

# A New Bill to Use BLS Data for Davis-Bacon Prevailing Wage Would Be a Pay Cut for Middle-Class Construction Workers



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## POLICY MEMO

With a renewed focus on rebuilding the nation's infrastructure, Congress must also support policies that rebuild middle-class jobs in the United States.

Fortunately, the historically bipartisan Davis-Bacon Act already does just that for craft workers on public construction projects. The law creates a level playing field for all contractors by ensuring that taxpayer dollars maintain and reflect local area standards for wages and benefits. The main purpose of the Davis-Bacon Act is to support American families and ensure that the federal government cannot use its massive purchasing power to undercut and depress local market wages.

Recently, however, some politicians have set their sights on amending the Davis-Bacon Act with a policy change that would result in a pay cut for America's middle-class construction workers.

The federal government currently conducts voluntary surveys of the actual wages and fringe benefits paid by private contractors on local projects. The survey is transparent, market-specific, and uses clearly specified processes to determine the local prevailing wage in 3,000 counties and localities across the nation. By including the total value of wages, fringe benefits, and training contributions for each job classification where the work is performed, Davis-Bacon surveys reflect market standards.

But last week, Senator Jeff Flake, a Republican from Arizona, introduced legislation to replace the voluntary survey with Bureau of Labor Statistics (BLS) data from the *Occupational Employment Statistics* dataset ([Bloomberg BNA, 2017](#)).

This legislation is based on a false assumption that BLS data is a better indicator of local construction market rates ([Groshen, 2013](#)). In fact, Erica Groshen, former Commissioner of the BLS, has definitively concluded that the:

***"BLS has no role in establishing prevailing wages or determining what data are appropriate for that purpose. ... Because the BLS data are used for so many purposes, we generally don't design them for particular applications, such as the Davis-Bacon wage determinations."***

A closer look reveals all the ways in which switching to BLS data would lower wages for American workers who build the nation's roads, bridges, schools, and water and sewage systems:

- BLS wage data *excludes* fringe benefits, including training contributions, health insurance payments, or pension payments, which would lower the compensation of workers.
- BLS wage data over-represents residential construction, which is a low-skill, low-wage sector of construction.
- BLS wage data does not distinguish between journeyworkers and apprentices, which would cut the wages of skilled journeyworkers.
- BLS wage data cannot report data by local county areas and does not survey actual construction sites, which betrays the intent of the Davis-Bacon Act to encourage local hiring by reflecting local standards.
- BLS wage data is often based on "a handful of employers" and uses data that is up to three years old.

This proposed change would be a wage cut for millions of workers. Distorting wage rates below actual local standards would produce higher poverty and higher government assistance costs ([Manzo et al., 2016](#)), while causing no project savings ([Duncan & Ormiston, 2017](#); [The Illinois Update, 2017](#); [Mahalia, 2008](#)). Additionally, the pay cut would produce less local hiring ([Manzo, 2016](#)) and would reduce consumer demand among construction workers, resulting in job losses in other sectors of the economy.

BLS wage data is not suitable for public construction and would result in a failure to meet the goal of Davis-Bacon to sustain local market standards.

## Sources

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