

THE DAVIS BACON ACT:
SUMMARY TALKING POINTS
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- Thirty five House Republicans sent a letter to President Bush urging him to issue the proclamation to waive Davis-Bacon in the Gulf States.
The House Republican Study Committee (RSC) stated its support for the repeal of the Davis-Bacon Act prevailing wage law in 2004. Relying upon the notoriously anti-worker and unreliable Associated Builders and Contractors (ABC), the RSC asserts that "...the Davis-Bacon Act inflates the cost of construction [and] repeal...would save federal...programs hundreds of millions of dollars annually."
- Davis-Bacon wage determinations can be obtained online. The claim that obtaining Davis Bacon wage determinations takes days and that suspending the Davis- Bacon Act will speed up the procurement of Gulf Coast construction contracts is absurd. The Davis-Bacon wage determination process is now totally automated. Davis-Bacon wage determinations are now on-line and contracting officers merely go to *www.wdol.gov* to instantly retrieve the prevailing wage for the contract. Contracting officers merely click on the locality where the contract will be performed; then click on the classifications needed for the job and the appropriate wage determination is available. Much time and taxpayer money has been spent in recent years to make all of the prevailing wage process available on-line so as to make it simple and easy for contracting agencies to put contracts out for bid.¹
- Davis-Bacon opponents have it wrong, repealing it does not lower costs. It is not surprising that the RSC would rely on assertions made by the Associated Builders and Contractors (ABC): it is the nation's leading advocate of Davis-Bacon repeal. However, the facts show that the ABC's cost-savings claims are flatly contradicted by an overwhelming number of neutral studies which demonstrate that the Davis-Bacon Act does not raise federal construction costs.²
- Studies demonstrate that there are a wide variety of factors which affect the cost of construction projects.
In fact, labor costs are less than one-third of total construction costs; the cost of land and materials have a much more direct impact on overall project costs. These studies further show that prevailing wages attract workers with more experience and training, who are more productive than less skilled, lower paid workers. This increased productivity results in completion of construction projects in fewer hours, which lowers overall costs. It has also been shown time and again that long- term maintenance,

repair and reconstruction increases with poorly constructed projects on account of work performed by less-skilled and less-trained employees.³

- Not only does Davis-Bacon have little impact on costs, it provides important benefits.
Davis-Bacon wages include benefits which help workers, particularly on dangerous jobsites, to have healthcare and pensions. The wages also contribute to labor-management sponsored training programs, teaching apprentices skills and paying them while they are learning. The apprenticeship programs open opportunities for women and minorities to enter and advance in the construction field without fear of being paid less for equal work. The underlying Davis-Bacon policy is that the federal construction dollar should serve as a stabilizing influence when federal construction dollars impact a particular community. This policy has worked well in helping to provide construction workers with a decent standard of living for their families and forcing contractors to compete on their management and entrepreneurial skills rather than simply to reduce wages and benefits in a “race-to-the-bottom” to undercut their competition.
- Productivity is a critical factor in total federal construction costs.
Simply reducing wage rates does not reduce construction costs: “[S]implistic views and pronouncements that proclaim lowering the hourly wage rates will reduce construction costs . . . show a basic misunderstanding of the construction industry . . . [W]age rates have a strong correlation with man-hours, which should prove to anyone’s satisfaction that productivity is the key to calculating labor costs. Any attempt to reduce construction expenditures by reducing wage rates will be met with a corresponding decrease in productivity, which could . . . produce an increase in construction costs”.⁴
- Higher wages actually DECREASE total highway construction costs.
With respect to federal construction costs in particular, construction industry economists conducted a study several years ago to ascertain if a correlation exists between wages, labor-hours and federally funded highway construction costs (measured by the costs to build a mile of highway utilizing Federal Highway Administration data). The study compared actual construction expenditures in so-called “high” wage states with “low” wage states. The study established that in states representing 78% of total highway construction dollar volume that: “.the total costs per mile between the low wage states and the high wage states is 11% cheaper in high wage states . . .”.⁵ As Dr. Robert Gasperow, the respected economist with the Construction Labor Resource Council, noted in his review of the study: “[T]he FHWA data indicate that there is no basis for any statements which advocate lowering hourly labor costs as a means for reducing the cost of highway construction. The government figures demonstrate that states associated with higher hourly wages have

lower labor hours per mile of highway and overall highway costs which are below those of lower wage states”.

