

Wisconsin Institute for Law & Liberty: Study: Federal Davis-Bacon Act raises costs, limits competition in WI

Posted on Thursday, May 28, 2020

>> **WisPolitics is now on the State Affairs network. Get custom keyword notifications, bill tracking and all WisPolitics content. [Get the app or access via desktop.](#)**

90% of WI contractors in survey report law raises costs, repeal would spur more bids

The News: A [new study](#) from the Wisconsin Institute for Law & Liberty (WILL) finds clear evidence the federal law known as the Davis-Bacon Act (DBA) artificially raises the cost to taxpayers by as much as 50% in some professions, and Wisconsin construction companies indicate a repeal would spur more project bids. As Wisconsin recovers from the COVID-19 response, the Davis-Bacon Act distorts wages, limits competition, and raises costs for taxpayers at a time when Wisconsin can ill-afford it.

The Davis-Bacon Act: The Davis-Bacon Act, a federal law passed in 1931 to limit competition from non-union construction workers, requires any federal construction job that costs more than \$2,000 offer a “prevailing wage,” or a federally mandated wage floor. Nationwide, Davis-Bacon Act results in an average prevailing wage rate 22% higher than the market rate.

The Study: To determine how the DBA distorts market wages in Wisconsin, WILL used Bureau of Labor Statistics (BLS) data to contrast the average market wage to the reported prevailing wage for five construction jobs. The results:

- Roofers in Wisconsin make 50% more under DBA than they do in the private sector.
- Carpenters and plumbers earn a DBA wage premium of about 20%.
- Steel workers earn an 8% DBA wage premium.
- Construction workers in the Milwaukee area earn the largest wage premium in the state of more than 20%.
- The entire Western portion of the state, including Dane County, earns the next highest premium between 10 and 20%.

The Survey: WILL also partnered with Associated Builders and Contractors – Wisconsin (ABC) to better understand how Wisconsin business owners view the Davis-Bacon Act. A survey of 125 Wisconsin businesses and contractors found:

- 90% of construction companies report DBA **increases** employment costs.
- 68% reported bidding on jobs that involved DBA compliance in the last year.
- 67% would be **more likely** to bid on projects that currently require compliance with DBA if the act was lifted.
- 24% report the DBA does not affect whether or not they bid.
- Just 3% said the DBA increased their likelihood of bidding.

The Quote: WILL Research Director Will Flanders, PH.D., said, “The Davis-Bacon Act distorts wages, limits competition, and increases the cost of employment for Wisconsin contractors. If Congress is to undertake significant infrastructure investment, they must turn an eye towards reforming the DBA to ensure that taxpayers pay market wages for construction.”

Read More:

- [“The Effect of the Davis-Bacon Act in Wisconsin,”](#) Will Flanders and Jessica Holmberg, May 2020