

Prevailing-wage standards benefit all workers, industry

Jerry Knapp
August 28, 2006

Seventy-five years after it was signed into law, the federal Davis-Bacon Act continues to be a point of contention among groups within the construction industry. The act was designed to help assure that workers receive fair and reasonable pay for their labor.

Despite the prevalent myth about its origins, it was not initiated during the Great Depression, nor was it part of the New Deal. It was originally proposed by two Republicans in 1927 at the peak of American economic prosperity. It was intended as a means of stabilizing an otherwise volatile public construction market. Over the years, several states adopted their own prevailing wage laws; to date, 32 states have laws patterned after the original Davis-Bacon Act.

In Wisconsin, the prevailing-wage system is reflective of what the industry pays its workers on private projects. The system is a democratic one. A survey of nearly 15,000 Wisconsin contractors is conducted each year to determine what the current market rate is for various classifications of workers. No legally incorporated contractor is excluded from this process. Given that, it is hard to view the system as being anything but free and open.

In Wisconsin, where we have our own prevailing-wage law (often referred to as a "little Davis-Bacon" law), the debate echoes the national one. Opponents of prevailing wages claim that the laws inflate construction costs, interfere with the free market and are based on outdated, New Deal legislation that has long since outlived its usefulness. Proponents not only attempt to refute these claims but also offer evidence that prevailing wages are beneficial to workers, project owners and local economies. Both sides, though, agree that the construction industry would be radically altered if prevailing-wage laws vanished. Sound reasoning, however, dictates that the change would not be a beneficial one.

Tangible benefits

Numerous independent academic studies have documented the tangible benefits of prevailing wages to local economies. In Wisconsin, current market-wage standards ensure health care, retirement savings and continuing education to thousands of construction workers. This translates into a healthy, self-sufficient citizenry and state economy.

Another misconception is the suggestion that construction workers are overpaid on public projects. Even when pay on public projects is accounted for, the annual median salary for a construction worker in Wisconsin is only \$35,310 (according to the most recent Wisconsin Department of Workforce Development data). This salary, when adjusted for inflation, is less than what the median salary for construction workers was in 1973. It simply isn't logical, then, to argue that the increasing cost of public construction projects is based on "artificially high" worker wages.

"No matter who owns the capital, capital works for everybody."

James Davis, Republican co-sponsor of the Davis-Bacon Act of 1931.

The construction industry is notoriously fragmented, undercapitalized and underdeveloped. Unlike most other major industries that invest between 3 percent and 5 percent of annual sales into research and development, the construction industry in the U.S. invests roughly 0.6 percent. Prevailing-wage standards encourage contractors to invest in technology to ensure higher productivity on public construction projects. This in turn encourages contractors to invest in worker training. Although the industry's investment in research and development is poor, without prevailing wages, it would be dismal.

As James Davis once said, at the end of the day, capital works for everyone. Our prevailing-wage system strengthens the construction industry, ensures the integrity and value of tax-funded projects, and keeps a vital portion of our economy from falling into the hands of unscrupulous contractors. We all need to do our part in guaranteeing that the system remains intact and enforced.

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