



## **Davis-Bacon: *Empowering Communities and Careers in America***

Davis-Bacon and prevailing wage laws have had astounding results since their inception. Paying workers higher wages means they become self-sufficient instead of becoming dependent on public assistance. This provides a two-fold benefit of improving quality of living and lowering burdens for American taxpayers. In addition, these laws and the technology needed to enforce them have had an unexpected boon—local communities now have the ability to track their disadvantaged worker hiring goals which has proven transformative for both disadvantaged families and for the communities in which they live.

### **What is Davis-Bacon and Prevailing Wage?**

Every American strives to earn a fair wage which allows a lifetime of health and prosperity. Our country was built on this very foundation—that regardless of race, religion, or creed, all of us have the right to life, liberty, and the pursuit of happiness. Today, however, many find themselves unable to live the American dream. Construction workers in particular are earning wages below the poverty line or losing jobs to out-of-state or illegal immigrants willing to work for low wages.

Often times unscrupulous contractors severely underpay their workers in an effort to undercut ethical competition and win government contracts. This results in a multi-billion-dollar tax burden to the American government through increased numbers of people enrolled in health care, welfare, food stamp, and other public assistance programs for these underpaid, uninsured workers.

In 1931, the Davis-Bacon Act sought to protect both federal construction workers and the public from greed driven contractors. Over the next ten years thirty states passed prevailing wage laws that accomplished the same mission in local communities. The purpose of these laws was to create an equal playing field for bidders so that contractors compete based on skill, productivity and safety instead of low bids through paying workers below-the-poverty-line wages.



## 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 20% of construction costs. Applying basic math demonstrates the impossibility of this claim.

Construction projects costs generally hold 23% labor and 77% material.<sup>1</sup> 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 with 15% less injuries.<sup>2</sup> Not only are there less injuries but research has shown the jobs are also completed 20% faster due to higher productivity.<sup>3</sup>

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

Let's say on a \$1M project, labor is anticipated to be 25% of the cost. This means that this project will cost \$250,000 in labor and \$750,000 for materials.

**The non-prevailing wage labor cost for a \$1M project would be \$200,000:** Eliminating prevailing wage, or cutting wages by 20%, would create a \$50,000 savings, or 5% of the total \$1M project costs. Costs associated with Davis-Bacon must be considered in relation to total project costs and not taken out of context. In other words,

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<sup>1</sup> 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)

<sup>2</sup> Pete Philips, "A Comparison of Public School Construction Costs" [http://www.faircontracting.org/PDFs/prevailing\\_wages/Public\\_School%20Peter%20Phillips.pdf](http://www.faircontracting.org/PDFs/prevailing_wages/Public_School%20Peter%20Phillips.pdf) (Accessed January 1, 2017)

<sup>3</sup> Fiscal Policy Institute, "The Economic Development Benefits of Prevailing Wage" [http://www.faircontracting.org/PDFs/prevailing\\_wages/FPIbrief\\_May06.pdf](http://www.faircontracting.org/PDFs/prevailing_wages/FPIbrief_May06.pdf) (Accessed January 1, 2017)



5% is the *maximum* potential savings were Davis-Bacon to be eliminated or if labor costs were reduced by 20%.

Would American taxpayers actually save 5%?

**The prevailing wage labor cost for a \$1M project is closer to \$200,000 due to 20% increased efficiency:**

Numerous studies show prevailing wage projects are completed 20% faster with fewer injuries due to more skilled labor. When the wages are low, skilled labor is unlikely to win a bid. Thus, with 20% increased efficiency, this \$250,000 in projected labor costs is again reduced 20% to \$200,00. Now, there is no difference between the cost of labor for prevailing wage and non-prevailing wage projects.

However, while it may appear that there is no cost difference to the project, the absence of prevailing wage translates into millions in additional taxpayer burden.

## **What repealing Davis-Bacon would really cost**

### **Billions of lost federal tax revenue**

Repealing Davis-Bacon and prevailing wage laws would result in lost federal tax revenue of \$5.3 billion as contractors who do not pay prevailing wages also pay less taxes.<sup>4</sup>

### **Increased health care and public assistance costs for the American taxpayer**

If Davis-Bacon and prevailing wage were eliminated, 300,000 workers would lose their health insurance, which in turn would increase state health care costs by the billions. Studies show construction workers in prevailing wage law states are 8% more likely to have health insurance and 4% more likely to have retirement plans.<sup>5</sup> Not only are these

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<sup>4</sup> 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)

<sup>5</sup> 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"



workers better able to live healthier lives, but they are also able to save for the future. What happens when you bring people out of poverty? Reliance on public assistance programs drops. States with prevailing wage laws also see a 3% decrease in construction workers who live below the poverty line.<sup>6</sup>

Because there are seven million construction workers in America, a 3% decrease in those living below the poverty line means 99,000 more construction workers would fall below the poverty line without Davis-Bacon. Repealing Davis-Bacon would cost taxpayers \$375 million more in food stamps and other public assistance programs.<sup>7</sup>

## **Empowering Communities to Showcase Success**

Today, there is a new and more compelling reason to keep Davis-Bacon and prevailing wage laws. With advances in technology and the laws requiring government agencies to collect wage and worker data, economic impact is more visible than ever. Local communities are leveraging this data to ensure their workforce hiring programs are successful with concrete statistical results. Not only can government agencies track wages, but they can also track the type of people they hire, where they live, and their skill levels.

