

# ISSUE BRIEF

## Prevailing Wage Laws: The Davis-Bacon and Service Contract Acts

**The Davis-Bacon Act requires contractors on federal construction projects to pay their workers no less than the wage rates prevailing in the local area for each craft, as determined by the U.S. Department of Labor.** The prevailing wage that must be paid on federal projects is based upon typical wages and benefits paid for construction work in each community, regardless of whether those workers are union members. Congress should continue application of Davis-Bacon Act on all federally assisted construction authorized by the Clean Water and Safe Drinking Water Acts, TEA-21, AIR-21 and other key federal infrastructure programs.

For more than 70 years, Congress has applied the prevailing wage provisions of the Davis-Bacon Act to federal construction projects. The provisions have been applied to statutes authorizing construction of hospitals, water pollution control projects, airports, mass transit, housing and more.

**The Davis-Bacon Act has been applied to construction receiving all types of federal assistance—grants, loans, loan guarantees and insurance programs.** Even projects funded by the most cutting-edge and innovative financing techniques have included federal Davis-Bacon protections, such as tax credit bonds, state revolving loan funds, credit enhancements and other methods that leverage limited amounts of federal money, matching it with funds from state and private sources to facilitate urgently needed construction. Despite the continual reaffirmation of the prevailing wage principle, opponents repeatedly attempt to block its application to various new federal construction programs and new funding techniques, claiming it is an “unwarranted expansion” of the act.

**Davis-Bacon prevents a race to the bottom on federal construction.** Where Davis-Bacon is applied, contractors win federal construction jobs based on having the most productive, best-equipped and well-managed workforce. Without the law, contractors could simply lowball their bids by using the cheapest workers, either locally or by importing labor from elsewhere.

**There is no significant cost savings with the repeal of Davis-Bacon.** In a 2001 University of Utah (UU) study of public school construction costs in three mid-western states, a simple comparison of the mean inflation-adjusted square-foot cost of building 391 new public schools found no statistically significant difference between public schools built with prevailing wages and those built without.

More was found in a 1998 UU study prepared for the Kansas state Senate Labor and Industries Committee that compared projects in 15 Great Plains states to those in Kansas after repeal of its state prevailing wage law in 1987. Kansas projects experienced more workplace injuries and deaths, lower wages and fewer benefits, a reduction in and elimination of apprenticeship programs, an overall decline in the quality of applicants, substantial cost overruns and downstream increases in maintenance costs.

Ford administration Labor Secretary John T. Dunlop observed that productivity is so much greater among high-wage, high-skill workers that often projects using such workers cost less than those using low-wage, low skill workers. A study of the 10 states in which nearly half of all highway and bridge

work in this country is done found that when high-wage workers were paid double that of low-wage workers, they built *74.4 more miles of roadbed and 32.8 more miles of bridges for \$557 million less.*

**Most wage determinations are based on nonunion wage scales.** According to the U.S. Department of Labor, 72 percent of Davis-Bacon wage determinations issued in 2000 were based upon *nonunion* scales of labor. The union wage only prevails if the Labor Department wage survey process determines the local union wage to be the prevailing wage.

**Davis-Bacon protects blue-collar workers and sustains communities.** Davis-Bacon ensures bona fide health, pension and educational benefits are included in the Labor Department prevailing wage rate. If construction wages decline significantly, there will be a corresponding rise in the demand for government programs, ranging from financial aid for college students to food stamps.

**Declining wages also would make it harder for the construction industry to attract and train qualified individuals to work in construction.** As the *Wall Street Journal* noted, there are severe shortages of skilled workers in construction in many areas of the country. Davis-Bacon promotes sound investment in human capital and in our physical infrastructure. Because of its cyclical and extremely competitive nature—and our reliance on infrastructure for economic development and national security—construction labor markets must be protected.

**The 1965 Service Contract Act (SCA) is based on the same prevailing wage principle.** Contractors providing a service to the federal government, such as janitorial, custodial, food and housekeeping services, are required to pay their workers no less than the wages that prevail in the local private sector for the same jobs.

**The SCA responded to serious abuses documented in congressional hearings during the early 1960s by setting basic wage and benefit standards.** Lower and lower wages resulted in very high employee turnover and poor service to the government. Service workers were earning only the minimum wage and had no health insurance, pension plan, job security, vacation or sick leave.