

## **Davis-Bacon Produces Actual Prevailing Wages Paid by Contractors** **BLS Data is Unsuitable for Establishing Local Wage Rates**

### **Fast Facts**

- Davis-Bacon wages protect local construction workers' compensation and establish a level playing field for contractors bidding on federally-funded projects.
- Market surveys of actual wages paid to construction workers, such as those defined in the Davis-Bacon Act, are the best way to determine and protect local construction standards.
- Using Bureau of Labor Statistics (BLS) data to set prevailing wages on federally-funded projects, instead of traditional Davis-Bacon survey data, would betray the promise to lift worker wages and bring middle-class jobs to America's workforce.
- Replacing actual Davis-Bacon local market wages and benefits with BLS survey data for average wages without benefits would seriously erode the local compensation package paid to construction workers.
- The BLS survey methodology has numerous limitations and flaws: it excludes benefits and training contributions, does not account for skill level, over-represents residential construction, does not report data by county, does not include information on hours, uses information that is up to three years old, and is based on "wage rate ranges."
- The BLS Commissioner has stated that the agency has no role in establishing the prevailing wage.

### **Davis-Bacon is Effective, BLS Data is Unsuitable**

It has long been the strategy of opponents of the Davis-Bacon Act to undermine the statute by wrecking its current system of establishing prevailing market wages and benefits through targeted surveys. Davis-Bacon surveys are specifically designed to establish the actual wage paid to construction workers in 3,000 localities and counties across the nation. Davis-Bacon opponents falsely claim that the wage surveys do not produce a "market" wage and should be replaced by the *Occupational Employment Statistics* (OES) survey of the Bureau of Labor Statistics (BLS).

Calls to use BLS wage data are based on the assumption that the *Occupational Employment Statistics* survey is a better indicator of local construction market rates than Davis-Bacon surveys. This assumption is incorrect. In fact, Erica Groshen, Commissioner of the Bureau of Labor Statistics, 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."**<sup>1</sup>

In fact, replacing Davis-Bacon wages with BLS wages would seriously erode the *actual* prevailing wage paid to construction workers. The use of BLS survey data does not, and cannot, establish the prevailing market wage paid by private construction contractors throughout the United States.

A comparison of current Davis-Bacon wage determinations for highway bulldozers in the largest counties in each state versus those found in the BLS (OES) survey show the substantial erosion of wages and fringe benefits which

---

<sup>1</sup> Statement of Erica L. Groshen, Commissioner of the Bureau of Labor Statistics, U.S. Department of Labor, at [http://www.bls.gov/bls/congressional\\_testimony/groshen06182013.pdf](http://www.bls.gov/bls/congressional_testimony/groshen06182013.pdf) and <http://www.gpo.gov/fdsys/pkg/CHRG-113hhrg81435/html/CHRG-113hhrg81435.htm>.

would take place if the opponents of Davis-Bacon succeed in turning the current survey system over to the BLS. Please see the Appendix for the bulldozer rates in all 50 states.

**Davis-Bacon Wages and Benefits vs. May 2015 OES Wages, Bulldozers, Largest County in Each State**

Classification	Average Difference Between Davis-Bacon Wage Rate and Benefits vs. BLS Wage Rate	Median Difference Between Davis-Bacon Wage Rate and Benefits vs. BLS Wage Rate
Bulldozer - Highway	-26.0%	-41.5%

It is no surprise that Davis-Bacon opponents have long argued that Congress should transfer the resources currently spent on WHD surveys to the BLS and require the WHD to base Davis-Bacon wages on data produced by those BLS surveys. While arguing that such a change is motivated by improving the efficiency and validity of Davis-Bacon surveys, the real consequence will be to cut local prevailing wages and benefits paid to construction workers who build the nation’s infrastructure projects, by 26.0 percent on average and 41.5 percent on median.

