



What does Davis-Bacon cost?

Davis-Bacon has recently been accused of escalating construction project costs. Constituents of the movement against Davis-Bacon allege that removing prevailing wage requirements can reduce 10 and even up to 20% of construction costs.

Applying basic math demonstrates the impossibility of this claim.

Construction projects costs generally hold 23% labor and 77% material.¹ Studies have shown that, on average, the prevailing wage rate is 17.5% higher for any given craft and classification however, prevailing wage projects are completed 20% faster due to higher productivity.² Not only is work completed faster there is also 15% less injuries.³ which further reduces the cost to government.

To say eliminating Davis-Bacon will result in a 20% reduction of costs would mean labor would have to be around 3% of the total construction costs. Ask yourself, can any construction project be delivered with 97% material and 3% labor?

A HYPOTHETICAL \$1M EXAMPLE

1. Construction project costs average nationally 23% labor and 77% material.
2. Studies show Davis Bacon prevailing wage hourly rate are 17.5% higher on average
3. If you only consider the higher wages
 - a. A \$1M dollar construction project would increase the project by \$40,000 or 4% not 20%
4. But, this ignore productivity per hour
 - a. Research has shown when higher wages are paid, skilled workers produce 20% faster
 - b. This equalizes the cost per project
5. Repealing Davis-Bacon and prevailing wage laws results in lost federal tax revenue of \$5.3 billion¹
6. There would also be a 3% increase in construction workers on subsistence government programs like food stamps¹

¹ Frank Manzo IV, Alex Lantsberg, Kevin Duncan, "The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry"<http://www.smartcitiesprevail.org/wp-content/uploads/2016/02/PW-national-impact-study-FINAL2.9.16.pdf> (Accessed January 1, 2017)

² Fiscal Policy Institute, "The Economic Development Benefits of Prevailing Wage"http://www.faircontracting.org/PDFs/prevailing_wages/FPIbrief_May06.pdf (Accessed January 1, 2017)

³ Pete Phillips, "A Comparison of Public School Construction Costs"http://www.faircontracting.org/PDFs/prevailing_wages/Public_School%20Peter%20Phillips.pdf (Accessed January 1, 2017)