## **Empowering Careers for the Disadvantaged American Worker**

Inner cities are struggling economically and unemployment is running rampant in minority segments of our society. Cities and public agencies are responding with workforce hiring programs on public works construction projects. These workforce

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Industry <http://www.smartcitiesprevail.org/wp-content/uploads/2016/02/PW-national-impact-study-FINAL2.9.16.pdf>  
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(Accessed January 1, 2017)

<sup>7</sup> 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"  
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programs set goals for contractors to hire local, underrepresented and economically disadvantaged workers.

Prevailing wage and Davis-Bacon laws have enabled these workforce programs to gain visibility and transparency through the requirement of certified payroll reporting. The reports have proved to be an invaluable tool for tracking workforce goals since information about worker gender, ethnicity, and zip codes must also be submitted. This dramatically increases the visibility of these targeted workers and highlights how hiring them has transformed local economies. Technology has allowed statistical tracking, giving transparency to each program's success and spotlighting areas that still need improvement.

## **City of Seattle: The Power of Workforce Goals**

With Jeanne Fulcher, Labor Equity Analyst

Using Technology, the City of Seattle has been able to set and track priority hire goals to transform their city. Jeanne Fulcher, Labor Equity Analyst for the city was able to explain the impact being able to see real data and statistics has had. "Several years ago the community in the City of Seattle was saying they were looking at our projects and the workers did not look like the people actually living there." Thanks to certified payroll reporting, the City was able to look at past data from their projects and realized that only 6% of the project hours were going to local workers. They acted quickly and developed a priority hire program. After just one year the city has seen amazing results with "three times increase in local workers, three times more women and a huge increase in apprentice women and people of color raising to 33% women and 50% people of color." Their priority hire program was developed with 4 goals:

- Address projected worker shortage (anticipated shortage of 4,630 construction workers in King county by 2020)
- Provide contractors with access to trained workforce
- Create a diverse construction workforce by adding more women and people of color
- Create economic growth in economically distressed areas

The city has been able to target economically distressed areas by requiring hires to come from zip codes that have been identified as containing residents that are living



200% under the poverty level, have high unemployment, and do not have college degrees. They must also hire apprentices and graduates from pre-apprentice programs.

	Past Performance	Voluntary Efforts	Community Workforce Agreement (CWA) Pilot
Seattle Residents	5%	2%	13%
Distressed ZIP Codes	12%	3%	21%
Apprentices	13%	12%	15%
Women	5%	6%	13%
People of Color	25%	24%	25%

- Past performance is based on hours from a sample of projects from 2009-2013. Sources are Workforce Profile in City of Seattle Construction Projects and the City of Seattle – Construction Workforce Diversity Report.
- Voluntary efforts reflect UCLA Labor Center of employee data on the Rainier Beach Community Center, 2014.
- Percentages in the CWA pilot column reflect Elliott Bay Seawall Project hours in LCPtracker through February 2016.

With the help of certified payroll and workforce reporting technology the city is able to “make data driven policy decisions to adjust the program to address areas of need” Davis-Bacon and prevailing wage law requirements are transforming worker demographics and insuring fair wages and treatment for all by providing the public transparent results of contractor performance.



Many of these target hires are coming from small subcontractors that are minority firms or small business in each project's local area. Such a practice further develops economic opportunity for economically depressed communities.

Davis-Bacon and prevailing wage laws offer opportunities for women, minorities, veterans, the homeless, the economically disadvantaged, single custodial parents, those with criminal records, those who are chronically unemployed, those with no GED or high school diploma, and those receiving public assistance to obtain jobs.

Davis-Bacon and prevailing wage laws are about creating jobs--jobs that transform people's lives and break the cycle of poverty. Because once you take one person out of poverty, you lift up their entire family, and all the generations to come.

Go to [www.lcptracker.com/why-lcptracker/workforce-reporting](http://www.lcptracker.com/why-lcptracker/workforce-reporting) results to obtain workforce hiring results of our programs nationwide. On this site, you may also watch video testimonials from government agencies and other clients.

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Sources Cited:

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