



## Overview

The federal Davis-Bacon Act is a Depression-era wage subsidy law enacted in 1931, whose time has run out. In a 21st Century global economy, it is essential to allow the free market system to determine wages.

The intent of the Act, as demonstrated in the *Congressional Record*, was to preserve northern construction jobs for white union men and prevent them from being taken by less expensive southern, African-American labor.

The Act mandates that the area's "prevailing wage" be paid on public projects, which has resulted in an excessive minimum wage law for construction workers on federally funded projects. As a result, Davis-Bacon inflates the cost of public construction projects, anywhere from five percent to 38 percent above what the project would have cost if competitively bid in the private sector.

Davis-Bacon also wastes valuable tax dollars. It mandates outdated job classifications that ignore the efficient and productive work practices successfully used today by merit shop contractors, who represent over 80 percent of the construction industry. According to the Congressional Budget Office, if Congress were to repeal the Davis-Bacon Act the federal government would save \$10.5 billion over 10 years.

Additionally, Davis-Bacon requirements have a negative impact on minority work opportunities. Studies have found Davis-Bacon reduces the number of minority workers in the construction industry. According to the Black Chamber of Commerce, Davis-Bacon discourages many qualified small and minority-owned businesses from bidding on public projects, because the Act is so complex and inefficient that it is impossible for small businesses to compete.

## Helpers

Helpers are semi-skilled workers who assist trained journey-level workers on construction projects and are widely used in private sector construction by merit contractors, which comprise over 80 percent of the industry. Helpers gain well-paying entry-level jobs and valuable work experience under the direct supervision of higher skilled workers.

Unfortunately, helpers are prevented from working on federal construction projects because the Department of Labor has not recognized them as a "prevailing work practice" under the Davis-Bacon Act. In January 2001, the former Clinton Administration finalized Helper regulations, which exclude helpers from federally funded projects by using an outdated definition and assuming that helpers are not a prevailing practice. As a result, there is no Davis-Bacon wage rate for helpers' jobs, and these entry-level workers are shut out of work opportunities on public projects.

## **School Construction**

The best way to maximize education dollars and improve our education system is through increasing local control, flexibility, and decision-making. ABC believes school construction is best handled at the local level, and opposes initiatives that restrict local control and inflate costs by adding federal mandates, such as Davis-Bacon requirements.

## **The Free Enterprise Alliance Supports**

- Legislative and regulatory efforts designed to limit the negative affects of the Davis-Bacon Act and state prevailing wage laws.
- Overturning the Clinton Administration's helper regulation either through administrative or legislative means
- Lifting the Davis-Bacon Act requirements on stimulus funds. Because small and minority-owned businesses are often not equipped to navigate the maze of paperwork required to work on Davis-Bacon projects, many will simply not bid on these projects.

## **The Free Enterprise Alliance Opposes**

- The negative impact Davis-Bacon has on equal access to work opportunities. Davis-Bacon prevents many qualified small and nonunion businesses from even bidding on publicly funded projects, because the complexities and inefficiencies in the Act make it nearly impossible for them to compete.
- Waste, fraud, and abuse - numerous studies have demonstrated that prevailing wage laws set artificial wages, which are often fraudulent, restrict competition, mandate the use of outdated job classifications, and as a result, unnecessarily add billions to the cost of public works.
- Current helper regulations which contradict industry practices and unnecessarily limit access to work and training opportunities.
- A legislative agenda that pushes for the widespread and rampant expansion of the Davis-Bacon Act into areas of public and private projects where it has never before been mandated.