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FOR PUBLIC POLICY

PREVAILING WAGES: COSTLY TO STATE AND  
LOCAL TAXPAYERS

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*Allegheny Institute Report #02-02  
February 2002*

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## Key Findings

Prevailing wage laws exist at both the federal and state levels and are responsible for increasing the cost of government. The general purpose of a prevailing wage law is to artificially raise the wages of workers participating in government construction projects. Michigan, Florida and Ohio have experienced savings of 10 percent and higher on construction in the absence of a prevailing wage law. In Pennsylvania, prevailing wage laws apply to construction at all levels of government. This report shows that Pennsylvania construction savings would be at least 10 percent based on the difference between the prevailing wages set by the state and true market wages. Based on that finding, a number of observations can be made.

- For the fiscal year 1999, the Commonwealth had \$2.12 billion worth of construction expenditures. Absent the prevailing wage law, the state government could have saved \$212 million on construction in FY99. That amounts to 2.4% of the individual income tax collected that year.
- Local governments within Pennsylvania spent an additional \$3.48 billion on construction in the same year. Again without the prevailing wage law, \$348 million could have been saved. Money which could have been used to lessen the burden of property taxes by 3.6% (\$9.66 billion collected in 1999).
- School districts and the Commonwealth commit more than a half a billion dollars per year to school construction. In 1998 there were 66 school building projects, eligible for state reimbursement with a total value of over \$730.6 million. With no prevailing wage requirement, school construction alone would have saved more than \$73 million.

Beyond the monetary costs imposed on taxpayers, prevailing wage laws impose strict craft-based classifications and restrictive apprenticeships regulations. This limits employment opportunities in construction for entry level, or low skilled workers.

- During the period its law was set aside by a federal judge, Michigan experienced an annual construction job growth rate that was almost 4.5 times the rate of growth as when the law was in effect (4,000 vs. 17,600). Even when controlled for external factors such as weather, the base result is still the same: More construction jobs were created during the period of no prevailing wage requirement, than when the law was in force.
- During the 30 months without Michigan's prevailing wage law, there were 116.3 construction jobs created per 1,000 overall jobs, compared to the 78.6 per 1,000 jobs in the 30 month period before the repeal.

## **Introduction: The Cost of Prevailing Wage Laws**

In 1931 the federal government passed the Davis-Bacon Act which requires that all contractors working on federal projects pay their employees no less than prevailing wages. According to the Davis-Bacon Act, prevailing wages are to be paid to any employee working on a federal government project with a value of \$2,000 or more.

Prevailing wages were originally intended to increase the wages of local laborers and protect them from lower-wage migrants. At the time supporters of this legislation claimed that workers who were paid more would help spend the country out of the Great Depression. This argument gained momentum and eventually filtered its way down to the state level as over 30 states followed suit and passed "little Davis-Bacon" laws. The unintended consequence of the law was to force non-union contractors to pay their workers union-scale wages. The end result of the federal and state level Davis-Bacon laws is to raise the cost of labor and subsequently the cost of government projects which are ultimately passed on to the taxpayers.

### *The Federal Davis-Bacon Act*

Although the U.S. Department of Labor sets the wage, it is almost invariably higher than what would prevail in the free market. According to the Department of Labor, the wage is determined by collecting wage data through the voluntary submission of wages by contractors, labor organizations, public officials, and other interested parties. According to the Congressional Budget Office (CBO), "those procedures (of the Department of Labor) as well as the classification of workers who receive prevailing wages, favor union wage rates..."<sup>1</sup>

The CBO in its *Budget Options for 2001*, recognizes that the federal Davis-Bacon law inflates the cost of government. They estimate that if Congress were to repeal the law, the federal government could save \$9.5 billion from 2002 to 2011.<sup>2</sup> As is stated in the report, "Repealing the Davis-Bacon Act would allow the federal government to spend less on construction...In addition, it would probably increase the opportunities for employment that federal projects would offer to less skilled workers."<sup>3</sup> In absence of repeal, the CBO suggests raising the threshold from \$2,000 to \$1 million. By raising the threshold, the CBO estimates that the federal government could save \$1.3 billion in federal outlays over the 2002 to 2011 period.<sup>4</sup>

