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## Davis-Bacon Repeal Act

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The Davis Bacon Act is an 80-year-old wage subsidy law requiring all federally-funded construction projects worth more than \$2,000 to pay workers at least the “prevailing wage” rate on non-federal projects in the same locality. This requirement results in the following negative consequences:

- Drives up federal project costs.
- Unfairly advantages organized labor.
- Hurts unskilled workers or less-specialized, general laborers.
- Imposes administrative paperwork burdens.
- Ignores skill differences needed for different jobs.

Both the Congressional Budget Office (CBO) and the Government Accountability Office (GAO) have voiced concerns about Davis-Bacon requirements, including the calculation of prevailing wage rates, which is rife with errors.<sup>1,2</sup> While the Department of Labor’s (DOL) Bureau of Labor Statistics can and does accurately estimate prevailing wage rates for federal payment purposes, DOL has instead tasked its Wage and Hour Division (WHD) with estimating wage rates that meet Davis-Bacon requirements. The WHD is an enforcement agency with no expertise in accurately calculating wage rates. In fact, the DOL inspector general found errors in 100 percent of wage reports examined.<sup>3</sup> The WHD prevailing wage rates are usually inflated union wages based on self-selected survey samples that reflect only a small number of worker responses. Most recently, the Department of Labor finalized a rule that would roll back various regulatory reforms instituted by the Reagan Administration, including reviving the “30 percent rule,” which stipulates if 30% of a local workforce is paid a given rate it will be considered the prevailing wage (Reagan raised this percentage to 50%). This provision distorts the prevailing wage away from the average and grows union influence over the rate calculation, eliminating the separation between urban and rural wage rate calculations, leading to inflated rural wage calculations.<sup>4</sup>

### Bill Specifics

- Repeals the Davis-Bacon Act wage requirements

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<sup>1</sup> Congressional Budget Office, “Options for Reducing the Deficit: 2014 to 2023,” November 2013, Pg. 96.

<sup>2</sup> U.S. General Accounting Office, “Davis-Bacon Act: Labor Now Verifies Wage Data, but Verification Process Needs Improvement,” January 1999.

<sup>3</sup> U. S. Department of Labor, Office of Inspector General, “Concerns Persist with the Integrity of Davis-Bacon Act Prevailing Wage Determinations,” March 2004, Pg. 1.

<sup>4</sup> Baskin, Maury & Ostern, David S., “USDOL Finalizes Rule Making Big Changes to Davis-Bacon Enforcement,” Littler, <https://www.littler.com/publication-press/publication/usdol-finalizes-rule-making-big-changes-davis-bacon-enforcement>

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