As the bulldozer case study data above demonstrates and as the Commissioner of Labor stated, the BLS methodology in the OES survey is not designed to produce a prevailing market wage. Instead, OES data is based upon a series of wage rate ranges which approximate the actual hourly rate paid to construction workers. The specific features of the BLS survey which prevent it from producing a prevailing market wage are described in detail in the analyses of industry experts<sup>2</sup> summarized and cited below:

**The OES does not produce actual prevailing wage rates, but rather rates based upon ranges or “bands” of average wages.** The Davis-Bacon wage rates are based on surveys of private contractors who report the *actual* hourly wage and fringe benefits paid to workers on projects performed in the local county or locality. OES surveys do not collect the actual wage paid. Instead, the form allows reporting of ranges of wages (“wage bands” paid to particular construction classifications) which does not produce a reliable prevailing market rate.

**The OES over-represents residential construction.** Private residential wage data is included with higher-wage sectors of the construction industry, which is a low-skill, low-wage, low-benefits sector of construction. Nearly half of the wage information comes from residential construction, severely skewing the results downward. Additionally, the vast majority of federal construction work is not residential construction; federal public works involve complex heavy, highway, and large building projects on which higher wages and fringe benefits prevail. Thus, using residential wages to assess prevailing wages for highly-technical public works projects artificially deflates the market wage for skilled workers. By comparison, Davis-Bacon surveys divide data along the four major construction categories: heavy, highway, building, and residential.

**OES wage rates exclude fringe benefits, while Davis-Bacon surveys include this key component of total compensation.** Good health and retirement benefits are essential to retaining skilled workers in unstable and dangerous construction sectors. OES data, however, include no information on training contributions, health insurance payments, or pension payments. Health, pension, training contributions add an average of 13 percent to contractor’s wages over and above the take-home wages surveyed by the OES, nationally. In non-residential construction, benefits account for about 20 percent in wage costs over and above the take-home pay on average, though in many states that number is significantly higher. These benefits are not surveyed by the OES. On the other hand, Davis-Bacon wage surveys do capture the value and local differences in construction benefits. When

<sup>2</sup> *Problems with Using Occupational Employment Statistics in the Determination of Prevailing Wage Rates*, Dr. Peter Philips and Dr. Kevin Duncan (March 20, 2015).

Economic Policy Institute Testimony, at [http://edworkforce.house.gov/uploadedfiles/eisenbrey\\_davis-bacon\\_testimony\\_2013\\_final.pdf](http://edworkforce.house.gov/uploadedfiles/eisenbrey_davis-bacon_testimony_2013_final.pdf). Statement of Dr. Dale Belman and Economic Policy Institute, at <http://www.epi.org/files/page/-/Letter%20to%20Rep%20Walberg%205-4-11%20final.pdf>.

*Limitations with the use of Occupational Employment Statistics in the Determination of Prevailing Wage Rates in Vermont*, Dr. Kevin Duncan (March 26, 2015), at <http://docshare01.docshare.tips/files/29184/291843606.pdf>.

health benefits, retirement benefits, and training contributions are excluded from prevailing wages on federally-funded construction projects, costs are shifted onto taxpayers and low-road contractors are subsidized.

**The OES does not account for the skill level of workers.** The OES does not distinguish between journeyworkers and apprentices. Apprenticeship training plays a vital role in developing the skills needed to build infrastructure that contribute to a competitive U.S. economy. A beginning apprentice typically earns 50 percent of the journeyworker wage, which increases over a three to five-year period as the apprentice gains more experience. Implying that the OES wage is the “true” construction market rate conflates journeyworker wages with untrained workers and semi-trained apprentices. By combining the hourly wage rates of apprentices and journeyworkers, a fully-trained and experienced journeyworker would receive a wage rate that is skewed downward through an OES wage. It is similar to assuming that the market salary for a Ph.D. professor is determined by the wages of preschool teachers in the community, and is a basic failure of reliance on the OES to determine prevailing wages for job classifications under the Davis-Bacon Act.