Even though many groups support the repeal of the Davis-Bacon Act, there are other special interest groups that are steadfast in its support. Davis-Bacon gives union contractors an advantage over non-union contractors in the bidding for government projects. Davis-Bacon not only dictates the wages that must be paid to workers on

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<sup>1</sup> Congressional Budget Office. *Budget Options for 2001*. February 2001. Section 920-05-A. Page 7.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Congressional Budget Office. *Budget Options for 2001*. February 2001. Section 920-05-B. Page 8.

government contracts, but it also dictates the hourly price for "fringe" benefits.<sup>5</sup> Fringes for union workers are programs that are paid from trusts that have been built from dues payments and are not subject to payroll taxation. However, for the non-union firm the absence of such programs means that fringes must be paid directly to the employee as a supplement to the hourly wage and thus subject to payroll taxes. Therefore, not only are non-union firms required to meet the wage being paid by union firms, but must exceed them through fringe payments and then must pay more in payroll taxes than their union counterparts. As a result many non-union contractors pass on government projects, further biasing upwards the cost of construction.

The Act not only raises the cost of labor, which many non-union firms cannot match, but it also imposes rigid craft-based job classifications and restrictive apprenticeship regulations. This sharply limits an employer's ability to hire and train unskilled workers. In many cases these unskilled workers are minorities, which have historically been kept out of trade unions. It is believed that racism was a primary motivating factor in passing the Davis-Bacon Act. One purpose of the Act was to prevent contractors from using African-Americans from Southern states on projects in predominantly white Northern states. As one congressman stated in 1931, it prevents contractors from using "cheap colored labor."<sup>6</sup>

Nationally, black workers account for approximately 10.4% of the total workforce. However in the construction industry, blacks account for only 6.4% of all workers.<sup>7</sup> Moreover, they have historically been shut out of unions. And since many black contractors are often not as well capitalized as large union shops, they are unable to pay prevailing wages and thus unable to bid on government projects. Many do not even try. Therefore the racial bias that was a part of the impetus of the Davis-Bacon Act of 1931, still echoes 70 years later.

### **Davis-Bacon at the State Level.**

As mentioned above, after the passage of the Davis-Bacon Act at the federal level, 32 states and the District of Columbia enacted what were to be known as "little Davis-Bacon Acts".<sup>8</sup> As of 2000, 31 states and the District of Columbia have prevailing wage laws on the books. 19 states do not have such a law. Table 2 in the Appendix, provides details such as the year the law went into effect, the year of repeal, where applicable, and effective rate chosen.

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<sup>5</sup> Fringe benefits were added to the Act in 1964 and include medical care, workman's compensation, pensions, vacation pay, etc.

<sup>6</sup> Vedder, Richard. "Michigan's Prevailing Wage Law and Its Effects on Government Spending and Construction Employment." Mackinac Center for Public Policy. 1999. Page 4.

<sup>7</sup> Wilson, Mark and Rebecca Lukens. "Four Reasons Why Congress Should Repeal Davis Bacon". *The Heritage Foundation Background*. June 7, 1995. No. 252.

<sup>8</sup> 9 states already had such laws on the books and 9 never had such a law.

The nation's first prevailing wage law was enacted by Kansas in 1891 as an "eight hour day law". This law focused mostly on prohibiting overtime except in an emergency."<sup>9</sup> The last state level prevailing wage law was passed in Minnesota in 1973. Of the 19 states that do not currently have prevailing wage laws, 10 repealed prior Davis-Bacon laws (from 1979 through 1995. ) Four arguments have led to the abandonment of prevailing wage laws: laws force employers to pay more for labor than the market would otherwise dictate; it allows employers to discriminate in hiring workers; it raises the cost of government; it increases administrative costs.

For example, to ease the burden on school districts, the Florida legislature dropped the prevailing wage requirement from school construction from 1974 through 1978. They found that the average yearly savings on school construction were about 15% (\$37 million). After learning of the savings, the legislature repealed the entire prevailing wage law in 1979.<sup>10</sup>

Each state has its own process by which it determines prevailing wages. Some states set their wages through an elaborate process or through the local collective bargaining agreements between unions and contractors. 15 of the 31 states with a prevailing wage law use local collective bargaining rates. Some states simply choose to use federal rates and classifications. Below we compare four states, including Pennsylvania, as to how prevailing wage works.

