The Beacon Hill Institute for Public Policy Research

News Release

8 Ashburton Place
Boston, Massachusetts 02108-2770

phone: 617.573.8750
fax: 617.994.4279
email: bhi@beaconhill.org
web site: www.beaconhill.org

For Immediate Release:
Thursday, February 7, 2008
10:00 a.m.

Contact: Frank Conte,
Communications Director
617-573-8050; 617-573-8750

New study takes aim at federal prevailing wage law; Inflated wage measures cost taxpayers $8.6 billion annually

(BOSTON) - A new study released today by the Beacon Hill Institute at Suffolk University (BHI) finds that biases in the measurement of the federal "prevailing wage" add 22% to the cost of labor on public construction projects and 9.91% to overall construction costs. As a result, taxpayers pay $8.6 billion a year more for public construction projects than they would have to pay if unbiased measures were used.

The federal government, 32 states and the District of Columbia require the payment of a prevailing wage for all workers employed directly on site for government-funded construction projects over a certain dollar threshold. Adopted by Congress in 1931, the Davis-Bacon Act (DBA) enforces the prevailing wage at the federal level and serves as the basis for prevailing wages in the states.

Originally enacted to discourage poor Southern blacks from seeking construction jobs in the North, the prevailing wage law has always had the purpose of shielding local construction workers from competition from "outsiders." However implemented, the law is therefore anticompetitive and costly to taxpayers. As currently implemented the law also, however, does not accurately measure the prevailing wage. Rather, it is biased upward to reflect what the construction trades want to impose as a wage, rather than the wage that accurately prevails for a given trade in a given metropolitan area.

This is seen in the fact that the U.S. Department of Labor, which has the job of determining the prevailing wage, does not use the unbiased and statistically accurate data published by its Bureau of Labor Statistics (BLS). Rather, it uses data published by its Wage and Hour Division (WHD), whose methods are generally unreliable and, if anything, biased upward.

In its study, BHI compared the estimates reported by the WHD to the estimates reported by the BLS for a sample of nine occupational categories accounting for 59% of all construction workers across 80 metropolitan areas.

-more-

BHI found that, on average the DBA prevailing wage is almost $4.43 per hour, or more than 22%, above the BLS average wage when wages are weighted according to the number of workers in each trade and each metropolitan area. In the Nassau-Suffolk, New York metropolitan area, brick masons and block masons make at least $24.17 per hour more than they would make if the prevailing wage were calculated using BLS methods. In Poughkeepsie-Middleton, New York, plumbers, pipe fitters and steamfitters get a premium of $26 per hour. Steel and metal workers in Bakersfield, California get a premium of $16.37.

Commenting on these results, David G. Tuerck, Executive Director of the Beacon Hill Institute and a coauthor of the study, observed that "the existing way of measuring the prevailing wage amounts to the maintenance of a costly and arcane welfare system for construction workers." Tuerck went on to say that "the whole purpose of a prevailing wage law is to deny employment opportunities to workers from outside the immediate area. On that basis alone, the best solution would be to repeal Davis-Bacon and to render unnecessary the whole problem of divining what the prevailing wage is. Next best would be to shut down the Labor Department's Wage and Hour Division and take the simple step of getting the measurement of the prevailing wage right. That's easy enough to do, considering that the Bureau of Labor Statistics maintains a parallel and highly reputable office for measuring wages."

The study, which also outlines the institute's methodology, is available at www.beaconhill.org.

-30-

THE BEACON HILL INSTITUTE AT SUFFOLK UNIVERSITY
8 Ashburton Place, Boston, Massachusetts 02108-2770
phone: 617.573.8750; fax: 617.994.4279
email: bhi@beaconhill.org web site: www.beaconhill.org