



Davis-Bacon and the American Dream

Every American dreams of living a life of health and prosperity. This country was built on that very foundation. Prior to the Davis-Bacon Act of 1931, however, many wage earners led only a life of sustenance. Workers were pushed to work extremely long workdays for a very low wage. The low bid practice on government contracts exacerbated the problem by bringing in lower-paid workers from outside the local economy who were often unskilled, thus pushing out the local hires. Construction quality was lowered and workers were not living the American Dream. They yearned to be respected and to be considered a productive member of their community. They wanted to embrace the ideals of Life, Liberty, and the Pursuit of Happiness.

In response to these issues, in 1868, Congress passed the first 8-hour work day. The idea was to nudge the labor market away from stretching out workdays in an effort to get more competitive, to using productivity within a limited set of hours. The push was to move more Americans to a greater standard of living, and this was just a start.

The Davis-Bacon Act of 1931 established the requirement that prevailing wages, (or the average locally-paid trade/craft wages and benefits,) be paid to persons employed on public works projects. This Act promoted fair wages to employees and dissuaded migratory hiring. These benefits are still seen today. Furthermore, the Davis-Bacon Act (and the associated Little Davis-Bacon state laws), encourage apprenticeship programs which actively recruit and train young workers to become skilled tradesmen. Because the government bidding process still typically favors low bids, prevailing wage has ensured that these low bid contract employees are well-trained and licensed craft workers. It guarantees that unskilled, illegal, and non-licensed craft tradesmen are not used on public works projects.

Davis-Bacon has recently come under fire for escalating construction costs. It is argued that removing the prevailing wage requirement can save fifteen to thirty-five percent or more of construction costs. ***This is simply inaccurate and misleading. To begin with, labor costs for the average government construction project are only twenty-five percent of the total construction value.*** The maximum realistic savings, if salaries were reduced, by say twenty-five percent by rescinding Davis-Bacon, might reach six and one-half percent, (**6.5% maximum potential savings**). However, even this doesn't hold water. Numerous studies have shown that the productivity gains of a better-trained labor force and a well-educated construction industry, under Davis-Bacon, more than make that up. Projects tend to be completed more timely, have fewer cost overruns, and higher rates of worker safety.

Some of these studies' highlights include:

➤ **MYTH:** Cities can cut 20% of their construction costs by eliminating prevailing

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wage.

FACT: Direct construction labor and fringe benefits accounted for only 22% of total construction costs in California according to the 2007 Census of Construction.

- Prevailing wages attract skilled, experienced workers who produce superior projects that last longer and incur much lower repair and maintenance costs. States with prevailing wage requirements show up to 13-15% more value-added per worker
- A “Comparison of Public School Construction Costs” is one study that shows construction using prevailing wage contracts is statistically the same cost as non-prevailing wage contracts for construction. The study is large and comprehensive. (See web link 1 at the end of the article.) The study, done in the mid 1990’s, by Peter Philips, University of Utah focuses on the states of Ohio, Kentucky and Michigan.
- A multitude of studies have been done on thousands of public works construction projects. Many of the studies have come back with tremendous benefits to both the workers and the contracting agency. “Prevailing Wage Research” (web link 2 at end of article) is an annotated bibliography of many articles about prevailing wage.

The overwhelming conclusion of these studies is that Davis-Bacon costs nothing and brings these additional benefits:

1. Advanced apprentice training: The provisions of prevailing wage projects help build a trained workforce through apprenticeship programs that can find jobs and produce substantially more income for workers throughout their lifetimes. States with prevailing wage laws have a significantly higher rate of apprenticeship trainees who complete the program and become qualified journeyman.
2. Safety is dramatically improved: **fifteen percent fewer deaths and up to fifty percent fewer accidents.** Better trained workers and more responsible contractors work together to dramatically improve worker safety.
3. No cost difference: The studies we reviewed found that there is statistically no cost difference between a prevailing wage project and a non-prevailing wage project. This is attributed to the fact that seventy-five percent of construction cost is material, while only twenty-five percent is labor. Prevailing wage jobs tend to be performed by better trained workers in better managed companies. Thus, time to complete the project is reduced and cost differences are zeroed-out.
4. Reduced long term costs: Maintenance costs and problems with construction are minimized. This may be attributed to a highly skilled workforce, better tools and equipment, and professional project management.
5. Local workforce can be hired more effectively, and the local economy can be



enhanced more easily.

6. Other cost savings: Some of these studies also address significant, additional costs that arise in states that don't have prevailing wage laws. These include:
 - An increase in change orders on construction projects
 - Higher maintenance and long-term costs of the project
 - Workers' compensation insurance premiums go unpaid
 - Increased medical/insurance costs due to higher injury and death rates

Overwhelmingly, objective research has demonstrated that states with prevailing wage laws are:

- reducing occupational injuries
- increasing the pool of skilled workers
- building better facilities
- reducing long-term maintenance costs, and
- increasing state revenues with a better-employed and more highly skilled workforce

Thus, efforts to rescind Davis-Bacon would not save money, would be short-sighted, naïve, and be economically counter-productive.

The Davis-Bacon Act and similar State prevailing wage laws have been instrumental in promoting local economies and creating higher standards of living and a better quality of life for millions of American workers. Davis-Bacon, by its very nature, reinforces our unalienable rights to Life, Liberty, and the Pursuit of Happiness... ***The American Dream!***

Web Links:

1. http://www.faircontracting.org/PDFs/prevailing_wage/Public_School%20Peter%20Phillips.pdf
2. <http://www.prevailingwage.org/ResearchSummaries.htm#compare3midweststates>
3. [The Fiscal Policy Institute, *The Economic Development Benefits of Prevailing Wage*, May, 2006.](#)

***Presented by Mark Douglas at the 2011 LCPtracker Prevailing Wage User Conference
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