### *Oregon*

Oregon has had prevailing wage law since 1959. The Oregon Prevailing Wage Law (PWL) defines the rate to be paid as the rate of hourly wage, including fringe benefits paid in the locality to the majority of workers employed on projects of similar character in the same trade or occupation. The wording of Oregon's PWL may lead one to believe that local wages were recorded and used as the standard on government projects. However, according to the Oregon Bureau of Labor and Industries, prior to 1995, no survey of wages was ever taken. Instead, Oregon either used the federal Davis-Bacon rate or the collective bargaining rates of local unions.

Oregon conducted its first survey of contractors registered to perform heavy, highway, and commercial construction in 1995. The results substantiate the notion that unions push the wage rate above what would prevail in a free market. When the Oregon Bureau of Labor and Industries compared all occupations, they found that the average hourly wage in their most unionized area (Clatsop, Columbia, and Tillamook counties) were 27.6% higher (\$18.49 vs. \$14.48) than its least unionized area (Crook, Deschutes, and Jefferson counties). However an even larger gap occurred in the payment of fringe

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<sup>9</sup> Thieblot, Armand J. Jr. "Prevailing Wage Legislation: The Davis-Bacon Act, State 'Little Davis Bacon' Acts, the Walsh-Healey Act, and the Service Contract Act." University of Pennsylvania. The Wharton School Industrial Research Unit. 1986.

<sup>10</sup> Broward County Florida installed their own prevailing wage law in 1981.

benefits. The average fringe benefit rate per hour in the two areas differed by 140% (\$4.73 vs. \$1.97). As mentioned above union shops have the advantage in fringe benefits because they are paid from well funded trusts whereas non-union contractors usually pay them as monetary supplements making them subject to payroll taxes which the non-union firm must pay. The "total" hourly union wage is 41% higher (\$23.22 vs. \$16.45).

Comparing occupations by union and non-union shops yields similar results. For example, painters, paperhangers, plasterers and stucco masons had an average hourly rate in the unionized zones of \$15.56, while the average rate in non-unionized zones is \$10.12.<sup>11</sup> The average fringe benefit rate per hour is \$3.26 in the union areas, but only \$0.24 in the non-union areas.

### *Ohio*

In 1997, Ohio passed a revision to their prevailing wage law which allows school districts the option of requiring prevailing wages to be paid on school construction projects.<sup>12</sup> This revision is to be a five year experiment by the Ohio legislature to see if school districts are saving money, receiving quality work on school building construction, and what are the impacts on the wages of construction workers on school projects. The Ohio Legislative Budget Office (LBO) commissioned a first year study of the experiment. The results of the study show that where there are savings, the average rate is 6.1% (not counting administrative costs). There has been no appreciable decrease in the quality of school construction. Employment in the construction industry continued to grow despite the exemption of school construction from the prevailing wage law. Although causality cannot be determined, average hourly rates continued to grow despite the exemption. However, since the prevailing wage requirement was optional, some districts, in mostly heavily unionized areas, held onto the requirement.

Ohio's Legislative Budget Office surveyed the 611 school districts (396 responded--65%) after the first year of implementation of the option. Of the 396 responding districts, 14 (4%) still required their contractors pay a prevailing wage while 320 (81%) did not.<sup>13</sup> Some of the respondents (37%) believed that by eliminating the requirement they would be able to save money on school construction. Others saw the change as an opportunity to give local contractors a chance to do some work. Some respondents expressed concern about the quality of work performed as they equated higher wages with better workmanship. However, most respondents noted that the elimination of the prevailing wage requirement did not adversely affect quality. The report finds that the skill level and quality of workmanship do not increase by simply requiring and paying prevailing wages.<sup>14</sup>

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<sup>11</sup> An area or zone is classified as unionized if 40% or more of the workers belong to a union.

<sup>12</sup> Ohio Senate Bill 102.

<sup>13</sup> The remaining 72 had not adopted a formal policy.

<sup>14</sup> Lundell, Allan. "A Study of the Effects of the Exemption of School Construction and Renovation Projects from Ohio's Prevailing Wage Law." Ohio Legislative Budget Office. September 1998. Page 7.