**The OES cannot report data by local county areas.** The OES cannot provide county-level wage data. The OES attributes all of a contractor’s work to the contractor’s business address regardless of where the worksite is located. The OES does not survey actual construction sites; it surveys contractor business addresses (establishments). Contractors report wages for all projects inside and outside of the region of their business addresses. It is thus difficult to tie OES wage data to the real market wages paid in the local area where construction projects covered by Davis-Bacon are performed. Furthermore, the OES survey methodology makes it especially difficult to capture wage information for all crafts employed in particular local areas. OES is simply not designed to produce a local market wage, while targeted Davis-Bacon surveys do discover local rates.

**The OES uses survey data that are up to three years old.** The OES compensates for lack of data by using past years. The OES survey for any one year is actually the combination of the current survey with the past three years of survey data. The data are unlikely to reflect up-to-date conditions, which further depresses the reported wage.

**The OES does not include information on hours.** OES survey respondents can choose to report wage income rather than wage rates. This creates a special problem calculating construction wage rates because construction is seasonal and episodic. Construction worker hours are typically far less than 2,080-hour standard used to annualize earnings by U.S. Census. This leads the OES to artificially deflate construction worker wages reported as income by dividing by too many hours.

For all of these reasons, the BLS Commissioner concluded that the Bureau has no role in determining what data are appropriate for establishing prevailing wages.

“The OES wage estimates currently are designed to be representative of certain geographic areas and industries. BLS produces the mean, median, and 10th, 25th, 75th, and 90th percentile wages. **We do not publish a wage that most workers are paid.** The geographic areas we target are states, the District of Columbia, territories, metropolitan statistical areas (MSAs), metropolitan divisions (which are smaller parts of the 11 largest MSAs), and up to 6 nonmetropolitan areas in each state. **We do not gather data for counties.** We publish wage data by industry. **However, for some geographic areas we would not have estimates for all the occupations in the construction industry because of limitations on the size of the survey’s sample. BLS has no role in determining what data are appropriate for establishing prevailing wages.**”<sup>3</sup>

Ultimately, Congress and the Executive Branch should not use *Occupational Employment Statistics* (OES) information provided by the Bureau of Labor Statistics (BLS) to determine prevailing wage rates. The data are not comparable and would result in a failure to meet the goal of Davis-Bacon prevailing wage policies to ensure local market standards. OES data are unsuitable for public construction.

---

<sup>3</sup> Statement of Erica L. Groshen, Commissioner of the Bureau of Labor Statistics, U.S. Department of Labor, at [http://www.bls.gov/bls/congressional\\_testimony/groshen06182013.pdf](http://www.bls.gov/bls/congressional_testimony/groshen06182013.pdf) and <http://www.gpo.gov/fdsys/pkg/CHRG-113hhrg81435/html/CHRG-113hhrg81435.htm>.

