
Davis-Bacon Repeal Act

The Davis-Bacon Act is a 95-year-old wage subsidy law requiring all federally-funded construction projects worth more than \$2,000 to pay workers at least the “prevailing wage” rate on non-federal projects in the same locality. This requirement results in the following negative consequences:

- Drives up federal project costs.
- Unfairly advantages organized labor.
- Hurts unskilled workers or less-specialized, general laborers.
- Imposes administrative paperwork burdens.
- Ignores skill differences needed for different jobs.

The Congressional Budget Office (CBO) highlighted that a repeal of the Davis-Bacon requirements would save \$17.8 billion in federal spending between 2025 and 2034.¹ While the Department of Labor’s (DOL) Bureau of Labor Statistics can and does accurately estimate prevailing wage rates for federal payment purposes, DOL has instead tasked its Wage and Hour Division (WHD) with estimating wage rates that meet Davis-Bacon requirements. The WHD is an enforcement agency with no expertise in accurately calculating wage rates. In fact, the DOL Inspector General found 832 errors over the 49 contractors they used to identify wage rate errors.² The WHD prevailing wage rates are usually inflated union wages based on self-selected survey samples that reflect only a small number of worker responses.

Most recently, in 2023, the Department of Labor finalized a rule that would roll back various regulatory reforms instituted by the Reagan Administration, including reviving the “30 percent rule,” which stipulates that if 30% of a local workforce is paid a given rate, it will be considered the prevailing wage (Reagan had raised this percentage to 50%). This rule distorts the prevailing wage away from the average and expands union influence over the rate calculation, thus eliminating the separation between urban and rural wage rate calculations, leading to inflated rural wage calculations.³

Bill Specifics

- Repeals the Davis-Bacon Act wage requirements

¹ <https://www.cbo.gov/budget-options/60936#:~:text=The%20Davis%20Bacon%20Act%20requires,small%20reduction%20in%20mandatory%20outlays>.

² <https://www.oig.dol.gov/public/reports/oa/2019/04-19-001-15-001.pdf>

³ Baskin, Maury & Ostern, David S., “USDOL Finalizes Rule Making Big Changes to Davis-Bacon Enforcement,” Littler, <https://www.littler.com/publication-press/publication/usdol-finalizes-rule-making-big-changes-davis-bacon-enforcement>
