Laborers' International Union of North America

LiUNA!

Feel the Power

<u>The Davis-Bacon Act and Prevailing Wage Laws</u>

Protecting Paychecks, Defending Taxpayers and Creating Build America Jobs

- Davis-Bacon mandates payment of locally prevailing wages on projects funded by the federal government. Davis-Bacon prevents government spending from having undue influence on local wages and living standards. Where unions are strong, the prevailing wage is likely to be close to what local union workers make. Where unions are not strong, the prevailing wage is likely to be lower than what local union workers earn.
- Corporations <u>do not</u> pass the money they save from cuts in labor costs on to taxpayers. In fact, when corporations block prevailing wage laws they <u>destroy jobs</u> and <u>cost taxpayers</u> millions of dollars.
- Corporate interests and their advocates in Congress oppose Davis-Bacon because they want to cut workers' paychecks and pocket the pay-cuts as profits.

The research is clear: protecting workers paychecks with prevailing wage laws may reduce tax money that goes toward corporate profits, but it does <u>not</u> increase costs for taxpayers.

- A study of school construction costs in Great Plains states showed that prevailing wage laws do not raise construction costs – but repealing such laws hurt taxpayers and workers. After Kansas' prevailing wage law was repealed, wages fell 11 percent, training programs declined 38 percent, jobsite injuries rose 19 percent and employer contributions to pensions fell 17 percent, according to the study prepared for the Kansas Senate.
- Highway construction costs are actually higher when workers are paid less, according to an analysis of Federal Highway Administration data by the Construction Labor Research Council. The study showed that the cost to build a mile of highway in high-wage states (averaging $17.65 per hour) compared with low wage states ($9.76 an hour) was, on average, $123,057 per mile less due to higher productivity.
- A Wisconsin study (Belman and Voos) of the state's prevailing wage law showed that potential savings from wage cuts were far outweighed by the loss of income to communities. The annual cost of repealing the law was estimated at $123 million in lost income and a *net* tax revenue loss of $6.8 million. In Missouri, a similar study (Kelsay) showed a loss to the state of $318 million to $384 million.
- Cost overruns are more likely without prevailing wage laws. In Utah, a repeal of the state prevailing wage law was followed by a tripling of cost overruns, which was attributed to lower productivity and a less skilled workforce (Phillips).

Davis-Bacon is a tried and true way to protect paychecks, defend taxpayers and create jobs. The last thing our economy needs is a pay-cut for working people or policies that destroy good jobs, while pouring more taxpayer money into corporate coffers. That would defeat the purpose of economic stimulus spending and investment in building America.

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