The Ohio Legislative Budget Office also surveyed contractors who bid on school projects. The LBO asked each responding contractor to submit two bids: one with a prevailing wage and one without. The difference was then used to estimate savings. 379 contractors responded to the survey. For 136 contractors (36%) there was no difference between their bids. Many of these respondents indicated that they were union shops. The author then notes that even though there were no savings in the contract bid, there should still be savings due to reduced compliance and administration costs. Two of the respondents (1.5%) noted that without the prevailing wage requirements, their bid price would be higher due to the inefficiencies in using unskilled labor. They reasoned that the inefficiencies would translate into longer hours to complete any project. However, 241 of the contractors (64%) indicated that they would bid the job lower without a prevailing wage requirement. The average savings rate between the two bids is 10.2%.

The LBO also noticed that savings depended upon the location, rural or urban, of the school district. In urban districts, where there were savings, the average rate was 9.4%. However, in rural districts, where there were savings, the average rate was 14.4%. one explanation is that since urban wages are typically higher than those found in rural communities (due to tighter labor markets), prevailing wages are often "imported" into the rural region. Removing the prevailing wage requirement allows rural contractors to do more work at a lower wage. The survey found that savings by trade are larger in rural counties than in urban counties. This again is a reflection on the tightness of the labor market lessening the difference between the union and non-union wage in an urban versus a rural setting.

The conclusion of the Ohio study notes that "where there are savings, the savings may be significant."<sup>15</sup> However, the savings do depend upon the location of the district and the labor climate in which they operate. The Ohio LBO also cautions that extrapolating those savings across all construction projects may be premature since school construction only accounts for 5% of all construction in Ohio and some contractors may simply have passed on these projects since they are such a small percentage of their business.

### *Michigan*

In December 1994, Michigan's prevailing wage law was found to be invalid by a federal judge. The judge ruled that the state's prevailing wage law was preempted by ERISA, a federal pension law. This decision was later reversed by an appellate court in June 1997. As a result Michigan's prevailing wage law was not enforced for a period of 30 months. Richard Vedder studied how the hiatus effected construction employment and government spending.<sup>16</sup>

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<sup>15</sup> Ibid. Page 13.

<sup>16</sup> Vedder, Richard. "Michigan's Prevailing Wage Law and Its Effects on Government Spending and Construction Employment." Mackinac Center for Public Policy. 1999.



With regard to construction job growth, during the break, Michigan experienced an annual growth rate that was almost 4.5 times the rate of growth as when the law was in effect (4,000 vs. 17,600). Even when controlled for factors such as weather, seasonality of construction, and business cycles, the author finds the base result is still the same: More construction jobs were created during the period of no prevailing wage requirement, than when the law was in force. During the 30 months without the law, there were 116.3 construction jobs created per 1,000 overall jobs, compared to the 78.6 per 1,000 jobs in the 30 month period before the repeal.

Prevailing wages have been shown above to increase the cost of public construction. But, how much so depends upon three factors: By how much does the prevailing wage exceed the free market wage; what percentage of the total construction costs are labor; and what impact on productivity does the prevailing wage have.

In Michigan, Vedder finds that the prevailing wage was 30-40% more than the market wage. He also estimates that labor costs are, on average, about 25% of the value of a construction contract. He also finds that there is no reliable evidence that labor productivity changed in the absence of prevailing wages.<sup>17</sup> Therefore, with prevailing wages that are as much as 40% higher than free market wages, and labor comprising 25% of overall construction costs, the cost of a contract will be raised by a approximately 10%. Evidence from school construction that took place during the 30 month reprieve shows that savings were over 10% (13-16%). This could actually be due to improved managerial control over workforce and thus lower total overhead costs and compliance.

In fiscal 1995, Michigan state and local governments spent almost \$2.51 billion on construction outlays. Assuming a savings rate of 10%, the elimination of the prevailing wage could have saved them \$251 million. Adding to that total, non-construction outlays that are subject to prevailing wages, the overall savings to Michigan was about \$275 million in 1995.<sup>18</sup> As noted by Vedder, "It is the equivalent of slightly over five percent of the revenue raised by the Michigan individual income tax in fiscal 1995 (\$5.473 billion). *(R)epealing Michigan's prevailing wage law would have an impact the equivalent of giving every taxpayer a rebate equal to five percent of his state income tax payments.*"<sup>19</sup>

### *Pennsylvania*

Pennsylvania instituted its prevailing wage law with the Pennsylvania Prevailing Wage Act of 1961.<sup>20</sup> This Act applies prevailing wages to any publicly funded construction project with a value of \$25,000 or more. (In 2001, a bill was introduced in the State Senate (SB 821) which would have raised the threshold to \$500,000. This bill, like

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<sup>17</sup> Ibid. Page 14.

