



## Sample of Studies on the Negative Impact of the Davis-Bacon Act/Prevailing Wage Requirements

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1. [\*Minnesota Center for Fiscal Excellence: Minnesota's Prevailing Wage: An Evaluation of the Rate Setting Process\*](#)

A study completed in February 2018 concluded that the Minnesota Department of Labor and Industry fails to receive significant responses on prevailing wage surveys, largely because of a flawed calculation method. The results of this flawed calculation method leads to rates in Greater Minnesota that are determined by using either old prevailing wage rates or having to import rates from other counties.

The process utilized by the department runs contrary to the intent of prevailing wage laws, which is to provide local wage rates for local workers. The study concludes with recommended courses of action to correct the outdated mode of gathering wage rates such as switching to a majority/average calculation mode and using employer based surveys.

2. [\*George Mason University: Prevailing Wage Legislation and the Continuing Significance of Race\*](#)

A study released in June 2018 by the George Mason University Antonin Scalia Law School found that prevailing wage laws discriminate against minority construction workers who have been traditionally underrepresented in labor unions.

By examining the Davis-Bacon Act and the original intent of the law to exclude African-American construction workers from working on federal projects, to looking at the continuing effects of prevailing wage laws and the lack of minority participation in labor unions, the authors conclude that prevailing wage legislation has been a disaster for minority construction workers.

3. [\*Illinois Policy Institute: Building Fairness and Opportunity: The Effects of Repealing Illinois' Prevailing Wage Law\*](#)

A study released in December 2017 by the Illinois Policy Institute found that repealing the state's prevailing wage law would help boost the state's economy by lowering the cost to taxpayers on publicly funded construction projects and spurring job growth in the construction industry.

In looking at states that repealed their prevailing wage law, the study found that employment in the construction sector grew by almost 8 percent. In the state of Illinois, that could translate to 14,000 new jobs in the construction industry over the following 10 years. The study also concluded that repeal of the prevailing wage law could save taxpayers an average of 10 percent on publicly funded construction projects.

4. [\*Empire Center for Public Policy: Prevailing Wage – New York's Costly Public Works Pay Mandate\*](#)

A report released by the Empire Center for Public Policy on April 24, 2017, found that prevailing wage

requirements inflate the cost of publicly funded construction projects in New York by between 13 percent and 25 percent. The varying percentages are based on the area or region of the state. Taxpayers can expect to pay billions in extra costs, given the tens of billions the state plans to spend on public projects over the following five to 10 years.

In 2016, the New York Independent Budget Office (IBO) released a report on the impact prevailing wage requirements would have on affordable housing projects built with the 421a property tax break. IBO estimated wage requirements would cost the city an additional \$4.2 billion, increasing affordable housing construction costs by 23 percent or \$80,000 per unit.

The Empire Center report also notes that the New York prevailing wage rates include fringe benefits, the entirety of which do not go directly to workers but instead are being used to bolster underfunded and struggling union pension plans.

5. [\*\*Wisconsin Taxpayers Alliance: Evaluating Wisconsin's Approach to Determining Prevailing Wages: State Methodology, Regional Market Comparisons, Local Fiscal Impact \(2015\)\*\*](#)

The [Wisconsin Taxpayers Alliance](#) found the survey method used to calculate prevailing wage led to wages that: "do not reflect varying county construction wages or regional labor markets; are more "costly" in low-wage, low-income counties, particularly those in northern Wisconsin; can fluctuate widely and unpredictably from year to year, rather than change slowly and consistently as market wages

typically do; can require contractors to pay un-skilled workers more than skilled workers in some situations; and may cost state and local government hundreds of millions of dollars in excess costs."

6. [\*\*Anderson Economic Group: Illinois' Prevailing Wage Law and the Cost of Education Construction \(2014\)\*\*](#)

A report by Anderson Economic Group, LLC found that an estimated \$2.9 billion in education construction expenditures are subject to Illinois prevailing wage law and in the absence of the state's prevailing wage law, Illinois could have saved \$158 million on average each of the past ten years. With an additional cost of \$158 million per year due to prevailing wage laws, Illinois could have saved \$1.6 billion dollars on school construction from 2002 to 2012.

7. [\*\*Anderson Economic Group: The Impact of Michigan's Prevailing Wage Law Education Construction Expenditures \(2013\)\*\*](#)

A study by East Lansing-based Anderson Economic Group (AEG) found that Michigan's prevailing wage law is costing taxpayers and draining millions of dollars per year from the state's public universities, community colleges and school districts by driving up the costs of construction projects. The study found the prevailing wage requirement increases construction costs by approximately \$224 million annually. Additionally, the study found that with no additional taxpayer funding, more than 315 additionally elementary buildings could have been built in the previous decade with the money lost because of the state's prevailing wage requirement.

8. [\*\*Columbia University: The Complex Worlds of New York Prevailing Wage \(2012\)\*\*](#)

A study released by Columbia University's Center for Urban Real Estate revealed New York's methods for establishing prevailing wage rates are grossly outdated and costing New York taxpayers.

