing 76,000 workplace injuries in construction annually and more than 675,000 workdays lost each year (Philips et al., 1995).

Opponents of prevailing wage often claim that repealing or weakening the Davis-Bacon Act would save taxpayer dollars by paying workers less. Putting aside the questionable policy of taking “savings” from low- and middle-income wage earners, the vast majority of recent peer-reviewed studies indicates that construction costs are not affected by prevailing wages (Duncan & Manzo, 2017; Mahalia, 2008). The scholarship is clear, however, that the *absence* of little Davis-Bacon Acts increases taxpayer burdens by increasing the likelihood that construction workers will earn incomes below the poverty level, become more dependent on public assistance, and will not have health insurance or retirement benefits. Furthermore, the Davis-Bacon Act performs an important economic development function by reducing the leakage of construction funds, jobs, income, and spending from the local economy. Weakening or repealing the Davis-Bacon Act does not reduce construction costs, but research shows that it does increase poverty and decrease economic activity.

Economic research on school construction costs in the United States yields comparable results. After controlling for differences in project size, project type, project location, and other factors for 4,000 new schools built across America, Azari-Rad, Philips, and Prus (2003) find no evidence that schools built in states with little Davis-Bacon Acts are more costly. Philips (2001) investigates changes in public school construction costs in Kentucky, Ohio, and Michigan from 1991 to 2000 and discovers that little Davis-Bacon Acts have no impact on school construction costs but do entice contractors to hire and train a skilled workforce. Similar conclusions are reached in studies for Maryland and five neighboring states and a comparison of 15 Great Plains states (Prus, 1999; Philips, 1998).

Peer-reviewed research has overwhelmingly concluded that the Davis-Bacon Act has no impact on total construction costs because labor costs are a low and historically declining percentage of total costs in the construction industry—approximately 23 percent of total costs across the United States (Census, 2012). When wages are higher in the construction industry, contractors reduce expenditures on materials, fuels, and rental equipment and accept marginally lower profit margins (Duncan & Lantsberg, 2015). Peer-reviewed research also indicates that when wages increase in construction, contractors also respond by substituting skilled workers for less-productive counterparts (Blankenau & Cassou, 2011).

Economists have shown that significantly lowering wages in the construction sector has widespread impacts on overall local economic activity. Arguments that focus exclusively on wage differences as the basis of the

prevailing wage cost effect ignore changes in labor productivity, material and fuel costs, contractor profits, and other construction efficiencies that change with wage rates. A national study that examined the aggregated effects of little Davis-Bacon Acts found that a cost-shift occurs when employers rely on low-wage construction labor. These contractors end up spending more on materials and services and taking higher profits from projects, which offset any savings on project costs that lower wages might have delivered. There are also negative secondary effects to the public when local wages are allowed to erode. Reduced wages result in workers returning less money to the public in the form of income taxes, force many workers and families below the threshold for public assistance, and increase the potential total public burden created by low-wage work (Manzo et al., 2016b).

The overall national fiscal impact of the Davis-Bacon Act includes significant additional federal income tax contributions from blue-collar construction workers which, after credits and deductions, amount to approximately \$231 million annually. Without the protection of wage standards afforded by the Davis-Bacon Act, more blue-collar construction workers would earn poverty-level incomes and government spending on food stamps for construction workers would increase by \$21 million. Expenditures on the Earned Income Tax Credit would rise by \$5 million. Thus, Davis-Bacon improves the federal budget by \$257 million annually due to higher income tax revenues and reduced spending on government assistance programs (Manzo et al., 2016b).

DAVIS-BACON SURVEYS ARE TRANSPARENT AND REFLECT WAGES PAID BY PRIVATE CONTRACTORS IN LOCAL MARKETS

The Davis-Bacon Act is administered by the United States Department of Labor through the Wage and Hour Division (WHD). The WHD conducts voluntary surveys of the actual wages and fringe benefits paid by private contractors to construction workers in job classifications on local projects. The survey process results in Davis-Bacon wage determinations based on fair market wages paid to construction workers in 3,000 counties and localities across the nation. By including the total value of wages, fringe benefits, and training contributions by job classification where the work is performed, Davis-Bacon surveys reflect basic market standards that ensure the best value for local taxpayers.

Davis-Bacon surveys are transparent. The Wage and Hour Division communicates with all industry stakeholders in an area when conducting a survey—contractors, trade associations, public agencies, trade unions, and citizen groups. The underlying wage data for wage determinations are available to the public and survey results can be- and are- challenged for reliability or correctness in established administrative procedures. The Davis-Bacon survey process is based upon reliable and transparent procedures:

- The survey results are published on an accessible federal website and are available for instantaneous access by contractors, agencies, workers, and the public.
- Surveys are market-specific and conducted in individual states for the heavy, highway, building, and residential construction sectors.
- Wage determinations accurately reflect conditions in the local labor market because they are based on detailed payroll submissions that account for both hourly wages and benefits.
- Surveys use clearly specified processes and the survey results can be easily replicated by allowing parties to obtain the underlying wage data to determine if they are correct.
- Affected parties are provided a procedure to petition for the reconsideration of a published rate to ensure its validity and to present additional or corrected data for review.