<sup>18</sup> Ibid. Page 14.

<sup>19</sup> Ibid. Page 15.

<sup>20</sup> Pennsylvania Prevailing Wage Act of 1961, P.L. 987, No.442.

previous attempts to amend or repeal the prevailing wage act, did not succeed.) Pennsylvania's prevailing wage act also applies to established trades outside of the construction industry, such as printing contracts at the state level (local leaders have the option on printing contracts) and highway construction. Maintenance work is not covered, however reconstruction work is, causing many court battles seeking to define when a project is "maintenance" or "reconstruction".

When determining the rates to be used, the Act gives the Secretary of Labor the power to use the local collective bargaining rate as the prevailing wage. However, the Ridge Administration commissioned a Prevailing Wage Advisory Board to construct county-by-county surveys to set and update new rates. In 1997, they claimed that by establishing new rates, taxpayers should save \$100 million in public construction costs. They claim that "the Prevailing Wage Law will now be able to function as intended because the Ridge Administration has taken the initiative to determine rates which truly reflect local wages on construction projects in each of our counties."<sup>21</sup>

### Government Construction Expenditures in Pennsylvania

For the fiscal year of 1999, the Commonwealth of Pennsylvania had \$2.12 billion worth of expenditures on construction.<sup>22</sup> It will be assumed that all of the projects (given the low threshold of \$25,000) were subject to the state's prevailing wage law.<sup>23</sup> Using conservative estimates from the Michigan experience, it can be assumed that the state's taxpayers could have saved 10% of these costs in the absence of prevailing wages without any noticeable differences in workmanship. This amounts to \$212 million for FY99, which represents 2.4% of the individual income tax collected in 1999 (\$8.85 billion). Local governments within Pennsylvania spent an additional \$3.48 billion on construction in the same year. Again, assuming that 10% could have been saved without prevailing wages, this amounts to \$348 million which could have been used to lessen the burden of property taxes by 3.6% (\$9.66 billion collected in 1999).

In the Pittsburgh region, the differences in the average free market wage and the prevailing wage is shown in Table 1. Table 1 shows a sampling of occupations that are covered by the Prevailing Wage Act of 1961. The first column gives the average free market wage in the Pittsburgh MSA while the second column gives the corresponding prevailing wage for the same occupation. The third column shows the difference between the two. The largest difference occurs with Electric Linemen (\$10.03), while the smallest occurs with Cement Masons/Finishers (\$2.85). The average difference is just over \$6.00 per hour.

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<sup>21</sup> News Brief from the Office of Governor Tom Ridge. "Taxpayers to Save Millions Through New Prevailing Wage Rates". Vol. 2. Issue 6. February 28, 1997.

<sup>22</sup> U.S. Census Bureau. Pennsylvania State and Local Government Finances by Level of Government: 1998-99. [www.census.gov/govs/estimate/9939pa.html](http://www.census.gov/govs/estimate/9939pa.html).

<sup>23</sup> Does not include expenditures on highway construction or printing contracts which are both covered by prevailing wages.

Table 1: Pittsburgh MSA

Title	Average Hourly Wage	Prevailing Hourly Wage	Difference	% Difference	Prevailing Fringe Rate	Prevailing Hourly +Fringe
Brick/Stone Mason	\$19.47	\$23.28	\$3.81	19.57	\$9.28	\$32.56
Carpenters	19.16	22.44	3.28	17.12	8.26	30.70
Cement Mason/Finisher	18.05	20.90	2.85	15.79	8.26	29.16
Drywall/Ceiling Tile Finisher	13.41	20.34	6.93	51.68	9.31	29.65
Electricians	18.79	27.50	8.71	46.35	9.76	37.26
Electric Lineman	18.86	28.89	10.03	53.18	7.92	36.81
Landscape Laborer	9.03	14.43	5.40	59.80	6.12	20.55
Millwright	18.17	27.48	9.31	51.24	10.07	37.55
Plasterers	14.20	19.95	5.75	40.49	8.48	28.43
Plumbers/Sprinkler Fitters	20.13	27.55	7.42	36.86	9.61	37.16
Roofers	16.34	21.74	5.40	33.05	7.15	28.89
Sheet Metal Workers	17.79	23.65	5.86	32.94	11.65	35.30
Single-Axle Truck Drivers	13.37	19.30	5.93	44.35	7.00	26.30
Tandem/ Tri-Axle Truck Drivers	15.91	19.44	3.53	22.19	7.05	26.49
<i>Average</i>	<i>\$16.62</i>	<i>\$22.64</i>	<i>\$6.02</i>	<i>36.19</i>	<i>\$8.57</i>	<i>\$31.20</i>