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¹ *Wage & Hour: Wage Determination Requests, Publications Will Move Exclusively Online Under Final Rule*, BNA's Daily Labor Report (8-26-05)

² Studies which establish that prevailing wage laws such as Davis-Bacon do not result in higher construction costs are: *Making Hay When It Rains: The Effect Prevailing Wage Regulations, Scale Economies, Seasonal, Cyclical and Local Business Patterns Have On School Construction Costs* Azari-Rad, Philips and Prus, 2003; *Report On The Prevailing Wage Law of Nevada-Its History, Cost and Effects*, Philips, 1995; *Prevailing Wage Laws and School Construction Costs*, Prus, 1999; *The Effect of State Prevailing Wage Laws On Total Construction Costs*, Prus, 1996; *Square Foot Construction Costs For Newly Constructed State and Local Schools, Offices and Warehouses in Nine Southwestern and Intermountain States*, Philips, 1996; *Analysis of Regression and Surveys in Ohio LSC Report on S.B. 102 on Claimed Cost Savings From Exempting School Construction From Prevailing Wage Requirements*, Weisberg, 2002; *The Effects of the Repeal of Utah's Prevailing Wage Law on the Construction Labor Market*, Hamid Azari-Rad, Anne Yeagle, and Peter Philips. (November 1993); *Apprentice Training and Prevailing Wage Laws*, Cihan Bilginsoy, University of Utah (1996); *Prevailing Wage Regulations and School Construction Costs, Evidence From British Columbia*, Cihan Bilginsoy and Peter Philips, Journal of Education Finance 24 (Winter 2000); *The Repeal of the Prevailing Wage Law in Idaho: Economic Myths and Realities*, Michael DiNoto and Steven Petersen, University of Idaho, Center for Business Development and Research (2000); *Health Care and Pension Benefits for Construction Workers: The Role of Prevailing Wage Laws*, Jeffrey Petersen, Industrial Relations 39 (April 2000); *Worker Beware: The Relationship Between the Strength of State Prevailing Wage Laws and Injuries in Construction 1976-1991*, Norman J. Waitzman, (n.d.); *Oregon's Prevailing Wage Law: Benefiting The Public, The Worker, And The Employer*, Dr. Michael Sheehan, et al., Oregon And Southwest Washington Fair Contracting Foundation (2000); *Do Lower Prevailing Wages Reduce Public Construction Costs*, Howard Wial, Keystone Research Center (July 1999); *Audit Report on Monitoring and Enforcing Labor Standards*, Department of Housing and Urban Development, Office of Inspector General, cited at p.5 in *Prevailing Wage Laws in Construction: The Costs of Repeal to Wisconsin*, Dale Belman and Paula Voos, The Institute for Wisconsin's Future, University of Wisconsin, January 1996 (revised).

³ *A Performance Audit of the Pennsylvania Department of Labor and Industry's Prevailing Wage Program*, Auditor General Robert P. Casey, Jr. (February 2002) (“... [p]revailing wage laws . . . minimize the possibility that local workers will lose their wages and will not be depressed below customary levels by competition among contractors for government work.... [P]revailing wage laws continue to provide a necessary safeguard to ensure that public construction meets the requisite quality workmanship standards that taxpayers demand and that such construction does not depress the local economy and wage base. Furthermore, the most persuasive evidence indicates that prevailing wage laws do not substantially add to the overall cost of construction.”).

⁴ *Wages, Productivity and Highway Construction Costs*, National Alliance for Fair Contracting (1995);

⁵ *Wages, Productivity and Highway Construction Costs*, Construction Labor Research Council (March 2004).