**Appendix: Davis-Bacon Wages and Benefits vs. OES Wages, Highway Bulldozers, Largest County in Each State**

State	D-B Wage Rate AND Benefits (\$)	D-B County	BLS Wage Rate (\$)	BLS Area	Percent Difference: D-B vs. BLS
Rhode Island	60.55	Providence	24.82	Providence-Warwick, RI-MA	-59.0%
New York	96.93	Kings	40.12	New York-Jersey City-White Plains, NY-NJ	-58.6%
Pennsylvania	70.69	Philadelphia	29.30	Philadelphia, PA	-58.6%
Michigan	54.51	Wayne	24.00	Detroit-Dearborn-Livonia, MI	-56.0%
West Virginia	49.09	Kanawha	22.00	Charleston, WV	-55.2%
Illinois	81.6	Cook	37.20	Chicago-Naperville-Arlington Heights, IL	-54.4%
Nevada	68.87	Clark	32.76	Las Vegas-Henderson-Paradise, NV	-52.4%
Massachusetts	69.86	Middlesex	33.26	Boston-Cambridge-Newton, MA NECTA	-52.4%
Idaho	40.23	Ada	19.28	Boise City, ID	-52.1%
Kentucky	45.7	Jefferson	22.64	Louisville/Jefferson County, KY-IN	-50.5%
Kansas	51.81	Johnson	25.92	Kansas City, MO-KS	-50.0%
Wisconsin	60.07	Milwaukee	31.21	Milwaukee-Waukesha-West Allis, WI	-48.0%
Connecticut	59.75	Fairfield	31.08	Bridgeport-Stamford-Norwalk, CT	-48.0%
Delaware	41.9	New Castle	21.93	Wilmington, DE-MD-NJ	-47.7%
California	66.69	Los Angeles	35.73	Los Angeles-Long Beach-Glendale, CA	-46.4%
Oregon	51.68	Multnomah	27.70	Portland-Vancouver-Hillsboro, OR-WA	-46.4%
Hawaii	68.8	Honolulu	37.15	Urban Honolulu, HI	-46.0%
Indiana	50.05	Marion	27.11	Indianapolis-Carmel-Anderson, IN	-45.8%
New Jersey	73.37	Bergen	40.12	New York-Jersey City-White Plains, NY-NJ	-45.3%
North Dakota	42.35	Cass	23.21	Fargo, ND-MN	-45.2%
Alaska	62.03	Anchorage	34.13	Anchorage, AK	-45.0%
Utah	40.02	Salt Lake	22.70	Salt Lake City, UT	-43.3%
Washington	54.74	King	31.27	Seattle-Bellevue-Everett, WA	-42.9%
Ohio	49.64	Cuyahoga	28.68	Cleveland-Elyria, OH	-42.2%
Iowa	42.7	Polk	24.98	Des Moines-West Des Moines, IA	-41.5%
Arizona	36.29	Maricopa	21.24	Phoenix-Mesa-Scottsdale, AZ	-41.5%
Colorado	33.96	El Paso	19.89	Colorado Springs, CO	-41.4%
Maryland	36.9	Montgomery	21.73	Silver Spring-Frederick-Rockville, MD	-41.1%
Minnesota	52.44	Hennepin	31.18	Minneapolis-St. Paul-Bloomington, MN-WI	-40.5%
Montana	36.81	Yellowstone	22.09	Billings, MT	-40.0%
New Hampshire	30.48	Hillsborough	20.79	Manchester, NH	-31.8%
Nebraska	26.96	Douglas	20.78	Omaha-Council Bluffs, NE-IA	-22.9%
New Mexico	24.54	Bernalillo	19.78	Albuquerque, NM	-19.4%
Maine	22.45	Cumberland	18.49	Portland-South Portland, ME	-17.6%
Missouri	33.38	St. Louis County	28.78	St. Louis, MO-IL	-13.8%
Wyoming	26.52	Laramie	22.89	Cheyenne, WY	-13.7%
Arkansas	18.09	Pulaski	18.13	Little Rock-North Little Rock-Conway, AR	0.2%
Florida	16.77	Miami-Dade	17.79	Miami-Miami Beach-Kendall, FL	6.1%
Georgia	16.93	Fulton	18.00	Atlanta-Sandy Springs-Roswell, GA	6.3%
Virginia	20.4	Fairfax	21.86	Washington-Arlington-Alexandria, DC-VA-MD-WV	7.2%
North Carolina	16.13	Mecklenburg	17.67	Charlotte-Concord-Gastonia, NC-SC	9.5%
South Dakota	17.51	Minnehaha	19.59	Sioux Falls, SD	11.9%
Louisiana	16.4	East Baton Rouge	18.50	Baton Rouge, LA	12.8%
Tennessee	17.08	Shelby	19.29	Memphis, TN-MS-AR	12.9%
Mississippi	13.87	Hinds	16.53	Jackson, MS	19.2%
Oklahoma	15.09	Oklahoma	18.81	Oklahoma City, OK	24.7%
Vermont	16.38	Chittenden	21.06	Burlington-South Burlington, VT	28.6%
South Carolina	12.95	Greenville	16.67	Greenville-Anderson-Mauldin, SC	28.7%
Alabama	15.89	Jefferson	20.54	Birmingham-Hoover, AL	29.3%
Texas	13.07	Harris	20.57	Houston-The Woodlands-Sugar Land, TX	57.4%
<i>Average Difference</i>					-26.0%
<i>Median Difference</i>					-41.5%