Thus, the Davis-Bacon survey system produces prevailing wage rates that are transparent, valid, appropriate, and reflective of local market standards. Notwithstanding the private market-based results of Davis-Bacon surveys, some have argued that the system should be replaced with the data from the *Occupational Employment Statistics* (OES) produced by the Bureau of Labor Statistics (BLS) (Sherk, 2017). This proposed policy change by opponents of the Davis-Bacon Act is based on the false assumption that the OES data is a better indicator of

local construction market rates than Davis-Bacon surveys. In fact, Erica Groshen (2013a), Commissioner of the Bureau of Labor Statistics, has definitively concluded that the:

“BLS has no role in establishing prevailing wages or determining what data are appropriate for that purpose. ... Because the BLS data are used for so many purposes, we generally don’t design them for particular applications, such as the Davis-Bacon wage determinations.”

Replacing Davis-Bacon wages with OES wages would seriously erode the *actual* prevailing wage paid to construction workers. The specific features of the OES data which prevent it from producing a prevailing market wage are described in detail in the testimonies of industry experts summarized below (Philips & Duncan, 2015; Duncan, 2015b; Eisenbrey & Belman, 2013). The OES system includes the following defects:

- The OES data is not transparent. The underlying wage data is not available to the public and it cannot be challenged for reliability or correctness.
- OES wage rates exclude fringe benefits. Good health and retirement benefits are essential to retaining skilled workers in unstable and dangerous construction sectors. OES data, however, include no information on training contributions, health insurance payments, or pension payments.
- The OES over-represents residential construction. Nearly half of the OES wage information comes from residential construction, which is a low-skill, low-wage, low-benefits sector of construction. This severely skews the OES wages downward.
- The OES does not distinguish between journeyworkers and apprentices. A beginning apprentice typically earns about 50 percent of the journeyworker wage rate. Relying on OES wages would thus cut the wages of skilled journeyworkers.
- The OES cannot report data by local county areas and OES does not survey actual construction sites. The OES attributes all of a contractor’s work to the contractor’s business address regardless of where the worksite is located.
- The OES data is often based on small sample sizes relative to the number of construction occupations and local construction markets (Groshen, 2013b).

By distorting wage rates below actual local standards, the use of OES data would produce less local hiring and fewer local construction jobs. This dynamic would ripple out to all sectors of the economy and reduce economic output. OES data is not suitable for public construction and would result in a failure to meet the goal of Davis-Bacon to sustain local market standards.

THE BOTTOM LINE

The Davis-Bacon Act supports local economies and benefits taxpayers. The Davis-Bacon Act protects work for local contractors and construction workers, supports training programs, and provides pathways into the middle class for all blue-collar workers– keeping them off government assistance programs. The methodology for ascertaining Davis-Bacon prevailing wage and benefits rates is transparent, reliable, and valid. The Davis-Bacon Act is the best deal for American taxpayers.

¹ One prominent researcher on the subject concluded that “without producing incentives for employers to maintain a wage floor, invest in the local labor force, and maintain safety and labor standards, they will opt instead to increase their profits and find the cheapest and most pliant labor available.” Elizabeth Fussell and Abel Valenzuela Jr., “Getting a construction job in post-Katrina New Orleans: Race, nativity, and luck,” presentation at Conference on New Orleans’s Political Economy, Tulane University, New Orleans (2010). See also, Laurel E. Fletcher, et al., “Rebuilding After Katrina: A Population-Based Study of Labor and Human Rights in New Orleans,” University of California, Berkeley and Tulane University (2006); Haley E. Olam and Erin S. Stamper, “The Suspension of the Davis Bacon Act and the Exploitation of Migrant Workers in the Wake of Hurricane Katrina,” *Hofstra Labor & Employment Law Journal*, Vol. 24: 145-180, 2006; Elizabeth Fussell, “Hurricane Chasers in New Orleans: Latino Immigrants as a Source of a Rapid Response Labor Force,” *Hispanic Journal of Behavioral Sciences*, Vol 31: 375-394 (2009); Elizabeth Fussell and Amy Bellone-Hite, “Disaster, Reconstruction, and Racialization: Latinos in New Orleans after Hurricane Katrina, in *Rethinking Disaster Recovery: A Hurricane Katrina Retrospective*, Jeannie Haubert, ed., Lexington Books, 2015, pp. 89-104; and see Peter Philips, “Lessons for post-Katrina reconstruction: A high-road vs. low-road recovery,” EPI Briefing Paper (2005).

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