



The Beacon Hill Institute for  
Public Policy Research

# News Release

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## ***Study: Mismeasuring labor markets costs taxpayers millions in construction costs.***

(Boston, MA) – A new study by the Beacon Hill Institute finds that the measurement of prevailing wages by one federal agency instead of another agency is costing taxpayers millions of dollars on public construction projects across the United States.

The findings suggest that the federal government could realize labor cost savings as projects ramp up under the recently passed Infrastructure, Investment and Jobs Act (IIJA) by relying upon the Bureau of Labor Statistics (BLS) instead of the Wage and Hour Division (WHD), both of which are under the U.S. Department of Labor.

The federal Davis-Bacon prevailing wage law generally requires contractors on government construction projects to pay workers a government-determined “prevailing wage.” The problem is that the Wage and Hour Division doesn’t actually capture the wages in a market due to small samples, low survey responses, and a bias toward the prevailing union wage in a locality. A majority rule that lets 50 percent of survey respondents set wages for the entire universe of workers is also responsible for the mismatch.

“We find the WHD wage generally exceeds the BLS wage, causing construction costs to exceed what they would be but for the Davis Bacon Act.,” says David G. Tuerck, president of the Beacon Hill Institute and co-author of the report. “We also find that the BLS wage determinations are calculated with accurate and robust data in a timely manner, in contrast to the WHD wage determination process.”

BHI’s findings are consistent with other reports published by the Office of Inspector General, the Government Accountability Office and the Congressional Budget Office. According to the Institute, the flawed WHD method inflates wages, on average by 20.21 percent while inflating construction costs by 7.21 percent. The latter is important because labor costs are approximately 40 percent of all construction costs.

The calculation of prevailing wages calls for major reform. “The DOL can accomplish this by giving BLS the duty of determining the prevailing wage,” added Tuerck. “Enhancing and using the BLS’s existing surveys and methods will ensure that taxpayer dollars are being used efficiently while allowing for greater investment, job growth, and economic growth.”

The study is available at [www.beaconhill.org](http://www.beaconhill.org).