The study found the New York system of using collective bargaining agreements to establish wage rates is likely invalid given that union membership is presently lower than 30 percent in most localities. In fact, unions now represent only 24 percent of the state's construction workforce, yet New York still relies on union collective bargaining agreements when establishing prevailing wage rates. Near the turn of the last century, New York established wage standards to ensure construction workers were receiving a normal, or "prevailing," private-sector wage and benefits on public construction work. While New York law allows the prevailing wage rate to rely on wage rates in collective bargaining agreements between unions and private employers, it may only do so if such employers employ at least 30 percent of workers in the same trade in the locality where the work is being performed.

[Video: Unions and Pols Pay to Play: WSJ Opinion](#)

9. [\*\*GAO: Davis-Bacon Act: Methodological Changes Needed to Improve Wage Survey \(2011\)\*\*](#)

An April 6, 2011 report published by the Government Accountability Office (GAO), titled, "Davis-Bacon Act: Methodological Changes Needed to Improve Wage Survey," highlighted serious flaws in how wages are determined under the Davis-Bacon Act, and recommended steps for the Department of Labor (DOL) to take to remedy some of the issues. GAO examined how DOL has addressed previous concerns from stakeholders, and also looked at new issues that need to be resolved.

In the report, GAO acknowledged some actions by DOL to correct problems with the process and with the wage survey process, but criticized the agency's inability to fix major problems related to accuracy,

overall quality and timeliness—pointing out that DOL is still years behind schedule on many of its surveys, forcing federal contractors to rely on out-of-date information.

GAO also noted ongoing issues with the representativeness of the wage determination survey results, reporting that about 25 percent of final wage rates for job classifications are based on wages reported for six or fewer workers. In addition, 63 percent of all DOL wage determinations consider wages set by union agreements to be “prevailing,” even though only 13 percent of construction workers are covered by such an agreement.

**10. [Cato: Prevailing Wage Laws: Public Interest or Special Interest Legislation? \(2010\)](#)**

A study published in the *Cato Journal*, Vol. 30, No.1, concludes the purpose of prevailing wage laws are to limit competition and provide significant benefits to labor unions. These policies come at the expense of taxpayers that are forced to pay more than otherwise necessary for projects that require prevailing wage mandates. George Leef, Director of Research at the John W. Pope Center for Higher Education Policy, concludes that no societal benefits result from union favoritism.

**11. [Dual GAO Studies Find Negative Impact of Davis-Bacon Prevailing Wage Requirements on Recovery Act Projects \(2010\)](#)**

The [American Recovery and Reinvestment Act of 2009](#) (ARRA) expanded federal Davis-Bacon requirements to 40 additional federal programs, according to a Feb. 2010 [study](#) conducted by the Government Accountability Office (GAO). Although the impacts of these requirements vary among agencies (primarily because many are not directly involved in construction activities), several—including the U.S. Department of Energy (DOE)\*—report that Davis-Bacon has had a negative impact on ARRA-related program administration and goals.

Earlier this year, a similar GAO [study](#) found that Davis-Bacon provisions were the primary factor for excessive administrative burden of, and the ultimate failure to meet multi-agency goals pertaining to, the [Weatherization Assistance Program](#). Four federal agencies reported that Davis-Bacon directly delayed their ability to spend funds. In addition, the U.S. Department of Labor (DOL) was required to determine prevailing wages for weatherization work in every county in the United States. By the end of 2009, only 9,100 of the planned 593,000 homes in the program had been weatherized.

\*A separate, [internal study by DOE's inspector general](#) cited Davis-Bacon provisions as the prime factor for holding up the launch of its weatherization program, which did not begin work until October 2009—eight months after President Obama signed ARRA into law.

**12. [Public Policy Foundation of West Virginia: An Economic Examination of West Virginia's Prevailing Wage Law \(2009\)](#)**

The [Public Policy Foundation of West Virginia](#) on Feb. 16, 2009, released a study that concludes West Virginia's average state prevailing wage rate is at least 49 percent, and as high as 74 percent (using adjusted figures), above West Virginia's true market prevailing wage in the construction industry. The study also found that as many as 1,500 more jobs could be created if West Virginia's prevailing wage law were repealed or reformed to reflect actual market wages.

“An Economic Examination of West Virginia’s Prevailing Wage Law” recommends full repeal of the [West Virginia prevailing wage law](#). Short of repeal, the study makes four recommendations to improve state prevailing wage requirements: (1) change the method of establishing prevailing wage rates so that they better reflect true prevailing local market rates; (2) mandate that new methodology by

law; (3) create exemptions to the prevailing wage for small contracts; and (4) create exemptions to the prevailing wage for schools.

**13. [The Beacon Hill Institute: The Federal Davis-Bacon Act: The Prevailing Mismanagement of Wage \(2008\)](#)**

The Beacon Hill Institute (BHI) at Suffolk University in Boston, Mass., found that wages on federally funded construction projects under the Davis-Bacon Act (DBA) are grossly inflated. The February 2008 study compared the methods used by the U.S. Department of Labor's (DOL) Bureau of Labor Statistics (BLS) and the DOL's Employment Standards Administration's Wage and Hour Division (WHD) to determine the prevailing wage for workers employed on federally funded construction projects. Researchers examined nine occupational categories in 80 metropolitan areas and concluded that the current WHD method unnecessarily inflates wages by a weighted average of 22 percent when compared to wages determined by BLS methodology. Some of the problems found in the calculation of the prevailing wages under WHD included untimely wage reporting, poor survey design and the opportunity for unions to dominate the process.