The real discrepancy happens when fringe benefits are added to the mix. Column 5 lists the hourly fringe benefits as required by the prevailing wage. The average hourly fringe benefit is \$8.57, with a range of \$6.12 (Landscape Laborers) to \$11.65 (Sheet Metal Workers). As mentioned above, union contractors pay fringe benefits through programs that are run from trusts and are not subject to payroll taxation. However, for the non-union firm the absence of such programs means that fringes must be paid directly to the employee as a supplement to the hourly wage and thus subject to payroll taxes. When adding the cost of the fringe benefits to the hourly wage, the average payment that is to be made to a worker under the prevailing wage law is \$31.20. In the free market, hourly fringe benefits can be conservatively estimated at 30% of the hourly wage. Thus the free market fringe is approximately \$5.00 per hour, bringing the total wage plus benefits to \$21.62.

According to the Pennsylvania Department of Education, school districts and the Commonwealth commit more than a half a billion dollars per year to school construction. In 1998 there were 66 school building projects, eligible for state reimbursement with a total value of over \$730.6 million.<sup>24</sup> Assuming that Pennsylvania experiences the same savings rate that was found in both Ohio and Michigan (10%), savings would exceed \$73 million. This represents only a fraction of all school projects that are undertaken that would fall under the guise of the prevailing wage act. In the first two months of 2001, there were 169 prevailing wage projects in Allegheny County that were submitted to the state's Bureau of Labor Law Compliance.<sup>25</sup> Of these, 76 or 45% of the projects were school related. If Pennsylvania were to follow the lead of neighboring Ohio, and allow

<sup>24</sup> Dept. of Education must approve plans and specifications for all public school construction or reconstruction, and for ordinary repairs or maintenance work for any second, third, or fourth class district. <http://www.pde.psu.edu/facilities/esschbld.html>.

<sup>25</sup> Determination dates were for January and February of 2001 with award dates through the June 1<sup>st</sup>. <http://164.156.7.70/PWAGE/010103.html>.

school districts to be exempted from the prevailing wage law, savings to individual school districts could be substantial.

## **Conclusions**

In 1931, the Davis-Bacon Act was passed with the promotion of providing a "level playing field" for local contractors bidding on lucrative government contracts. The idea of paying workers more, or giving them "fair" wages, quickly spread throughout state level government as over 30 states passed similar laws. However its roots were firmly planted in racism in an attempt to prevent contractors from using "cheap colored labor". The intended consequence of forcing non-union contractors into paying their employees union scales wages has cost taxpayers billions of dollars nationwide each year.

The Congressional Budget Office recommends either the eliminating or modifying the Davis-Bacon Act. By repealing Davis-Bacon, the CBO estimates that the federal government can save \$9.5 billion over the next ten years. In the absence of repeal, the CBO advocates raising the threshold from its current level of \$2,000 to \$1million. This would save the federal government approximately \$1.3 billion over the next ten years.

The discrepancies caused by prevailing wages at the state level are well documented. Empirical evidence from Oregon, Michigan and Pennsylvania show that prevailing wages are on average 25-40% higher than free market wages. The real difference occurs with fringe benefits, which in Oregon were shown to be nearly twice what was being offered in the private sector. Fringes compound the problem by adding additional tax burdens onto non-union contractors. With prevailing wages higher than free market wages, many non-union contractors simply pass on government projects. This leads to less competition and higher costs for government construction which are ultimately borne by the taxpayer.

Making the prevailing wage law an option at the school district level, has resulted in substantial savings for Florida (which ultimately led to the statewide repeal), Ohio and Michigan. Average savings were about 10% . If Pennsylvania were to follow in the footsteps of these states and make the prevailing wage an option at the school district level, the Commonwealth could see annual savings of \$73 million.

Prevailing wage laws not only cost taxpayers more in construction costs, it also limits job creation. During the 30 month break in Michigan's prevailing wage law, job creation in the construction industry per 1,000 jobs increased from 79 to 116 (47%). In addition, it sets strict guidelines on job classifications as well as the number of apprentices and trainees that may be used on a job. In many cases these unskilled workers are minorities, which have historically been kept out of trade unions.

The Davis-Bacon Act of 1931 and the subsequent "Little Davis-Bacon Laws" that have sprung up at the state level, are firmly based in racism and are very costly to taxpayers. The repeal of these laws would further increase the opportunities for unskilled workers to

enter the construction industry and earn the decent wage originally promised by the legislation. Its removal would also put more money into the pockets of taxpayers while decreasing the cost of government.

## Appendix

**Table 2**

State	Davis-Bacon	Effective Rate Chosen	Year Enacted	Year Repealed
Alabama	No	na	1941	1980
Alaska	Yes	Federal D-B rates	1931	na
Arizona	No	na	1930	1984
Arkansas	Yes	Federal D-B rates	1955	na
California	Yes	Collective Bargaining	1930	na
Colorado	No	na	1933	1985
Connecticut	Yes	Collective Bargaining	1935	na
Delaware	Yes	Below Collective Bargaining	1962	na
District of Columbia	Yes	Collective Bargaining	1931	na
Florida*	No	na	1930	1979
Georgia	No	na	na	na
Hawaii	Yes	Collective Bargaining	1955	na
Idaho**	No	na	1911	1985
Illinois	Yes	Collective Bargaining	1931	na
Indiana	Yes	Collective Bargaining	1935	na
Iowa	No	na	na	na
Kansas	No	na	1891	1987
Kentucky	Yes	Federal D-B rates	1940	na
Louisiana	No	na	1968	1988
Maine	Yes	Below Federal D-B	1933	na
Maryland	Yes	Federal D-B rates	1945	na
Massachusetts	Yes	Collective Bargaining	1914	na
Michigan	Yes	Collective Bargaining	1965	na
Minnesota	Yes	Collective Bargaining	1973	na
Mississippi	No	na	na	na
Missouri	Yes	Unknown	1957	na
Montana	Yes	Collective Bargaining	1931	na
Nebraska***	Yes	Free Market	1923	na
Nevada	Yes	Federal D-B rates	1937	na
New Hampshire	No	na	1941	1985
New Jersey	Yes	Collective Bargaining	1913	na
New Mexico	Yes	Federal D-B rates	1937	na
New York	Yes	Collective Bargaining	1921	na
North Carolina	No	na	na	na
North Dakota	No	na	na	na
Ohio****	Yes	Collective Bargaining	1931	na
Oklahoma*****	No	na	1965	1995
Oregon	Yes	Above Federal D-B rates	1959	na
Pennsylvania	Yes	Collective Bargaining	1961	na
Rhode Island	Yes	Collective Bargaining	1935	na

State	Davis-Bacon	Effective Rate Chosen	Year Enacted	Year Repealed
South Carolina	No	na	na	na
South Dakota	No	na	na	na
Tennessee	Yes	Average	1953	na
Texas	Yes	Varies	1933	na
Utah	No	na	1933	1981
Vermont	No	na	na	na
Virginia	No	na	na	na
Washington	Yes	Above Federal D-B rates	1945	na
West Virginia	Yes	Unknown	1933	na
Wisconsin	Yes	Collective Bargaining	1931	na
Wyoming	Yes	Federal D-B rates	1967	na
<p>Data compiled from: <a href="http://www.gpo.gov/davisbacon/">www.gpo.gov/davisbacon/</a> and Thieblot, Armand J., "Prevailing Wage Legislation: The Davis-Bacon Act, State 'Little Davis-Bacon' Acts, The Walsh Healy Act, and The Service Contract Act", University of Pennsylvania, 1986.</p> <p>Notes: * Broward County established prevailing wage rates in 1981.</p> <p>** Passed as an "eight hour day law".</p> <p>*** Not enforced.</p> <p>****Does not apply to school construction as of 1997.</p> <p>*****Ruled invalid by state court.</p>				