The BHI study found the WHD's inaccurate measurement of wages has several principal consequences for construction wages and costs:

- The WHD methods inflate wages by an average of 22 percent
- The WHD methods inflate construction costs on projects subject to the DBA by 9.91 percent
- The WHD methods unnecessarily raise construction costs by a total \$8.6 billion per year on projects subject to the DBA
- States that opt to use the DBA prevailing wage, the DBA methodology or the local union wages are likely to experience higher public construction costs

**14. [GAO Report: The Federal Government Could Save More Than \\$4 Billion Over Five Years if the Davis-Bacon Act Were Repealed. \(2000\)](#)**

In a March 2000 report, the General Accountability Office (GAO) estimates the federal government could save more than \$4 billion in discretionary spending outlays over a five year period by repealing the Davis-Bacon Act.

**15. [Mackinac Center for Public Policy: The Effect of Michigan's Prevailing Wage Law \(2007\)](#)**

A study by the Mackinac Center for Public Policy estimates that Michigan's prevailing wage law, which requires union wages to be paid on state construction projects, costs state taxpayers about \$250 million per year. The main effect of this extra cost is to boost the wages of construction workers, most of whom earn compensation well above the average for Michigan residents, according to the study. Michigan's prevailing wage law also appears to decrease the number of construction jobs in the state.

The study also found that because state guarantees on school district construction bonds trigger prevailing wage requirements, the prevailing wage law also applies to most public school construction. Exempting public school districts alone from the law's requirements would likely save state taxpayers about \$125 million annually.

**16. [Minnesota Taxpayers Association: Prevailing Wage Rates in Minnesota \(2005\)](#)**

A study conducted by the Minnesota Taxpayers Association (MTA) found the state's method for calculating prevailing wage rates on public construction increased project costs between 7 percent and 10 percent. Minnesota and California use a "modal" calculation, in which the rate that is most frequently reported in a survey is designated as the "prevailing" wage.

According to the study, Minnesota's modal method of calculating the prevailing wage rate increases the likelihood that large-scale, collectively bargained wage rates become the prevailing wage, because these rates tend to be uniform within a specific job class. The study found that in 26 of the 32 counties where state building projects were located, federal prevailing wage rates were set entirely from union rates.

**[17. California Institute for County Government at California State University, Sacramento: An Analysis of Market and Prevailing Wage Rates for the Construction Trades in California \(2004\)](#)**

An August 2003 study from the California Institute for County Government at California State University, Sacramento shows that federal commercial prevailing wage rates and state prevailing wage rates in California are on average 36 percent to 55 percent higher than market wages.

The study compares market wages to commercial and residential Davis-Bacon federal prevailing wage rates and state prevailing wage rates on a county-by-county basis for five trades: electricians, carpenters, drywall installers, HVAC/sheet metal workers and plumbers. Maps included with the study show that as a general rule, the disparity between government-imposed rates and market wages increases as the distance increases between a county and the California Department of Industrial Relations headquarters in San Francisco.

**[18. University of California, Berkeley: The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing \(2003\)](#)**

A working paper released in September 2003 by the Program on Housing and Urban Policy at the University of California, Berkeley presents new evidence on the increased costs of prevailing wage laws on construction. The paper estimates that new prevailing wage requirements signed into law by eventually-recalled Governor Gray Davis in 2001 increased costs on state-subsidized low-income housing in California between 9 percent and 32 percent under the most credible statistical models. According to the paper, under reasonable conditions, the authors' mid-range estimate of the prospective decrease in dwellings in California subsidized by tax credits alone exceeds \$2,600 per year.

The U.C. Berkeley study conclusions are consistent with California Institute for County Government at California State University, Sacramento showing the expansion of prevailing wage coverage in California to affordable housing increased the cost of that housing by an average of 11 percent.

**[19. Ohio Legislative Bureau: The Effects of the Exemption of School Construction Projects From Ohio's Prevailing Wage Laws \(2002\)](#)**

The Legislative Bureau of the Ohio Legislature determined that rescinding prevailing wage requirements for school construction saved \$487.9 million in aggregate school construction during the post-examination period, an overall savings of 10.7 percent. This study provides background information and evaluates the amount of money saved by school districts and education service centers due to the exemption, the impact of the exemption on the quality of school building construction, the

impact of the exemption on the ways of construction of public school buildings, and summarizes the findings and discusses the limitations.

**20. [Kentucky Legislative Research Commission: An Analysis of Kentucky's Prevailing Wage Laws and Procedures \(2001\)](#)**

In May of 2001 the Program Review and Investigations Committee authorized a study of Kentucky's prevailing wage law. The committee staff suggested changes to the prevailing wage laws so they would more accurately reflect local wages.